

## CURRENT PROBLEMS OF MONETARY POLICY IN FOREIGN COUNTRIES

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**Abstract:** *The article examines the current problems of monetary policy in foreign countries and the reasons for the emergence of factors affecting its development processes.*

**Keywords:** *monetary policy, discount period, commercial bill, currency intervention, open market policy.*

### INTRODUCTION

In improving the effectiveness of monetary policy, all countries in the EU recognize the monetary policy of the United States, Japan and Germany and use the experience of these countries. The results of the study of the best practices of the Central Banks of the developed countries regarding the monetary activity show that the monetary policy has improved over the years under the influence of innovative ideas.

Meanwhile, in a number of countries in the world, serious macroeconomic problems such as the unemployment rate, the balance of payments, the budget deficit and the growth of foreign debts have not been fully resolved. This situation requires the further development of the economy based on innovative ideas in each country, as well as the improvement of monetary policy.

Monetary policy plays an important role in solving these problems, and it creates favorable conditions for achieving the priority goals of each state's policy. In particular, monetary policy directly affects the volume of money and credit, the liquidity of the banking system and the money market, the real sector, and the balance of payments. Therefore, it will always remain the most important and effective means of regulating the economy in every country.

Currently, almost all countries effectively use the synthesis of Keynesianism and monetarism in the implementation of monetary policy, economic growth, liquidity of the banking system, macroeconomic and financial stability.

The following can be distinguished as the current problems of the modern monetary policy of foreign countries:

1. The emergence of strong pressure on the exchange rate of the national currency in countries with large deficits on the current account of the balance of payments.

One of the most urgent problems of the development of the US economy is the large deficit of the current account of the balance of payments. This is mainly explained by the presence of a large negative balance between the country's exports and imports. Especially, the amount of negative balance in foreign trade relations of the USA with China is increasing year by year. In particular, the amount of positive balance in mutual trade relations with China is

increasing. This is the reason for the dissatisfaction of the US government. Because the US government accuses China of deliberately keeping the national currency at a low level. According to them, keeping the nominal exchange rate of the Chinese yuan at a low level against the US dollar makes the goods exported from China to the US more competitive. The US also has a negative trade balance with Japan and Germany.

One of the serious problems of the US economy is undoubtedly the foreign debt problem. As of September 27, 2017, the external debt of the state in the USA is 20 trillion. amounted to a dollar.

In the US, the government's external debt is formed mainly as a result of the sale of US government bonds to foreign investors. At the end of September 2017, most of the US government bonds were purchased by Chinese and Japanese investors. In this case, the share of each of them in the total volume of sold bonds was 19.9 percent.

In Japan, the large external debt of the state and the high level of the state budget deficit affect the monetary policy conducted by the Central Bank. The reason for this is that the Central Bank of Japan is forced to increase the volume of investments in securities issued by the Government. Also, it is observed that the state external debt is relatively large in Japan. As of September 27, 2017, the foreign debt of the state in the USA is about 9 trillion. amounted to a dollar.

In turn, the Central Bank of Japan implements currency intervention in order to prevent the national currency from exceeding the nominal exchange rate, that is, from increasing the value of the yen. This prevents the increase in export prices and has a positive effect on the country's export potential.

In today's era of complete victory of globalization, the countries of the world will definitely exchange loans with each other in trade and economic cooperation. These debts include both direct borrowings by the states themselves and investments.

If we look at the debts of the countries of the world, most of the developed countries are included in the list of the most indebted countries. There is also the fact that they owed more to each other. For example, the largest foreign debt of the United States is from Japan, and the largest foreign debt of Japan is from the United States. This means that there is strong trust among the developed countries of the world, and they have been lending to each other and investing in each other's economies.

2. Problems of implementation of refinancing operations of the Central Bank in the global economy.

The fact that central banks are given the right to change the terms of discounting promissory notes and the amounts of the recalculation contingent creates certain inconveniences for commercial banks in refinancing operations.

Usually, the Central Bank sets a quota for all commercial banks in the country. Then, by dividing the amount of the re-crediting quota by the number of commercial banks, the re-crediting limit corresponding to one commercial bank is determined.

