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THE NEED FOR MONETARY POLICY COORDINATION OF THE MEMBERSTATES OF THE EURASIAN ECONOMIC UNION

Abstract. Theoretical and practical aspects of monetary policy and monetary regulation for both developed and developing countries have been and remain particularly relevant, causing a lot of controversy.Moving the focus toward practice or using monetary policy concepts without linking to the characteristics of the transition economy can have negative consequences.The question of the goals and objectives of monetary policy, as we have already noted, is one of the initial ones that determine the disagreements and discussions in this area.In this regard, we should agree that «one of the most important problems, without which it is impossible to form an effective financial and credit policy is the configuration of the objective function.This means the paramount importance of selecting goals, indicating priorities and their sequence».

In general, it should be noted that despite the general similarity of monetary policies, each of them has significant differences that reduce the effectiveness of coordination of central banks.

When managing the process of forming a single monetary policy within EAEU, it is necessary to build a model that will strengthen the development of the national credit markets of the countries of the Union, stimulating their interaction provided that the negative consequences of systemic risks are minimized.

Keywords: monetary policy, exchange rate policy, monetary policy regimes, monetary regulation instruments, the central bank.

Introduction. The creation of unified Eurasian economic union is an important step in ensuring, first of all, the macroeconomic stability of the participating countries through deepening the integration of their economies.

Naturally, the opportunities and mechanisms of such coordination are largely determined by the regime of the exchange rate and, in general, monetary policy of the EAEU member states.

Theoretical and practical aspects of monetary policy and monetary regulation for both developed and developing countries have been and remain particularly relevant, causing a lot of controversy.The well-known Russian economists in this field note that «this phenomenon was not temporary or accidental, but was conditioned, firstly, by the specific methodology of the concepts of monetary regulation, secondly, by the logic of their historical evolution, thirdly, by the objective patterns of the current stage economic development» [1].

In our opinion, Professor Lavrushin O.I. characterized the situation very accurately: «In the world, monetary policy is not estimated as a science, but as an art. Economic science, as practice often says, does not provide precise tools for decision-making, so it's best to focus on your own experience and intuition.Academics like to criticize the heads of central banks for the lack of any complete doctrine of monetary policy based on proven hypotheses.But regardless of changes in the monetary theory, the management of the central bank is still an art» [2].

In our view, mutual accusations from theorists and practitioners are justified. However, shifting emphasis to practice or using monetary policy concepts without linking to the characteristics of a transition economy can have negative consequences. Therefore, close interaction of science and practice is needed to develop an effective monetary and credit policies.

Methods. Insufficient elaboration of the theoretical foundations of the monetary policy of the National Bank of Kazakhstan has also become an obstacle to ensuring its appropriate effectiveness.To date, along with the conceptual approaches to monetary policy and their methodological foundations,

many issues of an applied nature arise, especially for countries within the framework of a common economic union, in particular the EAEU.

In general, each of the regulatory schemes used in the Keynesian and monetarist approaches has its adherents. At the same time, practice shows that monetary policy relies on different theories, not only on Keynesianism, monetarism, but also on neoclassical synthesis, institutionalism and others.They are implemented in the respective stabilization programs of different countries. The specific choice depends on the system of scientific and methodological preferences chosen by the respective governments and their consultants.This is often given a certain political connotation, distorting in many respects the essential features of each of the theoretical schools. Consequently, the strategic problem of modern economic theory is to determine the optimal correlation between «state» and «market» in these historical circumstances.All the economic concepts that replaced one another during the XX century were distinguished by a change in priorities between the «state» and the «market» principles of the economy. In countries with developed market economies, the theory of state regulation of the economy continues to improve and is widely used in economic practice.Thus, today in the theory of monetary regulation there is no model of state participation, acceptable in the current economic conditions, in regulating economic processes. Neither Keynesianism nor monetarism, as shown above, can be recognized as effective models of state regulation.

In our opinion, in addition to forming the theoretical foundations of monetary policy, it is necessary to build a qualitatively new model of monetary regulation that takes into account the nature of the modern economy, which incorporates the elements of Keynesianism, monetarism and the theory of rational expectations [3]. Accordingly, this will allow us to use the conceptual approaches of Keynesianism, strengthening the role of state regulation in the conditions of unstable economic development, to conduct a restriction course in the period of revival and recovery, based on the positions of monetarism and in any situation take into account the behavior of market subjects to prevent inflationary expectations.In our opinion, only in this case, we will be able to ensure sustainable development of the economy with moderate inflation rates.

Results. Many experts agree that the structural theoretical foundations of monetary policy, as we know it today, were laid by the first Nobel laureate in economics, Jan Tinbergen.It is believed that Jan Tinbergen first introduced the concept of «monetary policy target». By it, he meant a fixed quantitative indicator, which monetary policy should strive to achieve by selecting the values of policy instruments or instrumental variables [4]. The great contribution of Jan Tinbergen to the construction of models of monetary policy is invaluable. He demonstrated the need for the number of policy instruments to be equal to the number of goals. As a result, Tinbergen's rule appeared in economic theory.The approach to monetary policy, proposed by Jan Tinbergen, was expanded and significantly supplemented by Henry Taylor in the late 1950s - early 1960s.

