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The Role and the Status of the Central Bank of the State: the National and the International Experience

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The article is devoted to the problems concerning the independence of the Central Bank of the state and the methods of realization of the monetary policy, which are used and prevailed in the concrete country. The experience of the United States of America, Germany and France are investigated in this article. The authors also compare and try to develop main characteristics, which are particular to the well-developed countries to the practice of our state.

Not the secret, that the monetary policy is considered to be the part of the general economic policy of the state, and the main subject of its development and realization is the Central Bank of the certain country. Therefore, the task of studying the practice and knowledge of Central banks of the world can be called the actual and important for today.

We would like to admit that the analysis of the activity of the Bundesbank and the Federal Reserve System shows the tendency of their independence-strengthening. Besides, the meaning of "independence" can be examined differently. For instance, the independence of the capital bank of the country can be proclaimed in the definite laws of the government; it can also consider the financial instruments of the realization of the monetary policy of the state. By the way, the several countries of the European System have the common and indivisible monetary policy, that requires the improvement the stable methods and imaginations towards the monetary sphere regulation and the structure model of its organization. It also demands the appropriate policy from the government of the Union of the European countries. Good and positive efforts to follow the general policy should give also good result— the maintenance of a stability of their common monetary unit, new European

currency (EUR). The meaning of the independence can be investigated from the side of subordination the Central Bank the legislative (superior) branch either.

So, the Central Bank can be independent during some short time, but as to the long-time period there can not be a word about total independence of the capital bank of the state. That fact could be connected with the following arguments: the Central Bank can develop the tactics of the monetary policy, but as to the strategical planning it can not and has no right to take the decisions by itself. Central banks are free to choose the appropriate financial methods of the regulating the monetary market, but they must develop the monetary policy according to the general economic policy of the state, particularly they should consider the basic directions of the social and economic life of the country.

In spite of the fact, that the main directions of the monetary policy of Ukraine are planned by the Council of the National Bank, these features have to be based on the prognosis and previous indices of the development of our country. The strategy of the monetary policy must have the result of economic growth, reduction of inflation, the maintenance of the level of employment and the balancing the balance of payment. So, in some way we could conclude that the Central banks of the well-developed countries are more independent, than the National Bank of Ukraine. It can be noticed in the majority of aspects of the independence.

In that connection we would like to admit, that the effectiveness of the functioning of the Central Bank of the state depends a lot on the attitude to the first one from the side of the government. As a matter of fact, in the United States of America neither the President nor the Supreme Court can not cancel the decision of the appropriate department of the Federal Reserve System about the operations in the open market [1].

That means that the Federal Reserve System is free to choose the necessary actions and methods in the financial market to regulate the money supply in circulation.

The world practice operates two main groups of methods of regulating the monetary market. They are called the instruments of rough and exact regulation. So, the first one intends the temporal break from the time of taking the decision about the implementation the certain instrument to the time of its effect. The characteristics of the first group instruments promotes the use of the second group of monetary methods, which mean the fast effect, by the Central banks of many countries, in particular France, United States and Germany. Thus, the brightest example of the instrument of the second group is the operations in the open market.

We would like to mention, that the most widely-used instrument of the monetary policy by the Bank of France is the operations with securities. By the way, the Bank of France practically does not use the operations of refunding the business banks in their natural forms. Many operations of French banks are based on securities. Besides, the deposit operations in France are carried out with the help of different kinds of securities.

In this connection it would be appropriate to say that the popularity of the operations in the open market is growing in Ukraine, too. The proof of that is the new document of the National Bank of Ukraine about the refunding from December, 2000. It is important to emphasize, that the margins between the operations of refunding and the operations in the open market are crushing. In this document is mentioned that the mechanism of the refunding is the following: refunding by the means of operations in the open market, stabilization refunding, operations of buying or selling securities of the government in the open market [3].

The analysis of parameters of refunding shows us the changeable situation in the monetary market (table 1).

Table 1

The parameters of refunding of a banking system in dynamics, mln.hrn.

