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MONETARY POLICY AGAINST DESTABILIZING FACTORS

Abstract. The research presents the results of the analysis of measures to support the financial and real sectors, which were implemented by major central banks and governments in response to global bifurcation trends caused by the current suspension of the world economy due to the launching of quarantine programs. There are shown the disproportions of the distribution of stabilizing financial resources and it is emphasized that they are a manifestation of significant interdependence of financial institutions and the state in conditions of their current functional and institutional transformations because of financialization tendencies. The functional transformations of financial institutions are interpreted as an efficiency reduction of their distribution function, because of which the financial resources, avoiding the real sector of the economy, are concentrated in financial markets. The institutional transformations of the state were manifested in the fact that, along with its traditional classical functions of regulation, the mode of the state as an economic agent, which protects its own interests and the interests of its counterparties, became relevant. There are made the conclusions on the existence of ingrained financial and institutional imbalances that develop in the closed space of public and financial liquidity circulation in the article. It is shown the contradictions of the policy of quantitative easing in conditions of low and negative interest rates, which consists in the growth of financialization tendencies. It is concluded the need for targeted and controlled infusion of liquidity in conditions of instability. It is substantiated the expanded targeting of the stability of monetary unit as the most adequate monetary policy to the conditions of global instability.

Keywords: monetary policy, destabilization, liquidity surplus, financial and institutional imbalances, expanded targeting of the stability of monetary unit.

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ГРОШОВО-КРЕДИТНА ПОЛІТИКА ПРОТИДІЇ ДЕСТАБІЛІЗАЦІЙНИМ ЧИННИКАМ

Анотація. Представлено результати аналізу заходів з підтримки фінансового та реального секторів, запроваджених провідними центральними банками та урядами у відповідь на глобальні біфуркаційні тенденції, викликані сучасною призупинкою світової економіки через введення карантинних програм. Показано диспропорції розподілу стабілізаційних фінансових ресурсів і підкреслено, що вони є проявом істотної взаємозалежності фінансових інститутів і держави в умовах їхніх триваючих функціональних та інституційних трансформацій у результаті фінансіалізаційних тенденцій. Функціональні трансформації фінансових інститутів трактуються як падіння ефективності їхньої розподільної функції, у результаті чого фінансові ресурси, оминаючи реальний сектор економіки, концентруються на фінансових ринках. Інституційні трансформації держави проявилися у тому, що, поряд із її традиційними класичними функціями регулювання, актуалізувався модус держави як економічного агента, який захищає свої власні інтереси та інтереси своїх контрагентів. Зроблено висновки щодо існування вкорінених фінансово-інституційних дисбалансів, що розвиваються в замкненому просторі державно-фінансової циркуляції ліквідності. Показано протиріччя політики кількісного пом'якшення в умовах низьких і від'ємних відсоткових ставок, що полягає у зростанні фінансіалізаційних тенденцій. Зроблено висновок щодо необхідності адресного і контрольованого вливання ліквідності в умовах нестабільності. Обґрунтовано розширене таргетування стабільності грошової одиниці як найбільш адекватну умовам глобальної нестабільності монетарну політику.

Ключові слова: грошово-кредитна політика, дестабілізація, профіцит ліквідності, фінансово-інституційні дисбаланси, розширене таргетування стабільності грошової одиниці.

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ДЕНЕЖНО-КРЕДИТНАЯ ПОЛИТИКА ПРОТИВОДЕЙСТВИЯ ДЕСТАБИЛИЗИРУЮЩИМ ФАКТОРАМ

Аннотация. Представлены результаты анализа мер по поддержке финансового и реального секторов, предпринятых ведущими центральными банками и правительствами в ответ на глобальные бифуркационные тенденции, вызванные современной приостановкой мировой экономики из-за введения карантинных программ. Показаны диспропорции распределения стабилизационных финансовых ресурсов и подчеркнуто, что они являются проявлением существенной взаимозависимости финансовых институтов и государства в условиях их продолжающихся функциональных и институциональных трансформаций в результате финансиализационных тенденций.