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Summarizing the views on the objectives of monetary policy, we came to the conclusion that the objectives for each time period are correspondingly different, although the ultimate goals of monetary policy should be immutable.At present, the set of numerous judgments and views proceeds from the fact that the ultimate goals of monetary policy should be defined as follows: economic growth; full employment; price stability; balanced balance of payments.

Thus, the above facts indicate that the choice of goals is a very difficult problem, since it must be carried out taking into account the internal and external economic situation in the country, priorities for final purposes, and also depending on the degree of change in demand for money and the velocity of their circulation, the reaction of economic variables to the dynamics of the interest rate.At the same time, as practice shows, some of the intermediate goals are closer to the final ones, but less subject to the influence of the central bank, while others are under its control, but far from general economic targets. So, the central bank is able to manage the monetary base, but it can not control the money multiplier and the velocity of money circulation,that is the demand for money.

The main goal of the monetary policy of the EAEU states is to achieve macroeconomic stability and sustained low inflation. As is known, during 2016 almost all EAEU states adhered to moderately strict monetary and credit policies. This is due to the desire for a long-term reduction in medium-term inflation expectations.

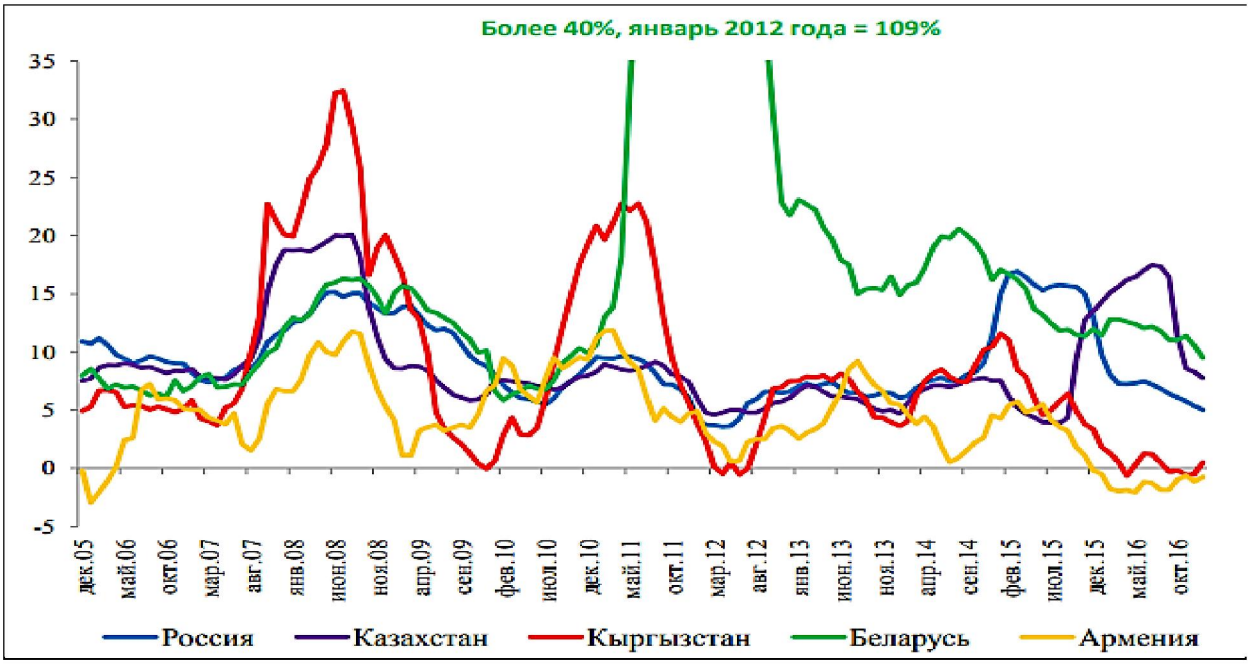

Figure 1- Dynamics of inflation in the EAEU countries, y/y in%

Due to the different approach of monetary policy to new external conditions and the different sensitivity of domestic prices to the influence of external inflation factors during 2015-2016, the inflation rates in the EAEU states differed widely with respect to each other. This indicates the continuing differences in the structures of the economies of the EAEU states and a strong exposure to external shocks.

Table 1 - Instruments used in the national monetary policy of the EAEU member states

Name	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
Refinancing rate (key rate)	+	+	+	+	+
Required reserve requirements	+	+	+	+	+
Open market operations	n/d	+	+	+	+
Establishing guidelines for the growth of money supply	n/d	+	-	-	+
Direct quantitative restrictions on bank operations	n/d	-	+	-	+
Issuance of bonds on its own behalf and provision of loans	n/d	-	+	+	+
Currency Interventions	+	+	+	+	+
Note: Source[6]					

The Central Bank's policies, according to EEC estimates [7], were characterized by the maintenance of positive real interest rates. At the same time, as inflation declined and confidence in national currencies