**Stechyshyn T. B.**

PhD in Economics

*Ternopil National Economic University*

**REALITY OF CURRENT MONETARY POLICY**

***Abstract.*** *In the paper the features of monetary policy and foreign central banks of National Bank of Ukraine are researched; the official data of central banks of the world - the US Federal Reserve, Bank of England, the ECB and the National Bank of Ukraine are used; expert ratings and reviews of independent analytical institutions are processed. Found that the most effective anti-crisis monetary tool is the discount rate and policy of quantitative easing. The same instruments would be used in monetary policy in Ukraine have been adapting to the realities of the present and the Ukrainian mentality. Soft monetary policy aimed at maintaining circulation of credit in the banking system and stimulates economic development.*

***Key words: monetary policy, monetary tools,*** *Quantitative easing, interest rate.*

Monetary policy of any state is an effective tool to regulate and stimulate economic growth of the state which contributes to the expansion of economic entities activity and production development. However, the modern practice of state regulation of the economy shows that monetary factors have not only the greatest impact on economic development, but also lead to greater instability in the overall economy. In scientific researches they discuss the international aspects of monetary policy, a subject often glossed over in modern debates about rules-based policy, at least compared with discussions about the classic rules-based gold standard

The international monetary system has drifted away in recent years from the kind of steady rules-based system long advocated by academic reformers and experienced practitioners across the economic spectrum all the way from Milton Friedman (1953) to Paul Volcker (2014). When you look around the world, you see huge swings of capital flows especially into and out of emerging markets; you see increased volatility of exchange rates reminiscent of currency wars and competitive devaluations; and worst of all you see poor economic performance, including a global financial crisis, a great recession, a very slow recovery, and now disappointing economic growth in many emerging markets and developing countries. [1].

Given the global trends, current state of economic development in Ukraine is also characterized by persistent economic crises, devaluation of the currency and systemic banking crisis. In these circumstances, it is appropriate to make informed decisions about the use of effective tools aimed at overcoming the crisis and accelerate economic growth, taking into account the world experience.

The issues of classical monetary policy investigated foreign scientists John. Keynes, M. Friedman, P. Walker, Robert Triffin, T. Bayomi and domestic scholars A. Hal'chyns'kyi, V. Stelmach, O. Tereshchenko and others. However, the national economy needs the innovative restructuring in the context of European integration. That is why the latest trends in global and domestic monetary policy were researched in papers of J. Taylor, M. Labonte, K. Borilo, O. Dzyublyuk, R. Levchenko, A. Ignatyuk, A. Hudzovata and others.

Recently, Ukraine's economy is in crisis, there is a devaluation of the currency and significant problems in the money market. Widely seen one of the reasons for this situation is inefficient conduct of monetary policy. Consider it appropriate to analyze anti-crisis monetary policy instruments that were used in foreign countries and to develop proposals for Ukraine.

The monetary policy of the central bank has at its disposal a number of effective tools, the main goal of which - to create favorable conditions to stimulate investment in the real economy to the suspension of economic decline and achieve growth. Homeland theory and practice of monetary policy is the US, where Federal Reserve provides an effective monetary policy through the simultaneous use of the three tools of monetary policy. Experts point out that the most effective tool is to regulate the rate of the central bank. Economy crisis manifestations in the leading countries were settled by this method applying a policy of quantitative easing (QE). It is a [monetary policy](https://en.wikipedia.org/wiki/Monetary_policy) in which a [central bank](https://en.wikipedia.org/wiki/Central_bank) [creates](https://en.wikipedia.org/wiki/Money_creation) new electronic money in order to buy [government bonds](https://en.wikipedia.org/wiki/Government_bond) or other [financial assets](https://en.wikipedia.org/wiki/Financial_asset) to stimulate the economy. This differs from the more usual policy of buying or selling short-term [government bonds](https://en.wikipedia.org/wiki/Government_bond) to keep [interbank interest rates](https://en.wikipedia.org/wiki/Interbank_interest_rate) at a specified target value.An unconventional form of monetary policy, it is usually used when standard monetary policy has become ineffective at combating a falling money supply. Applications quantitative easing QE created specifically for the United States.

In the US, under the new monetary policy in the midst of the global financial crisis (in November 2008) was first implemented quantitative easing program. FRS sharply lowered interest rates almost to zero, and then the possibilities of stimulating monetary policy by traditional methods have been exhausted. QE was intended to rescue large corporations, banks and private companies through the purchase of impaired debts. During the program the FRS bought mortgage and other bonds worth $ 1.7 trillion, bringing the revived USA economy gradually recovered market securities (stock index rose nearly 100%), there was a gradual devaluation of the dollar.