Функциональные трансформации финансовых институтов трактуются как падение эффективности их распределительной функции, в результате чего финансовые ресурсы, минуя реальный сектор экономики, концентрируются на финансовых рынках. Институциональные трансформации государства проявились в том, что, наряду с его традиционными классическими функциями регулирования, актуализировался модус государства как экономического агента, который защищает свои собственные интересы и интересы своих контрагентов. Сделаны выводы о существовании укоренившихся финансово-институциональных дисбалансов, которые развиваются в замкнутом пространстве государственно-финансовой циркуляции ликвидности. Показаны противоречия политики количественного смягчения в условиях низких и отрицательных процентных ставок, которые заключаются в увеличении финансиализационных тенденций. Сделан вывод о необходимости адресного и контролируемого вливания ликвидности в условиях нестабильности. Обоснованно расширенное таргетирование стабильности денежной единицы как наиболее адекватная условиям глобальной нестабильности монетарная политика.

Ключевые слова: денежно-кредитная политика, дестабилизация, профицит ликвидности, финансово-институциональные дисбалансы, расширенное таргетирование стабильности денежной единицы.

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Introduction. The financial markets are the most sensitive to destabilizing factors. Therefore, they were the first to react to the coronavirus pandemic. The stock markets of Europe and the United States, as well as of many developing countries, fell by an average of about 30%. The national and global financial regulators responded with an avalanche of liquidity. At the same time, the situation has not stabilized through the negative expectations of global financial operators because of the sharp slowdown in the global economy due to the quarantine measures.

The modern general economic destabilization, the drop in world trade, falling production, breaking of production chains and supplies, rising unemployment, price fluctuations in energy — all these are factors of long-term global uncertainty that becomes the basic parameter that determines the further evolution of the global economy and society. Already nowadays, the IMF estimates the reduction of global GDP over 2020 and 2021 at around 9 trillion US dollars [1] due to the background of maintaining and growing huge amounts of global debt and the simultaneous deterioration of its quality. The WTO predicts global merchandise trade contracting by as much as 13—32 per cent in 2020 [1]. Global financial markets remain volatile, and emerging market economies are grappling with capital outflows and volatile exchange rates. The magnitude of the fluctuations is probably to have already exceeded the ability of financial markets to absorb shocks in the global economy. The situation can be described as extremely uncertain that automatically leads to a decrease in the utilization rate and a sharp worsening of the general conflict.

Global economic contradictions, which in the early of 2000s were developing as a confrontation between the world's largest economies and the countries that overtook them, and in the late 2010s in the conditions of *trampnomics* are presented in the form of trade wars. Today, in

the COVID-19 pandemic they will aggravate due to the speed and the effectiveness of countries to find a way out of crisis.

It is difficult to predict how global economic relations will develop after the national shocks of economic closure, trade fading and rising unemployment, because when the economies of North America and Europe were still in epidemic shock, China was gradually launching of production, returning to normal life. Thus, the gap is obvious, and under such conditions, the maintenance of geopolitical balance is complicated and will increasingly be achieved by non-economic levers, such as open political pressure and sanctions [2].

Global imbalances will exacerbate the national economic losses caused by economic downturns, reduce of consumption, investment, fall in trade, and rising government spending on future generations. Thus, today's bifurcation has a long-term, closed nature, provoking a trans-crisis state. At the same time, governments are in a difficult position due to the general systemic nature of the crisis and the obvious need to prioritize state support in an environment where not only financial markets but also the entire economy is destabilized.

In these conditions, the issue of ensuring adequate monetary influence in both the short and long term to overcome the national socio-economic destabilization, which has global origins, becomes relevant. The money stability, both nationally and globally, today looks like one of the last bastions of global cooperation and solidarity.

