

12. Neoliberalism. Monetarism

1. The main theories of neoliberalism
2. M. Friedman as the founder of monetary theory

Neoliberalism is one direction of modern economic theories with neoclassical orientation. When talking about the essence of neoliberalism, it should be noted that neoliberalism, which arose in the 20s and 30s of the 20th century, combines the ideas of classical liberalism and the neoclassical school. It is also fundamentally different from Keynesianism and Marxism, even though it was born at the same time. Thus, the classical liberals saw the role of the state only in the creation of conditions for free competition, based on the self-management of the economy through the market mechanism. Neoliberals, on the other hand, suggested more active state intervention in the economy. They also relied on macroeconomic analysis.

The theory of neoliberalism has developed in several directions and includes different schools. Among them, we can mention the Freiburg (V. Oyken, L. Erhard, V. Repke, A. Ryustov), London (F. Hayek, L. Mizes, L. Robbins) and Chicago (M. Friedman) schools. In the second half of the 20th century, neoliberalism, as one of the main directions of economic thinking, tried to create a teaching about national economy based on the synthesis of the ideas of the new historical school, neoclassical and traditional liberal traditions.

In the development of the theory of neoliberalism, German economists, first of all, V. Oyken, who laid the foundation of neoliberalism and created its methodology, "Basics of Political Economy" (1939), "Basics of National Economy" (1947) played a big role. V. Oyken determines that as the nation develops culturally, it chooses a more decentralized (free) economy. In V. Oyken and the neoliberalism he represents, the role of the state is to create the market and then play the role of arbitrator. The role of the state in the economy is described as the role of the referee in a football game, i.e. controlling the rules. V. Oyken published his works under the name "Rules of Economics".

F. Hayek ("Monetary Theory and Trade Cycle" - 1933, "Profit, Interest and Investment" - 1939, "Price and Production" - 1931) was an economist of the London School, who is considered the founder of modern liberalism. After graduating from the University of Vienna, he conducted scientific research at the famous educational centers of the world at the London School of Economics, Salzburg, Freiburg and Chicago universities.

After the Second World War, the ideas of neoliberalism spread widely in a number of Western countries. Neoliberalism emerged at the same time as Keynesianism. Both doctrines reflected the attitude of political economy to the crisis of 1929-1933, which shattered the traditional notions of capitalism's self-regulation. But while Keynes associated the troubles faced by capitalism with the chronic lack of effective demand, the lack of sufficient incentives for this group to develop if the state does not intervene in the economy, the founders of neoliberalism saw the direct source of all troubles in the weakening of perfect competition and the monopolization of the economy, which undermines the influence of market regulators of production.

According to this economic theory, the money supply in circulation plays a decisive role in the stabilization and development of the market economy. M. Friedman, the founder of monetarism, an outstanding scientist, the founder of the Chicago school, who was from an immigrant family in 1976, completed his economic education with a scholarship (the famous University of Chicago), later worked as an economics professor at that university for many years (1946-1979). . He was awarded the Nobel

Prize in Economics "for his achievements in the analysis of consumption, the history of money circulation and the development of monetary theory, as well as in demonstrating the complexity of policy stabilization."

Monetarism emerged as a reflection of Keynesianism in the development of economic thought and came up with its own new ideas in economic theory. Thus, in the 70s and 80s of the last century, stagnation in production, inflation and unemployment in Western countries weakened Keynes's theory of the regulation of the economy by the state. The simultaneous functioning of inflation and unemployment made it necessary to pay more attention to the monetary factor in the economy. Therefore, the representatives of this school developed a monetary policy to explain the relationship between the money supply and the volume of production. Friedman was sure that "Inflation is always and everywhere a monetary phenomenon." If the growth rate of additional money in circulation is limited and its level corresponds to the growth rate of production in the economy, then the product price will increase.

The monetarist approach to economic management was widely used in the 1970s and early 1980s during the elimination of stagflation in the USA, Great Britain, the FRG and other countries, as well as in the transition to a market economy in Russia in the early 1990s. Monetary management is the management of the total money supply during the implementation of monetary and credit policy at the macroeconomic level in order to influence business cycles in the economy and help to achieve the macroeconomic goals of development. According to the monetary concept, modern market relations are a sustainable, self-regulating system that ensures political freedom and economic efficiency. Today, monetarism is not exactly the antipode of the Keynesian concept of economic development. Currently, there is a Keynesian-neoclassical synthesis in a certain sense. This independent theoretical model combines elements of both economic theories

Representatives of the theory of monetarism believe that money is the main force affecting all economic processes. Monetarism is a branch of neoclassicism in economics. From the point of view of monetarism, the intervention of the state in the economy should be limited to controlling the money circulation. Any other involvement of the state in economic processes leads to imbalance.

According to the ideas of monetarists, the state should gradually increase the amount of money supply by serving real economic growth. As people tend to save, the demand for money is constantly increasing, but here too one must be careful. So, if growth happens very fast, money exceeds the mass of goods and inflation occurs. Inflation has an extremely negative effect on the economy by reducing consumer demand in the long run.