The European Central Bank (ECB) considers bill recalculation operations to be an important operation that ensures the link between monetary policy and the real sector of the economy. Therefore, the EMB authorized the Central Banks of the Eurozone countries to set a minimum quota for the use of commercial bills in refinancing operations. Development of circulation of commercial bills in developed countries allows Central Banks to influence the money supply and liquidity of the banking system through discount operations. For example,

in France, one-third of goods sold on credit by industrial enterprises are issued with commercial bills.

The concept of selling goods on credit does not exist in the practice of the Republic of Uzbekistan. No additional interest will be paid regardless of how late the amount of the goods is paid. Because the goods are not considered sold on credit. Since there is no sale of goods on credit, commercial bills are also not written.

### 3. Problems with money supply control.

Four instruments of monetary policy of central banks - refinancing policy, open market policy, mandatory reserve policy and exchange rate policy - allow effective influence on money supply. However, despite this, even in developed countries, money supply control does not always give the expected result.

The essence of the problem is that the Central Banks do not control the deposits of the population in the banks. The more people have deposits in banks, the more banks have reserves.

The essence of the second problem of controlling money supply is that Central Banks cannot fully control the growth of money supply through credit issuance by commercial banks.

### 4. The problem of ensuring the stability of the national currency and curbing inflation due to the increase in demand for foreign currencies.

In 2017, Russia managed to reduce inflation, but inflation expectations remained relatively high and stable.

The main factors that negatively affected the stability of the Russian ruble in 2017 were the following:

- drop in oil prices;
- an increase in the outflow of capital from the country;
- uncertainties in the field of budget policy;
- high and volatile inflation expectations.

In the implementation of the monetary policy of the Central Bank of Japan, two monetary tools are actively used - refinancing policy and open market policy.

The Central Bank of Japan is unique in terms of the stability of the central bank refinancing rate. In November 2006, the Bank of Japan's discount rate changed for the first time in five years.

It should be noted that in Japan, as in Great Britain, Canada, Luxembourg, and Sweden, the mandatory reserve policy is not used as an instrument of the Central Bank's monetary policy. The reason for this is that these countries have improved the practice of using traditional instruments of monetary policy, such as open market policy, refinancing policy, and currency policy. Therefore, in these countries, there is no need to use an administrative instrument such as a mandatory reserve ratio.

The official body that implements monetary policy in Japan is the Central Bank of Japan. The Bank of Japan is headquartered in Tokyo and has 32 domestic branches and 6 overseas branches. In accordance with the Law on the Central Bank of Japan, the Central Bank of 100 mln. has a charter capital of JPY. The bank issues a certificate in the amount of its capital, but at least 55 percent of the certificate must belong to the state.

The Bank of Japan implements monetary policy through monetary instruments. The strategic goal of its monetary policy is to achieve price stability in the country and ensure the stability of the national currency.

The Bank of Japan influences the supply and demand for credit resources through monetary policy. The Bank's Policy Council is responsible for setting and changing interest rates for various types of financial instruments in accordance with the Bank of Japan Act. The Bank of Japan's Board of Directors is responsible for developing and implementing monetary policy. The Board of Directors consists of 9 people, one of whom is the director, and two are deputy directors.

The high level of development of the stock market in Japan allows the Central Bank to effectively influence the money supply through open market operations. The Bank of Japan conducts open market operations mainly in the form of REPOs. In this case, securities are sold subject to repurchase by the central bank.

At the present time, the following securities are mainly used as an object of trading in the open market operations of the Central Bank of Japan: treasury bills; government bonds; government's medium and long-term treasury obligations; corporate bonds; deposit certificates of commercial banks; commercial bills of enterprises.

In Japan, the Central Bank's purchase of a security directly from the issuer itself is not considered an open market operation, but a credit operation. Because buying a security from the issuer itself is crediting it. Moreover, current transactions carried out to maintain the value of government securities are also not considered open market transactions. In conclusion, it can be said that the Governments and central banks of developed countries should take measures aimed at gradually reducing foreign debts, increasing the rate of economic growth, and taking measures to further increase the effectiveness of monetary policy.

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