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THEORETICAL FOUNDATIONS OF MONETARY POLICY

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Abstract
It is natural for any country to worry about monetary policy for its political and economic future. This article describes the theoretical foundations of monetary policy in detail.

Keywords: monetary policy, economic growth, development, certain features, goal, priorities, etc.

Monetary policy (hereinafter referred to as monetary policy) is developed and implemented by almost all countries and is considered the most important direction of the economic policy of any state. At the same time, modern economists do not have a consensus on the interpretation of the concept of “monetary policy”; various authors give similar definitions of the term, highlighting certain features: scope of application, objects of influence, goals, priorities, etc. So, for example, monetary policy is understood as a set of measures, the essence of which is to manage interest rates, loan volumes, money supply and other indicators of money circulation and the loan capital market. Another approach defines monetary policy as a policy (or a set of interrelated measures) in the monetary sphere, carried out by the central bank of the country in order to regulate the market situation and the reproduction process, in order to achieve a level of production that ensures price stability and full employment. A similar, but narrower approach can be found among Western economists, who distinguish among the goals of monetary policy either only “monetary goals” or “...control over the normal functioning of the banking and financial systems, as well as over the level of supply of money and credit resources contributed to the solution of national economic problems." Famous Russian scientist O.I. Lavrushin gives the author's definition of monetary policy - this is the implementation of short-term and long-term measures by the state to manage the dynamics of money turnover. According to Tarasevich L.S. Monetary policy means influencing economic conditions by regulating the amount of money in circulation. Thus, we can highlight the pronounced monetarist nature of views on the essence of monetary policy in modern economic theory. At the same time, in addition to the influence of the regulator on the amount of money in the economy, there are other ways of carrying out unified monetary regulation in the state.

These include the influence of the regulator through the banking sector on the level of economic growth in the country, supply and demand, regulation of banking activities using selective methods. Ultimately, monetary regulation is not always aimed only at maintaining the level of the required amount of money in the country, but also at strengthening the entire financial structure of the country, increasing the investment attractiveness of the economy, and stimulating the development of business entities. Thus, two directions of monetary policy can be distinguished depending on the nature of the goals set: strategic and tactical. Strategic monetary policy should be focused on a long period of development (at least up to 3-5 years) and provide for the solution of significant goals in the context of certain economic strategies of the state. Tactical monetary policy, developed in the context of a strategic one, should be aimed at solving the problems of the annual stage

of the country's development, determining the appropriate forms and methods of organizing monetary relations. Only the interrelation of strategy and tactics of monetary policy will minimize the factor of uncertainty of future development, minimizing the negative self-organization of the monetary system. Another important issue is the separation of the concepts of “monetary policy” and “monetary regulation”. We will proceed from the position that, in accordance with the strategy and tactics of monetary policy, the state carries out monetary regulation. In other words, monetary policy finds its practical implementation in relevant government activities, which are implemented through the mechanism of state monetary regulation (monetary mechanism).

In the most general case, it represents a set of ways to organize monetary relations created by the state in order to ensure favorable conditions for the economic development of society. In each specific case, by the mechanism of monetary regulation we will understand the system of organizing monetary relations and practical measures in the financial market, implemented by monetary regulatory authorities (and primarily by the central bank) with the monetary policy tactics chosen in a given time period. The structure of the monetary regulation mechanism is quite complex. It includes various elements corresponding to the diversity of monetary relations in the country, the main of which are:

1. strategic and tactical monetary planning and forecasting;
2. development of monetary indicators, standards and limits;
3. monetary management;
4. determination of effective monetary levers (incentives);
5. implementation of banking supervision (monetary control).

Each sphere and individual link of the monetary mechanism is an integral part of a single whole. They are interconnected and interdependent, and the internal linking of the constituent links occurs through the principles of the functioning of the monetary mechanism. At the same time, the spheres and units function relatively independently, which carries the risk of miscoordination of their activities. In addition, the development of the country in the context of globalization and the creation of integration unions entails the emergence of new forms of monetary relations and, accordingly, the complication of the monetary mechanism. All this necessitates updating and constant coordination of both the fundamental principles and other components of the monetary mechanism, which is the most important condition for its effectiveness. Based on the foregoing, we can conclude that the monetary mechanism is a set of types and forms, principles and levers, methods and tools for the formation and use of monetary resources in order to achieve the goals of tactical and strategic monetary policy. This mechanism plays a special role in the implementation of the state’s monetary policy, as it is designed to create conditions for increasing the effectiveness of monetary policy and achieving its tactical and, accordingly, strategic goals.

The first goal of monetary regulation - maintaining price stability in the country - is decisive and is often interpreted as a consistent reduction in inflation. Reducing the negative impact of inflation processes helps improve the investment climate in the country and strengthens the trend of long-term economic growth. The problem of achieving a high level of employment is solved indirectly through stimulating national sectors of the economy to develop and maintaining their sustainable competitiveness in the world market. In our opinion, the fundamental goal of monetary policy in modern realities should be to maintain the rate of economic growth in the country not lower than global trends. The last three goals help smooth out market fluctuations in the domestic financial market, which ensures the integration of the national financial system into the global one with the influence of the planetary information field factor. One of the most important elements of the monetary regulation system are the methods and tools by which monetary policy is implemented. The required

reserve policy as an instrument of monetary policy is the most effective and has a strong impact on the volume of money supply in circulation. Minimum reserves are the most liquid assets that all lending institutions must hold, typically either in the form of cash on hand at banks, deposits with the central bank, or other highly liquid forms determined by the central bank. The reserve requirement ratio is a percentage of the amount of minimum reserves established by law to the absolute (volume) or relative (increment) indicators of passive (deposits) or active (credit investments) operations. The use of standards can have both total (established for the entire amount of obligations or loans) and selective (for a certain part of them) impact.

Gradually, the two methods of monetary regulation described above lost their primary importance, and central bank interventions, called open market operations, became the main instrument of monetary policy. This method consists in the fact that the central bank carries out transactions of purchase and sale of securities in the banking system. The purchase of securities from commercial banks increases the latter's resources, accordingly increasing their lending capabilities, and vice versa. Central banks periodically make changes to this method of credit regulation, change the intensity of their operations and their frequency. Depending on the form of market transactions of the central bank with securities, they can be direct or reverse. A direct transaction is a regular purchase or sale. The reverse involves the purchase and sale of securities with the obligatory completion of a reverse transaction at a predetermined rate. The flexibility of reverse operations and the softer effect of their impact make this regulatory instrument popular. Thus, open market operations, as a method of monetary regulation, differ significantly from the previous two. It is worth noting that in addition to operations for the purchase and sale of securities, the central bank can carry out the purchase and sale of currency, which is called foreign exchange intervention. This is especially important for maintaining a stable exchange rate of the national currency. For example, the Central Bank can buy foreign currency for rubles, thereby reducing the ruble exchange rate. In addition to the listed main methods of regulation, there are also methods of administrative regulation, establishing quantitative restrictions, benchmarks for money supply growth, etc. The Central Bank has the right to establish standards (coefficients) that commercial banks are obliged to maintain at the required level. These include balance sheet liquidity standards, maximum risk standards per borrower, capital adequacy standards, and some others. It is obvious that the use of administrative pressure by the central bank in relation to commercial banks should not be systematic, but should be used exclusively as forced measures. There are also methods of quantitative credit limitation. Their task is to determine the maximum volume of loans issued by commercial banks. This helps to reduce the money supply. However, in this case, small businesses may suffer, since banks will primarily issue loans to their large and regular customers in order to maintain their trust.

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