First of all, it is a question of providing in economy necessary volumes of liquidity for maintenance of uninterruptedness in calculations between all participants of economic interaction. But one of the main current problems of monetary regulation is that the more stabilizing financial resources are provided today, the more regulatory difficulties will arise in the future with a growing liquidity surplus, in which financial institutions are becoming less responsive to monetary policy measures (changes in interest rates, refinancing, etc.).

Research analysis. The issue of ensuring adequate monetary policy in times of crisis fluctuations is reflected in many works of researchers, representatives of major central banks and global financial institutions. The recent publications include Peter Praet [3], Javier Guzmán Calafell [4], and Ben Broadbent [5]; Benoît Cœuré [6], [7], researches of Tilman Bletzinger and Leopold von Thadden [8], the work of Stéphane Lhuissier, Benoît Mojon and Juan Rubio-Ramírez [9] and many others.

The purpose of this research is to systematize the measures of anti-crisis monetary policy, which were introduced by the world's major banks in the current financial and economic destabilization, identify the most effective steps of monetary influence and justify the policy of expanded targeting of currency stability as the most appropriate for global instability.

Research results. The governments have made significant expenditures to combat the coronavirus, support health workers, vulnerable population, maintain of existing jobs and fight unemployment, and prevent the solvency crisis. As at March 2020, the countries have allocated and plan to allocate during 2020: the United Kingdom — 39 billion dollars, the EU — 25 billion euros, Italy — 25 billion euros, South Korea — 25 billion dollars, China — 15 billion dollars, the United States — 8, 3 billion dollars, Japan \$ 4.1 billion, Australia \$ 1.4 billion, Canada \$ 750 million, the IMF \$ 50 billion, and the World Bank \$ 12 billion [10].

At the same time, the financial giant countries in the stabilization process focused on the financial sector. For example, quantitative easing (QE) measures in the United States to prevent a liquidity crisis were projected at \$ 1.8 trillion in early April 2020, [11] while coronavirus combat and social support were targeted at \$ 8.3 billion [10] (0.46% of the full volume of quantitative easing policy). These disparities are a manifestation of the significant interdependence of financial institutions and the state in conditions of their current functional and institutional transformations because of financialization tendencies.

The functional transformations of financial institutions have manifested in their fall in the efficiency of distribution function, as a result of which financial resources, avoiding the real sector of the economy, are concentrated in financial markets. Thus, there is increasing the financial depth in the global economic space; and the basic subjects of financial markets are so-called systemic

financial institutions — «too big to fail», which need the active government support in conditions of instability. As Adam Tooze rightly pointed out, 20—30 financial institutions [12] that create an oligopolistic financial market carry out the global movement of financial resources today. This market is volatile and has increasing amplitude of fluctuations, which requires the government intervention in the form of money supply. However, different models of quantitative easing do not take into account the supply shocks, which are intensifying each week of quarantine. Under such conditions, money gradually loses its property of rarity, and accordingly — its information potential. The relative prices for goods and services are distorted and can no longer have reliable economic information for producers and consumers. The economy becomes as unbalanced by definition, acquires the features of economy deficit and needs direct administrative regulators.

Institutional transformations, or rather deformations, of the state manifested in the fact that along with its traditional classical functions of regulation, the mode of the state as an economic agent that protects its own interests and the interests of its counterparties has become relevant. This leads to the fact that in conditions of instability, financial resources are allocated in the context of short-term goals of ensuring the solvency of financial institutions, rather than the goals of long-term stabilization and stability of the national economic complex.

The current financial dependence of the state and financial institutions is the result of their active interaction during the previous global financial crisis, in which, for example, EU member states had spent 1.6 trillion Euros on rescuing the systemic financial institutions [13]. The return of funds to the government was making through the purchase of government securities and intensification of operations with them. Thus, in the Eurozone, the state was the second largest counterparty of banking institutions after the population, non-financial corporations — are the representatives of the real sector gradually lost their position, reducing the amount of loans received from banks [14]. This has created a vicious circle of financial and government liquidity circulation, which in terms of quantitative easing policy (QE) will continue to grow, increasing the liquidity surplus in the global financial and institutional coordinate system. At the same time, the more resources are provided in the financial space today, the more financial institutions will grow (in terms of assets), and the more help they will need in the next crisis.

