MONETARIST CONCEPT OF MONETARY POLICY

Annotation: the article examines the main provisions of the monetarist concept of monetary regulation of the economy. The stages of development of the concept under consideration are briefly described. The views of supporters of the monetarist concept on the causes of inflation processes and the emission of money are considered. Views of the Keynesian theory on the origin of the issue/

Key words: monetarism, monetary regulation, the demand function for money, the investment multiplier, the autonomy of the demand for money, the Keynesian approach.
Monetarism is one of the most influential areas in modern economic science, referring to the neoclassical direction. He considers the phenomena of economic life primarily from the point of view of processes occurring in the sphere of monetary circulation.

The term "monetarism" was introduced into modern literature by Karl Brunner in 1968. The monetarists put forward the slogan "Money matters", which became a kind of symbol of their teaching. At first glance, a sound and reasonable idea was expressed here about the important role of monetary circulation in the processes of economic development. In fact, the proponents of the new version of the quantitative theory put a special meaning in this phrase. They, as a rule, treat money not just as a significant economic factor, but as the main, central element of the economic system, determining in essence the state of the economic conjuncture and the entire course of the reproductive process.

The monetarist doctrine went through a series of stages, each of which focused on developing a range of problems. So, at the initial stage, which occupied the second half of the 50's and early 60's, the main efforts were focused on developing a new Variant of a quantitative theory of money, expressed in the form of a stable function of the demand for money. This function was in the monetarists' constructions analogous to the stable and reliably predicted velocity of money circulation, which serves as a link between the money supply and nominal (money) income. In subsequent years, many econometric calculations of the demand function for money were carried out. Most researchers sought to reveal the validity of the monetarist thesis that this function reflects the stable laws of behavior of economic entities that are clearly traced in various historical situations. [2, p. 100-103].

Friedman and other monetarists interpret inflation as a "purely monetary" phenomenon, generated by the accelerated issue of payment instruments. Here, the neo-classical roots of the doctrine clearly show its connection with the quantitative theory that proclaims the existence of a direct and direct connection between the
amount of money and the general level of prices. And although the monetarist model of nominal income allows changes in its physical component under the influence of money shifts, the main effect is always manifested in the price field. Money in this scheme is neutral, their effect is expressed in changes in the "price envelope".

The Keynesian position on these issues was significantly different from the monetarist one. According to the views of the author of the "General Theory", "genuine" inflation occurs only when the country's economy reaches the level of full employment; up to this point, if the economy has unloaded capacities and a large army of unemployed, the growth of the money supply in circulation will exert a predominant influence not on the level of prices, but on the physical volume of production through changes in the rate of interest. Small ("creeping") inflation has, from the point of view of Keynesians, a useful, "exhilarating" effect, it accompanies the process of economic development, growth in production and income.

An important place in Friedman's reasoning was given to inflation expectations - assumptions about the future growth of prices, formed in the minds of participants in the economic turnover. Keynesians in their constructions did not attach importance to the reaction of economic agents to the depreciation of money. In monetarists, these processes have taken center stage. In the mid-1970s, the confrontation between the Keynesian and monetarist schools was already directly manifested in practical measures of economic policy. In the late 70's and early 80's, the indicator of the sharply increased popularity of monetarism was the use of its prescriptions in formulating economic policy. Various versions of the monetary rule became widespread in the practice of central banks. This led to significant changes in the strategy of economic regulation in the capitalist countries. [3, p.396].

With the advent of monetarism, the search for a stable demand function for money has become one of the most popular areas of economic analysis in the
capitalist world. "Having a stable demand function," J. Judd and J. Scadding write, "means that the amount of money is associated with a small group of key variables that in turn connect money with the real sector of the economy." The discovery of such a connection strengthens the position of those who believe that money will be thrown away by an important and effective means of influencing the state of the economic conjuncture.

Money in the image of Friedman is the most inertial element of the portfolio of assets. In his model, cash balances are not a "shock absorber" or "shock absorber" for temporary fluctuations in income. He suggests the hypothesis that the demand for money is determined not by ordinary income, but by its stable part - the so-called constant income. The latter is calculated as a weighted average of a number of income levels for the current and past years with exponentially decreasing weights as the distance from the present period. In other words, when demanding money, economic entities are oriented not to short-term, but to past income, which corresponds to the adaptive model of the formation of expectations. Such a hypothesis, in the author's opinion, contains a clue to the observed discrepancies in the dynamics of velocity in the long-term and cyclical aspects.

The permanent income hypothesis underlies the Friedman money demand equation, where the real constant per capita income "explains" the overwhelming part of the fluctuations in the demand for money. Friedman's methodology has repeatedly been heavily criticized. A number of authors regarded the high elasticity of demand for income and its complete "insensitivity" to the rate of interest as a result of the application of smoothed series of constant income, "constant" prices and a broad measure of money. It was pointed out that in the course of econometric calculations, the effect of interest rates is largely eliminated due to the inclusion of time deposits in the money supply indicator, for which interest is paid. [4, p. 28-36].

Fridman repeatedly stressed the fact of "independence" of the supply of money from the demand factors for cash balances. In the article of 1956, he refers
to various kinds of technical conditions for the issue of money, to "political and psychological moments" that determine the actions of the central bank. In another work, the approach of Keynesians is criticized, where the amount of money passively "adapts to the needs of trade."

The idea of the autonomy of money is consistently pursued within the framework of a more general theme of the monetarist paradigm, namely, the interpretation of money as a causal factor in cyclical fluctuations in the market situation. Referring to the position of I. Fisher, who in the 1930s called the economic cycle "dance of the dollar", in other words, a reflection of changes in the purchasing power of money, Friedman asks the question: "Is the cycle a predominant reflection of" dance dollar, "or, conversely, the dollar repeats in the main features the dance of the cycle?" If we omit the verbal camouflage and protective clauses, the conclusion of the monetarists is reduced to the assertion that it is the shifts in the money supply that determine all major changes in the economic conjuncture, or, isher, the economy "dances" to the tune of money!

The monetarist concept of the emission mechanism was sharply criticized by the authors of the post-Keynesian school. Keynes himself did not pay much attention to the mechanism of issuing money. In his works, the money supply was regarded as an exogenous quantity. Post-Keynesians changed this approach. They focused fire on the most vulnerable part of the concept - the assertion that there is no stable line of causality going from economy to the size of the money supply. In one of the works prepared by a group of scientists from the University of Yale, led by J. Tobin (G. Johnson called these works "belated response of the Yale school against the Essays on the Quantitative Theory of the Chicago School"), says: "The amount of money, as usual determine is not an autonomous quantity controlled by government authorities, but an endogenous, or "internal", parameter that reflects the behavior of private economic institutions. " [5, p. 141].
References:


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