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ISSUES OF MACROECONOMIC POLICY COORDINATION

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ABSTRACT

In this article, we have learned that coordination of monetary and fiscal policy is one of the most important indicators of country economy regulation and economic growth, and it has been achieved in several ways. Taking into account the views of the above economists, the author considered it expedient to develop his own scientific definition of the concept of "harmonization of macroeconomic policy". The state budget deficit and the use of fiscal and monetary rules in public debt management have certain advantages.

KEYWORDS: *Monetary Policy, Monetary Rules, Fiscal Policy, Interest Rates, Coordination*

INTRODUCTION

Today, the need for a coordination mechanism between the monetary and fiscal policy bodies in the world is considered necessary to achieve the desired ultimate goals of macroeconomic policy.

Decree of the President of the Republic of Uzbekistan "On measures to radically update state policy in the field of economic development and poverty reduction" PD-5975 of March 26, 2020 and the implementation of a coordinated policy with other agencies to ensure macroeconomic stability, including reducing inflation and achieving the set goals **[1].**

Based on the above, the issues related to the harmonization of macroeconomic policy in our country show the need to expand the scope of scientific research in this area in our country.

LITERATURE REVIEW

In recent years, the issue of harmonization of monetary and fiscal policies has again come to the forefront of economic research. Let's talk about some of them.

Economist Cui (2016) in his article "Monetary-fiscal interactions with endogenous liquidity frictions" developed a macromodel that challenged the investment and management of macro-models managed by domestic liquidity assets to understand the relationship between liquidity, monetary and fiscal policy. met with financial intermediaries in the markets **[2].**

Economists Bianchi and Ilut (2017), in their article Monetary / fiscal policy mix and agents' beliefs, formulate a model for the US economy in relation to changes in monetary and fiscal policy **[3].**

Economists Cevik, Dibooglu, and Kutan (2014) in their article "Monetary and fiscal policy interactions: evidence from emerging European economies" suggested that the Markov regime change from the first quarter of 1995 to the fourth quarter of 2010 for some transition countries and developing European countries. and the interrelationships between monetary policy. **[4]**

In their article Monetary-fiscal policy interaction and fiscal inflation: a tale of three countries, Kliem, Kriwoluzky, and Sarferaz (2016) discuss the impact of the relationship between fiscal and monetary policy on the low-frequency relationship between fiscal status and inflation from 1995 to 1999. based on the use of data **[5].**

Research Methodology

Studies have shown that foreign and local economists often use the concept of "macroeconomic policy coordination" and its most important components, rather than fiscal policy, monetary policy, and their relationship to each other.

Taking into account the views of the above economists, the author considered it expedient to develop his own scientific definition of the concept of "harmonization of macroeconomic policy". Coordination of macroeconomic policy is the joint development of general economic, fiscal and monetary policy by the Government and the Central Bank in order to ensure sustainable economic growth, full employment of resources and a stable price level implementation using the means.

Based on this approach, the theoretical and methodological basis for the coordination of macroeconomic policy can be formulated as follows. As can be seen from these figures, the harmonization of fiscal and monetary policies represents a systemic approach that has its own mechanisms. The mechanism includes areas, methods and tools of adaptation.

Areas of coordination include stimulating economic growth, reducing inflation, ensuring effective credit policy, financing the budget deficit and managing the balance of payments deficit.

Budgetary and monetary rules are the main means of coordination. Coordination methods include measures such as clear definition of procedures, methods and tools to ensure cooperation between the Government and the Central Bank, strengthening the legal framework for coordination and development of macroprudential policy to monitor risks. It is obvious that the main need for coordination is related to financial mechanisms.

Analysis and discussion of results

The development of financial markets in the country creates additional opportunities for improving (increasing) the methods of conducting monetary policy and public spending.

The need for harmonization of monetary and fiscal policy in Uzbekistan is clearly seen in practice (Figure 1).