On March 16, 2020, the FRS lowered the rate to 0—0.25% and has announced a quantitative easing program. The QE program in the United States includes purchases of government-backed and corporate debt, support for consumer lending. If at the initial stage of the crisis the Fed announced the purchase by the Federal Open Market Committee (FOMC) of \$ 500 billion in treasury bonds and 200 billion mortgage bonds, then in the active phase of the pandemic it was already about unlimited support for financial markets, and as at March 23 was announced \$ 1.8 trillion [11]. As at the end of March 2020, the Fed's balance was \$ 4.7 trillion [15]. The US Federal Reserve has opened a new corporate credit line in the primary market up to 4 years — Primary Market Corporate Credit Facility (PMCCF) — for investment grade corporations (these securities are actively listed on the stock exchange) to keep them functioning by issuing loans and bonds. The Secondary Market Corporate Credit Facility (SMCCF) has also been launched to provide liquidity for outstanding corporate bonds by buying up corporate bonds issued by investment grade U.S. companies and suitable U.S.-listed exchange-traded funds. That should keep corporate borrowing costs down, and reduce the danger of defaults on a bond [16]. The Term Asset-Backed Securities Loan Facility (TALF) was established for retail business to support the flow of credit to consumers and businesses. The TALF will enable the issuance of asset-backed securities (ABS) backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration (SBA) [16].

As a result of these measures: the long-term debt burden on the economy is growing; at the same time, the volume of financial assets traded in the primary and secondary markets will increase, thus increasing the financial depth of the national and global economic space against the background of the expected decline in GDP. The growth of financial assets will be because of the following ways: increase in debt securities and loans of large businesses, the securities of which form the basis of the quotation list of stock exchanges, growth in securitization of asset-backed

securities (ABS), which will be issued as a result of increased credit support for retail customers. Thus, active government support of the financial sector will result in deepening financialization tendencies, increasing of long-term risks of financial instability due to the introduction of the debt nature of financial relations at all grades, increasing debts of all participants in economic cooperation.

Unlimited liquidity supply today is also explained by significant currency fluctuations in response to stabilization programs. The actions of national financial regulators today are caused by impact of anti-crisis measures in other countries, especially in the United States. For example, the increase in QE in the UK was due to rising demand for US dollar and the fall of pound. As at mid-March 2020, the quantitative easing program in the UK provided additional liquidity for £200 billion (through the asset purchase mechanism: non-financial investment-grade corporate bonds). In general, the total amount of assets acquired by the state will reach the equivalent of about 9% of UK GDP (with the ECB's QE program — €750 billion — over 7% of Eurozone GDP) [17]. Such bank's actions need to be seen in the context of recent developments in the financial markets — the fall in the value of the pound to its lowest level since the mid-1980s and a rise in gilt yields. The reason for both trends has been the strength of the US dollar — the safe haven of choice when markets are in a state of utter panic. By signalling it is prepared to buy gilts through the QE programme, the Bank is hoping to make them more attractive for investors and so reduce yields [17].

On March 19, 2020, as a measure of anti-crisis monetary policy, the Bank of England lowered the rate to 0.1%, the lowest official interest rates have been since the Bank was founded in 1694. At the same time, for Britain, as well as for the United States, as countries with substantial financial volume, in urgent cases only the direct provision of liquidity can stabilize the situation. The focus in the UK is on large business. The speech by Andrew Bailey, the Bank of England governor, that large companies can issue new commercial securities by placing them directly in the Bank of England and thus financing them through issuance, are in fact an unlimited form of quantitative easing. In addition, the governor of the bank has made it clear that the Bank will support any government initiatives to save the economy from the coronavirus crisis [18]. This could mean a growing supply of liquidity in response to increased government anti-crisis measures.