Parameters	Years						
	1995	1996	1997	1998	1999	2000	A half of 2001
The credits given by the National Bank at the interbank market, Including	626	933	1370	949	1159	1854	1743
short-term refunding	300	448	819	501	54	32	165
long-term refunding	49	26	6	4	444	401	1578

So, recently at the structure of the credits given by the National Bank at the interbank market, the greatest part has been occupied by the long-term refunding (in the first half of 2001 the shares between short and long-term refunding corresponded 9 and 91 %, in 2000—2 and 98 %, 1999—5 and 95 %, 1998—53 and 47 %, 1997—60 and 40 %, 1996 and 1995—48 and 52 % of the general structure) [2].

In spite of the positive moment of trying to activate the open market from the side of our government and the National Bank of Ukraine, the business activity in the market of the state securities is very low. The confirmation to that could be the following facts: the sum of means attracted from the placement of the state bonds during 2000 had made 1892 mln.hrn., that 50,8 % less from the sum received in 1999 (in 1999 3841 mln.hrn. were directed to the budget from the primary placement of the state bonds).

It is necessary to note, that such tendency of reduction has been taking place since 1998. So, in 1998 and 1999, in comparison to the previous years, the sums from the placing the bonds have decreased on 1,9 and 52,9 % [2].

Such condition of businesses in the market of the state bonds, first of all, is possible to explain by crisis in the world financial market and behaviour of the foreign investors. Let us address to the theory.

So, according to a market conjuncture, with the decrease of the discount rate the cash balances and alternative forms of money, keeping in securities, must be increased, however in the Ukrainian practice it does not work. In our practice we have the following: with the decrease of the discount rate the cash balances and alternative forms of money (securities) are decreased. This reduction of volume of money resources through a capital market (in the case of reduction of the interest rates) can be explained by the following facts: first of all, it can be explained by the unattractiveness, instability and not prospects of the national financial market; the second reason is the absence of a free competitiveness in the financial market between its components—the market of money, capitals and securities and the third reason is connected with the reduction of a general level of the incomes of the population. So, the incomes are so trifling, that appears the indifference of Ukrainian people to the parameters of a conjuncture of the financial market.

We would like to add, that the positive moment in the solution of this problem is considered to be the appearance of main directions of the development of the financial market of Ukraine from 2001-2005. They intend the globalization of the world market of capitals, the creation the global trade and clearing systems for serving the international capital markets, the use of new information and financial technologies, the expansion of the activity of the financial institutions by the means of use securities.

There is another problem in the activity of Central banks of the world. It is concerning the principle of openness of the monetary policy of the state. At the beginning we said that the Central banks of well-developed states, particularly the United States of America,

Germany and France, are more independent, than the National Bank of Ukraine, but as to the problem of the openness of their monetary policies, we can see the opposite picture. Thus, the Federal Reserve System counts on the following fact: the excessive openness can not always be popular, especially in the case, when keeping the secrecy is the general part of the effective monetary policy, and there is the opinion that a high level of openness and subordination of the Central Bank can lead to the lack of its independence [1].

We do not share such opinion, and the proof of it can be the policy of our native Central Bank. It always informs people about the main directions of the monetary policy for current period (a year), tells not only about prognosis parameters, but also about the achieved results in its special editions. We think, that such policy of our Central Bank can only raise the reputation and trust to it.

We must say that there are some features in the practice of the National Bank of Ukraine, borrowed from the international knowledge: the use of financial instruments of realization of the monetary policy of the state which are taken from the world experience (almost every Central Bank uses the methods of regulation the normatives of obligatory reserves for business banks and financial establishments, the regulation of the discount rate, the refunding of business banks, the realization of operations in the open market); the structure of the main bank of our country has much in common with the Bundesbank. All these facts can be explained as the progressive moments in the activity of the Central Bank of Ukraine, but we also must mention about the evolutionary development of the last one that means the use only that experience and knowledge which is fine to our state, and we do not hurry to test, try and implement everything, because the thing can be progressive to one country, but as to the other one it does not have the effect. The appropriate combination of these two ways of the development (progressive and evolutionary) allows us to notice some progress in the National Bank of Ukraine functioning.

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