It is obvious that the measures to stimulate the economy are not sufficiently reflected in the additional acceleration of economic growth in a balanced macroeconomic environment. In particular, in 2012-2016, the actual volume of production exceeded its potential, while in 2017-2019, the volume of production lagged behind its potential. It should be noted that the difference in production in our research in recent years, although the annual difference is negative, there is also a positive difference in production during this period, ie quarterly calculations.

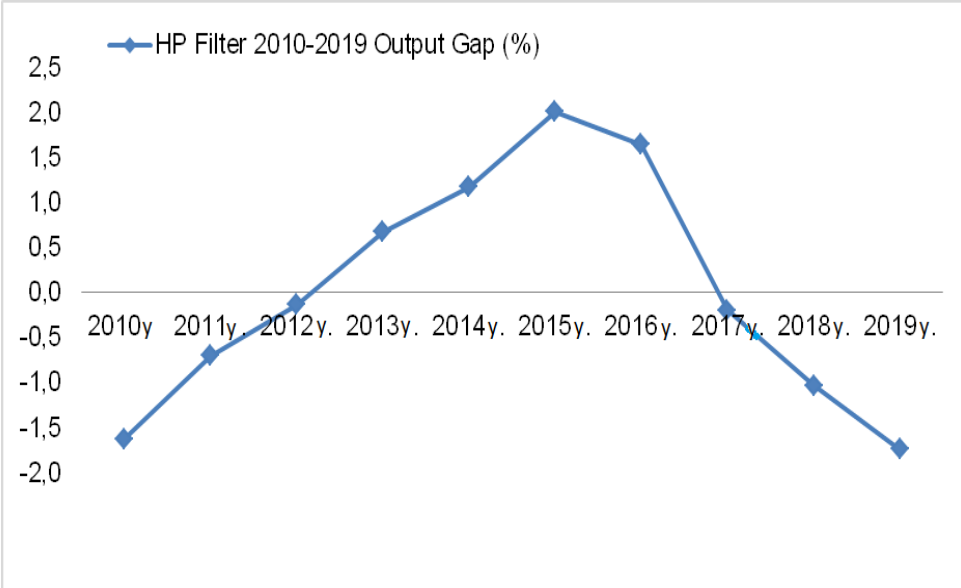

Figure 1. Difference between production potential and actual production volumes in 2010-2019 (Hodrik-Prescott filter).

This is explained by the fact that in the short term (quarter) the total demand is higher than the total supply, and in the intermediate period (annual) the total demand is lower than the total supply. At the same time, observations show that the long-term production gap (average for 2010-2019) has been minimized. At the same time, the author felt the need for operational (quarterly) data to confirm the reliability of this result. This is because the Hodrick-Prescott filter is usually based on the number of large observations over a short period of time. In our filter, the number of observations was small, and the interval was long.

Based on the results of the study, taking into account national and foreign operations, we have divided the mechanisms of coordination of fiscal and monetary policies into the following groups: legal mechanisms, financial mechanisms and economic mechanisms.

CONCLUSION/RECOMMENDATIONS

In conclusion, the harmonization of macroeconomic policy is necessary to achieve the goals of economic policy, including economic growth, achieving price stability and ensuring the balance of payments.

Fiscal policy indicators are closely linked to monetary policy indicators, and their changes have a significant impact on the effectiveness of economic policy. Including:

-Government debt is strongly linked to interest rates, exchange rates and money supply in the country.

- The tax burden, in turn, has a certain relationship with the exchange rate through the dynamics of the trade balance, as well as the money supply and interest rates.

- public expenditures are consistently linked to the exchange rate through both aggregate demand for money supply (through the demand for money) and interest rates through centralized investment, as well as expenditures related to public debt service.

Therefore, it is necessary to ensure that economic policy is harmonized, to improve the mechanism of coordination of macroeconomic policy on the basis of common means, methods and institutional systems of fiscal and monetary policy, and to take urgent measures in the relevant areas. is the main area of coordination.

The state budget deficit and the use of fiscal and monetary rules in public debt management have certain advantages. At the same time, it is effective to use the mechanisms of formation of the yield curve on government securities by establishing restrictive rules on public debt and regulating domestic debt as well as external debt in public debt management.

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