Today, the EU's stabilization programs are implemented at two levels: the national one, which is responsible for the real sector of the economy, and the all-European one, which is responsible for stabilizing the financial space, which is primarily done by the ECB. Germany has announced business support plans and unlimited lines of credit totalling €50 billion. Government loan guarantees should help businesses that faced a fall or cash flow problems. First of all, it refers to the most affected areas — air transport, tourism or the food industry. The French government has announced state guarantees up to 90% of the amount of credit claims for small and medium-sized enterprises [19]. Italy claimed €25 billion, Spain — €200 billion. It is clear that these steps will lead to an increase in public debt, the issuance of government securities, which in conditions of global instability will be placed in the national fiscal space under the QE program.

It should be taken in account that quantitative easing programs in the European (continental) fiscal space have not yet had the claimed results of economic recovery. Thus, previous programs (2012, 2015) aimed at intensifying the post-crisis recovery in the EU led to liquidity surplus and growth of financial assets. But they did not have a significant impact on real economic processes due to low interest rates in the interbank space, which forced banks «earn» on transactions with non-bank financial institutions. With a substantial liquidity surplus of €1.5 trillion in 2018 (the total balance sheet of the Euro system as at July 2008 was about €0.5 trillion, in 2018 — nearly €3.3 trillion), the desired economic growth did not occur [20].

At the same time, in the current financial panic, on March 18, 2020, the ECB was forced to announce a new temporary asset purchase program of private and public sector securities to «provide the monetary policy transmission mechanism posed by the escalation of the coronavirus pandemic» [21]. The new Pandemic Emergency Purchase Programme (PEPP) is designed for €750 billion (volume that not exceed the total financial support of the real economies), the purchases will

be conducted until the end of 2020 and will include all the asset categories eligible by ECB under the existing asset purchase programme (APP). Probably, taking into account the national programs to support the real sector, PEPP will be extended and the amount of provided financial resources will be increased. In the current conditions of the global debt economy, any mechanisms for implementing stabilization programs eventually lead to the need to increase the QE programs. Taking into account the financial infusions made under previous stabilization measures, which reached trillions, €750 billion is clearly insufficient for the European fiscal space.

In general, the stabilization quantitative easing programs of the world's major central banks — are, on the one hand, the result of coordinated global actions to address the risks to financial stability and economic disruption. On the other hand, it is a response to the intensification of liquidity supply by the Federal Reserve, which can be seen both in the EU and in the case of Britain. Following the Fed's move, the Bank of Japan announced measures focused on higher asset purchases and a new lending program to boost liquidity in the national fiscal space (the rate was negative at a level of 0.1%). The Bank of Korea dropped its benchmark interest rate by 50 basis points from 1.25% to 0.75% [22].

In the first weeks of the crisis, the Reserve Bank of India was focused on large systemic corporations, financial and non-financial [1], but in April 2020 they focused on small and medium enterprises, because the main risks of India's financial system are in the insolvency crisis of *small and medium enterprises* (SMEs). Almost 25% of loans to small and medium enterprises can become non-performing; 6% — in the corporate sector; 3% — retail segment (households). The problem of corporate defaults in supply chains and ensuring the confidence of bank depositors to prevent a liquidity crisis also needs special attention. Nowadays, the liquidity measures have amounted to 0.8% of GDP. It is planned that during 2020-2021, joint financing will amount to about 5% of GDP. The government pays for a share of the payroll for the 60 million informal contractual and permanent workers linked to companies and provides direct income support for the 135 million informal workers who are not on any form of company payroll. For bankruptcy protection and liquidity support, SMEs will receive credit lines from their banks, refinanced by the Reserve Bank of India through repo transactions [23]. In order to encourage banks to deploy these surplus funds in investments and loans in enterprises, it has been reduced the fixed rate reverse repo rate from 4.0 % to 3.75 %. An important element of monetary regulation in India is also the address of liquidity infusions. After all, there are limits on the liquidity that each state receives, as well as there are industry banks that are responsible for lending to certain sectors of industry and agriculture [1]. In other words, monetary policy is specific and thus effective. It is believed that the infusion of additional liquidity will not affect the growth of inflationary processes [23], because the liquidity will be directed to the recovery measures of production and trade, rather than consumption.