Consider the basic tools that were used during crisis management to stabilize the eurozone financial system: 1) to improve credit conditions and the functioning of the money market ECB launched repeated injections of liquidity. However, this was done cutting interest rates (the minimum rate on the main refinancing operations decreased to 3.25% and the interest rate on "overnight" deposits decreased to 2.75%); 2) to solve financial problems started a program in which leading countries of the European Union pledged to provide for a transitional period financial assistance of up to 5 years; 3) to improve customer confidence in the financial system of the European Union the minimum amount of deposit insurance was increased from € 20,000 to € 100,000 in all Member States; 4) in order to avoid future financial crises reforms to create a more stable financial system in the future took place. The main areas: surveillance and control structure of remuneration in the financial sector and regulatory gaps in the legal systems market segments that are critical for rational activity sector.

We cannot miss the party on anti-crisis measures in the UK. The Bank of England in December 2007 began lowering refinancing rate. In March 2009 the Bank of England rate has dropped to historic lows - 0.5%. In the crisis period, the Bank of England announced the introduction of a new mechanism of refinancing of banks, called “Special Liquidity scheme” (SLS). SLS allows banks to "convert" illiquid securities in liquid government securities for three years. The scheme was launched on April 21, 2008 and ceased to have effect January 30, 2009. During this time, it took advantage of 32 financial institutions, the total share in the total assets of banks and savings banks exceeded 80% [2].

Thus, from the above it can be concluded that to overcome the global financial crisis, the Federal Reserve, European Central Bank, including the ECB and the Bank of England could reduce the discount interest rate by excluding from the banking system illiquid securities, increasing bank reserves and finally introduce new reforms to ensure a stable financial system in the future.

Central banks in the United States and Europe have been asked to do too much. Monetary policy is very effective at slowing an overheating economy and in reducing inflation. But it is much less effective at stimulating an economy where investment is low and the interest rate is at or close to zero [3]. The last thing we need is new tools for central bankers. Monetary policy has reached its limits not because there is a lack of more powerful instruments. The search for those leads in the wrong direction [4].

For developing countries, especially important and relevant is the study of experience of providing monetary policy by the states that brought the banking sector out of crisis or weak financial position. The main common features of anti-crisis measures in major foreign countries are to clean the banks of "toxic assets". Note that these processes are taking place in banking system of Ukraine, but observe withdrawal from the market of insolvent banks. In order to remove illiquid assets in Ukraine should apply a policy of quantitative easing, adapting it to the realities of the present and the Ukrainian mentality. This refers to the introduction of a clear and transparent mechanism that would make it impossible the use of corruption schemes. The gradual decrease in the discount rate would "unfreeze economy" and start reindustrialization and export expansion so need to Ukraine.

We believe that the current monetary policy should focus on stimulating credit activity of banks and increase the availability of credit resources (a policy of quantitative easing), however, the loans should be directed to certain important investment objects and institutions that adhere to the direction of credit conditions, must feel the support of the state. To do this we need: to identify important investment objects and the priority sectors of the economy; to define mechanisms and algorithms of refinancing of banks that support the economic policy of the state; to take all necessary steps to convert the NBU discount rate into effective tool of regulation of capital flows between the financial and real sectors of the economy; in the future, to develop measures for the proper functioning of the stock market. Its proper development is necessary to expand tools to manage risk and mobile operating capital flows. Only then NBU will be able to effectively use another tool of monetary regulation - open market operations; to promote overall deshadowing of economy using monetary instruments, which is able to provide official recognition of the bank as a percent of real market indicator, which is able to provide recognition the official bank rate as a percent of real market indicator.

Ultimately, it is worth noting that Ukraine has already become an integral part of the world economy, so the challenges of internal reform must address under the influence and with international calls based on positive and negative experiences of leading countries. So believe that stabilization of economy and strengthening the banking system is expected through monetary instruments.

**References**

1. Taylor JB. (2016) Rethinking the International Monetary System. Cato Journal. Retrieved from: <http://web.stanford.edu/~johntayl/2016_pdfs/>
2. Bankstats: Monetary & Financial Statistics (2017, January). Retrieved from: <http://www.bankofengland.co.uk/statistics/Pages/bankstats/2017/jan.aspx>
3. Baily M. N. (2016) Central banks have been asked to do too much. (The International Economy: The Magazine of international economic policy). Retrieved from: <http://www.international-economy.com/TIE_F16_CentralBankToolsSymp.pdf>
4. WHITE W.R. (2016). The last thing we need is new tools for central banker*.* (The International Economy: The Magazine of international economic policy). Retrieved from: <http://www.international-economy.com/TIE_F16_CentralBankToolsSymp.pdf>
5. Micossi S. (2015, May). The Monetary Policy of the European Central Bank (2002-2015) Sept special report. Retrieved from: <https://www.ceps.eu/system.pdf>