

THE THEORY OF MONETARISM AND KEYNESIANISM, THEIR PRACTICAL SIGNIFICANCE IN THE PRESENT ERA

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ABSTRACT	KEYWORDS
This article examines the emergence of Monetarist and Keynesian theories and their theoretical and practical significance. The main directions of the Keynesian theory and their characteristics, the analysis of the conflicting aspects with the theory of monetarism was carried out. In addition, the practical importance of the theory of monetarism in the current period and the experience of foreign countries in the effective use of monetary policy instruments are mentioned. The directions of effective use of monetary policy have been highlighted.	employment rate, monetary policy, financial instruments, economic crisis. Keynesianism, economic growth, inflation, unemployment, money supply, budget deficit, fiscal policy, investment.

INTRODUCTION

Undoubtedly, macroeconomic fluctuations are a recurring process throughout history. There are four consecutive stages in the movement of the economic cycle: crisis, recession, revival and peak periods. The analysis of business cycles began in 1920 with the establishment of the National Organization of the United States Bureau of Economic Research. Although, since then, business cycles have been regular and unpredictable, records of historical economic fluctuations, complex macro models and several theories have failed to explain and predict. The main business cycle theories are the theories of population growth dynamics, Marxian capitalist crises, long waves and innovations, psychological theories, Keynesian and monetarist theories, respectively.

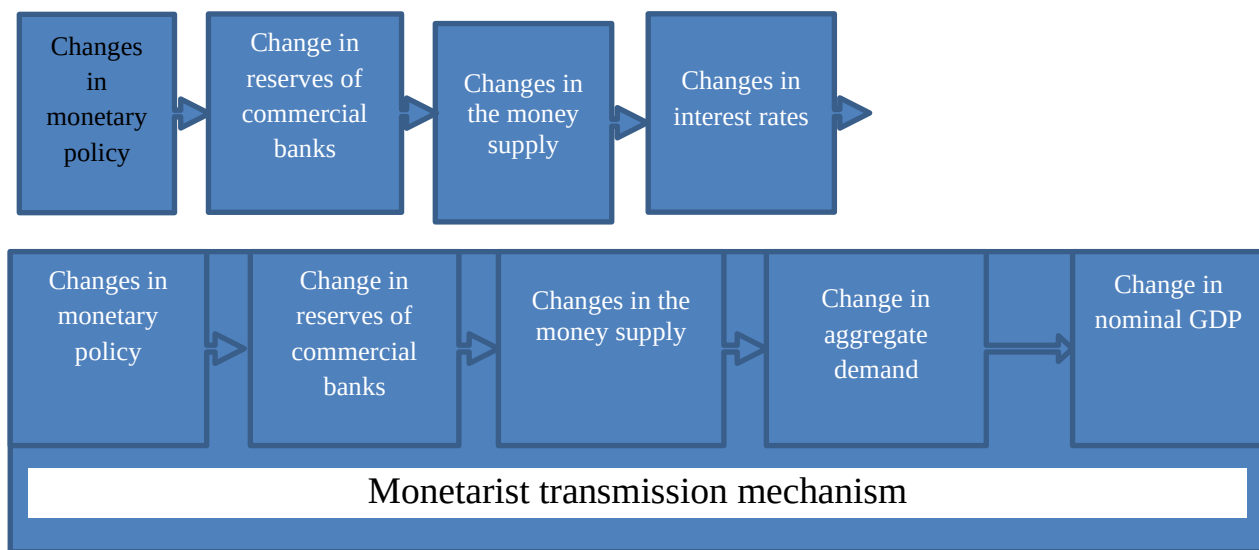
Most research on business cycles focuses on the Great Depression of 1929. Keynesian and monetarist theories, among others, became central to the discussion of this depression for several decades. Therefore, this article examines the Keynesian and monetarist theories of economic cycles and their opposing ideas. Keynesian theory considers fluctuations in demand to be cyclical and recommends active control of government policy to ensure stability[1]. Monetarist theory sees fluctuations in the money supply as the main source of economic fluctuations.

Material and method. Keynesian monetarist debates focus on the sources and measures of economic fluctuations or business cycles. Keynes' theory of the business cycle focuses on changing expectations. Expectations are the main source of business cycles. In other words, the impulse in Keynesian theory of the business cycle is future sales and profits. The higher (smaller) the expected

future sales and profits, the higher (smaller) the new investment. Expectations are volatile because predicting the future is so complicated. Keynesian theory does not imply that expectations are irrational.

The monetarist theory of the business cycle emphasizes the money supply as the main source of economic fluctuations. The impulse cycle in the monetarist theory of the business cycle is a sign of the growth rate of money. Keynesian theory of monetary policy than fiscal policy emphasizes the inefficiency, while monetarist theory emphasizes the direct effect of monetary policy, not fiscal policy, in determining changes in the level of production.