Banks will allow large corporations to restructure debt and simplify lending procedures. In turn, assistance is provided for banks and other financial institutions to help strengthen capital and increase their liquidity.

The most realistic scenario for India's gradual quarantine exit is the following: quarantine measures would continue until mid-May, followed by a very gradual restarting of supply chains. In this case, the Indian economy suffers significantly; and already in the first quarter, there is 20% of GDP reduction compared to the 4th quarter of 2019. This could put 32 million livelihoods at risk and swell non-performing loans by 7%. At the same time, unprecedented government support over two years (\$ 130 billion, 5% of GDP) can contribute to economic growth [23].

According to IMF forecasts, India is among the handful of countries that is projected to cling on to the growth in 2020 (by 1.9%). At the same time, growth in 2021—2022 may be at the level of 7.4% (this is the highest growth rate among the G-20 economies). What will help India, in addition to a balanced, monetary targeting policy: resilience of agriculture and high growth rates in the production of food grains and horticulture, huge buffer stocks of rice and wheat, an increase in acreage up by 37% and the forecasted normal weather. Today there is acceleration in the production of fertilizers, a steady growth of 21.3 per cent in tractor sales (against a contraction of 0.5 per cent in April — February last year) that may provide an offset to farm labour shortages in agriculture. In

other production sectors, the situation is more sombre: Automobile production and sales, and port freight traffic declined sharply in March. There is a sharp downturn in export business, new domestic orders and employment [1].

The first example of a successful fight against the crisis caused by COVID-19 was China. Despite the fact that the decline in production by 13.5% led to a decline in foreign trade and economic growth (in January — February, Chinese foreign trade fell by 9.6% compared to the same period last year, including exports — by 15.9%). By the end of March 2020, 98.6% of China's basic industrial enterprises resumed the normal production cycle, 90% of employees returned to enterprises. The work of small and medium enterprises has resumed by 76%, the pace of production at construction sites is growing [24].

This was largely due to the prudent monetary policy of the People's Bank of China. To stabilize the Central Bank of China used five main mechanisms to ensure short-term, medium-term and long-term liquidity:

- open market operations;
- targeted reduction of required reserves;
- a special credit program worth RMB300 billion;
- RMB 500 billion — lending by the central bank of enterprises in order to contain the epidemic deployment and resume production; the special support is provided to small and medium enterprises most affected by the crisis;
- reduction of interest rates.

The main thing that most clearly demonstrates the effectiveness of stabilization policy in China today is the provision of certain parity between resources allocated to financial markets, and what the real sector of the economy through targeted lending receives. The simplification of corporate bond issuance procedures has led to an increase in the volume of issues in February 2020 to the level of RMB750 billion (the figure is 2 times higher than the data on the issue in 2019, but does not exceed the level of credit assistance to enterprises). The number of defaults decreased compared to the same period in 2019. At the same time, the central bank proposed a special loan program worth RMB300 billion for 5,000 key enterprises crucial to epidemic control, with over RMB200 billion worth of loans granted at favourable rates in total and actual financing cost at about 1.27 %. A central bank loan quota mechanism has also been launched to provide RMB 500 billion to support the resumption of SMEs, with more than RMB130 billion already issued as preferential loans with an interest rate significantly lower than the required level of 4.55%. Importantly, the People's Bank of China has actively guided the lowering of market lending rates, the actual interest rate of corporate loans has significantly decreased, the interest rate for general loans was 5.49 percent, 0.61 percentage points lower than that prior to the loan prime rate reform [24].

To ensure an adequate level of liquidity in the economy, the People's Bank of China not only changes the interest rates for liquidity provision to the economy, but also «adjusts the intensity, pace and priority of monetary policy in line with different stages of economic development, and keeps the growth of broad money supply (M2) and aggregate financing to the real economy (AFRE) generally in line with nominal GDP» [24].

The Law of the People's Republic of China on the People's Bank of China provides that the ultimate goal of China's monetary policy is to «maintain the stability of the value of the currency and thereby promote economic growth». The currency stability expects the price stability and at the same time keeps the RMB exchange rate stable at an adaptive and equilibrium level. In China in the second half of 2019, the consumer price index rose 2.9 percent year, which was largely driven by structural factors caused by epidemic, namely due to food shortages. In January and February, the CPI grew by 5.3% year on year. Thus, inflation in China has been provoked by supply-side problems, and it is expected that as the country emerges from the epidemic crisis, the situation will stabilize in terms of supporting the domestic producer by providing timely liquidity. As for the yuan exchange rate: there is the floating exchange rate regime based on market supply and demand in Chinese market. Despite some financial fluctuations, the exchange rate has maintained stable at a

reasonable equilibrium level. For instance, since the beginning of 2020, the euro has depreciated by 4.7 percent against the USD, the pound has depreciated by 12 percent against the USD, and RMB has only depreciated by 1.8%. Of course, fluctuations will continue, but at a level, that meets expectations — no more than 7% [24].

Conclusions. To make some generalizations about current financial stabilization programs, it is necessary to consider the inconsistency and mixed results of European and American measures, because it is obvious that monetary policy procedures today provide the basis for global and national financial imbalances and institutional failures. The continuing disparity between the financial and real sectors of the economy in the process of obtaining stabilization resources and the growing uneven circulation of liquidity focused on state and financial direction, leads to the fact that financial resources again do not reach the real sector in the required stabilization volume. The ineffectiveness of quantitative easing programs with low and negative interest rates, which do not encourage financial intermediaries to lend, while encouraging the placement of resources in financial markets, demonstrates the institutional failures that continue to deepen in the European fiscal space today, proving the incompatibility of growth of liquidity surplus and effective monetary policy.

The effectiveness of quantitative easing programs is ensured by the targeted allocation of financial resources and state implementation supervision, as is the case in India and China today. Moreover, it is intensified by appropriate government structural policies focusing on economic growth.

So the question arises, what should be the monetary policy of post-crisis development? Monetary policy, developing in conditions of general economic, financial, institutional instability and transformation, should provide the economy with resources for development. In the context of growing global political, economic, financial and trade imbalances, it is necessary to increase reserves and adjust the exchange rate, especially when leading monetary regulators actively provide with new liquidity volumes, which unbalance the foreign exchange market and increase its volatility. Domestic economic stabilization requires sufficient monetization of the economy, the provision of financial resources with effective interest rates, the stability of domestic prices as a condition for economic growth. The policy of the expanded targeting of stability of monetary unit has to provide all these specified directions.

One of the main goals of monetary policy is to provide the currency stability, which, depending on economic, financial, political circumstances and the mandate of the central bank is reduced to: exchange rate targeting, monetary targeting, inflation targeting and etc. Inflation targeting today is evolving into a broader understanding — as it is shown in this article, the Chinese monetary tradition expects that the currency value stability is the price stability combined with the support of the equilibrium exchange rate of the yuan (RMB). The concept of expanded (jointly-devided) targeting of currency stability is more general, it includes the inflation targeting in relation to the exchange rate, thus, it is the most adequate to the conditions of global instability. In comparison to the classical targeting, where one goal is inflation and there is one instrument named the interest rate (or its various modifications), the expanded targeting of currency stability has a goal with acceptable ratio of price and exchange rate by using the all of monetary instruments to achieve this goal. The further evolution of this system will be directed to the transition of targeting trust in the currency.

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