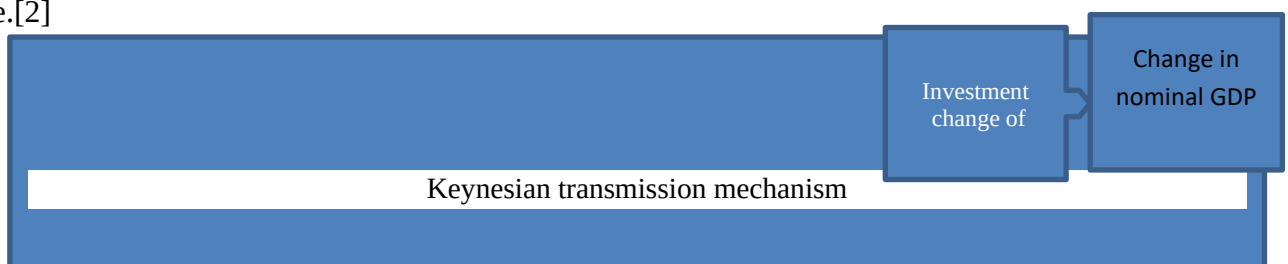
Monetaristlarning fikricha, davlat xarajatlari inflyatsiyani keltirib chiqaradi. Inflyatsiyaga to'g'ridan-to'g'ri ta'sir ko'rsatadigan pul massasi darajasi uni nazorat qilish uchun should be used.



(Fig. 1. Transmission mechanism of Keynesian and Monetarist monetary policy

Results

Over the last four decades, monetarism has played an important role in shaping economic policy. Monetarists often support free market ideas and support a policy of non-interference by the state in the activities of micro-level enterprises. In principle, monetarists could advise on the necessary regulation of the economy in order to resort to monetary policy instruments. But they decided to rest on the assumption that the private sector is sufficiently stable and that the government is generally responsible for instability in the economy. In addition, according to monetarists, money affects the volume of production only with a significant delay, the magnitude of which may be different. Therefore, the development of an effective stabilization policy is sometimes delayed for a long time.[2]



Thus, the main element of the monetarist economic philosophy is the rule of money and credit: in order to maintain a constant growth rate of the money supply in all economic conditions, it is necessary to use an effective monetary policy.[3] As a difference between monetary and fiscal policy, we can say that monetary policy is aimed at controlling the money supply, while fiscal policy is aimed at controlling taxes and expenditures by the government.

Monetary policy works most effectively when it is aligned with fiscal policy objectives. However, officials should be wary of using fiscal policy to influence monetary authorities, as this could lead to higher inflation. For example, if a country's central bank wants to stimulate the economy by further lowering interest rates, the President and Congress can decide to spend more money. But if this leads to an increase in inflation, the central bank would have to raise rates again, which could lead to a crisis or even a recession.[4] Also, fiscal policy has been less effective since the Great Depression of 2008, as many governments have failed to implement policies consistent with expansionary monetary policy.[5]

Conclusions and Suggestions

In our opinion, it is appropriate to implement the following measures in order to further improve the monetary policy mechanism in our country:

1. In order to increase the role of monetary policy, it is necessary to introduce the practice of granting primary, secondary and seasonal discount loans to commercial banks by the Central Bank.

In particular, the volume of open market operations is to convert bonds and certificates of deposit of commercial banks with a current liquidity level of 50 percent and above into objects of open market operations, in particular, the mandatory reserve rate of the Central Bank in relation to the deposits of commercial banks in foreign currencies attracted for a period of more than 1 year in the national currency Deposits should be set at the set rate level. These monetary measures allow the Central Bank to increase the effectiveness of monetary policy.[6]

2. In order to develop the secondary market in Uzbekistan, it is necessary to expand the volume of indirect monetary policy instruments, including pawnbroker overdraft mechanisms, currency SWOPs, overnight loans, REPO and re-REPO operations. This means attracting excess liquidity in circulation to the Central Bank, effective regulation of money supply, reserve money, credit volume, banking system and money market liquidity, direct impact on the real sector of the economy and monetary serves to further increase the role of politics in the economy.

3. In order to increase the ability of the Central Bank to influence the rates of loans of commercial banks, firstly, it is necessary to ensure the achievement of a moderate level of inflation (annual rate not exceeding 3 percent);[7] and secondly, refinancing loans of the Central Bank (discount loans, it is necessary to ensure the continuity of the practice of issuing pawn loans, overdrafts, term loans; thirdly, it is necessary for the state to influence the deposit offer of commercial banks by increasing the volume of placement of state securities under proper REPO conditions.

4. In the conditions of the transition of the monetary and credit policy to the active stage, it is necessary to continuously conduct open market operations to ensure the compliance of the liquidity in the banking system with the target operating indicators. In addition, by launching a single electronic platform of the interbank money market, it is possible to gather information on the free funds of commercial banks on a single platform and to create an opportunity for market participants to monitor

the dynamics of interest rates, which serves the formation of interest rates based on market mechanisms. does.[8]

In conclusion, it can be said that the implementation of the above-mentioned scientific proposal and practical recommendations will undoubtedly serve a great purpose in determining the role of monetary policy.

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