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"Global Challenges and Prospects of the Modern Economic Development"****UNDERSTANDING THE GENERAL CIVILIZATIONAL BASES OF  
ECONOMIC DYNAMICS AND MONETARY POLICY PROBLEMS**

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***Abstract***

The article is devoted to the study of reasons for changes in the modern monetary policy. The authors analyze causes of the low efficiency of the traditional economic policy in economically developed countries observed during the last decades, poor ability of this policy to provide financial stability for the economy, risk management, the economic growth stimulation and some other issues. It is concluded that the liberal concept of the economy organization has now exhausted itself, since large business representatives don't adequately reflect interests of production participants in the organizations any more. Moreover, their opportunistic behaviour damage other production participants in the organizations and consumers. On the basis of a detailed analysis of the concept by K. Marx, the authors conclude that the source of the economic development is not an acute conflict between the contradiction parties, but the interaction of the parties, production and management participants. This interaction moderates the severity of the conflict on the cooperation basis in order to maintain the competitiveness of firms and their products, increase in the production of added value, and growth rates increase. It is revealed that the economic cooperation mechanism between the production participants, ensuring their participation in the division of added value according to their contribution to its creation, can significantly improve the development dynamics of productive forces. By the absence of this cooperation mechanism, there are deformations of economic institutions involved in the economic activity organization.

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**Keywords:** Monetary policy, economic development, productive forces, production relations, efficiency, economic growth rates.



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## 1. Introduction

To understand how should the economic policy change in long term in particular in the context of fiscal and monetary issues, in order to improve the financial stability of the economy and economic prospects, it is necessary to understand what qualitative changes occur in the economic life organization of individual countries, primarily in the economically developed countries and regions. Traditional measures of the economic policy, which were recognized for a long time as effective ones among liberal representatives of the economic science (and it was not unreasonable): deregulation, creation of prerequisites for the free operation of the economic market mechanism – now, these measures do not give the same effect as before.

Further liberalization and deregulation of the economy lead to a deterioration of risk management, mass manifestations of the inflating bubbles policy in the sphere of large corporations, increase in the speculative activity of the big capital, deepening economic disparities in the society, and the decline in real incomes is experienced even by the traditionally economically active middle class.

In the result, the prerequisites for the economic growth declined dramatically: in terms of slowing or even falling mass consumer demand, the slowdown or decline in the entrepreneurial innovation activity, the slow positive structural changes in the economy influenced by the dominance of the speculative motivation of the financial capital representatives and motivation to an increase in rental income type instead of an innovative one by the representatives of large business in general (Stiglitz, 2015; Zingales, 2016; Acemoglu & Robinson, 2016). The state, instead of using the deregulation benefits, is forced to save the market itself, which is not capable of saving the economy in a crisis. In this regard, the problem of identifying the basis for a rational change in the economic (monetary, tax and budget) policy becomes highly relevant.

## 2. Problem Statement

In order to answer this question how the state economic policy should be changed, it is necessary to understand what can be the basis for the modernization of the state economic policy. To do this, it is necessary to consistently assess possibilities of different theoretical, methodological approaches to identifying the basis for the economic policy revision. There may be several basic approaches to solving the problem.

First, it is a traditional approach based on the study of the main trends in the economy that form the request for a change in the economic policy, and economic policy methods.

Second, there is a broader approach in the interaction concept of productive forces and production relations, when on the basis of the analysis of changes in the productive forces content, we can explain changes in the organization and operation of the main economy parts, and finally, having explained changes in the economic organization, it is logical to come to the appropriate changes in the methods of the state regulation of the market economy.

The third approach is based on the study of qualitative changes in the economic organization of the primary economy parts that go beyond quantitative changes in the composition of productive forces, and structural features of their organizations. This approach is able to explain patterns of the power

redistribution in the primary economy levels and on the basis of these changes – changes in the state attitude to key economic interests of existing subjects and approaches to regulating the economic behavior of business entities. The authors consider the possibility of solving the research problem from the perspective of each of the three main approaches.

### **3. Research Questions**

The traditional approach, based on the study of the main economic trends, can be useful in adjusting the traditional established methods of monetary, tax and fiscal policy – as long as these methods continue to be effective. The methods of economic deregulation used in economically developed countries since the early 1990s and in the 2000s gave some results in the current stimulation of the economy, but compounded the accumulation of deep problems that the market could not solve on its own. In the 2000 years, topical became the following four economic phenomena: large disproportion of payment balances; rapid growth of prices for housing and intensive housing construction in a number of high-income countries, primarily in the USA; rapid growth in the size and profitability of the financial sector which has experienced the deregulation; rapid growth of the private debt in some high-income countries, primarily in the USA, the UK and Spain (Wolf, 2016). Thus, the traditional methods of the financial regulation used in the United States and in the European Union were neither sufficiently effective, nor rational from the point of view of the society, nor responsible.

From the point of view of classical liberalism, entrepreneurs expressed the interests of the whole society. By maximizing their incomes, which they received on a residual basis, they thereby provided incomes to employees and tax payments to the state. However, in our time, such a balance of economic interests of large business entities, entrepreneurs, employees, managers, the state and consumers is not automatically achieved. Big business, owners and managers of banks and financial institutions can, relying on their economic power, redistribute in their favor the added value created by other participants of the market economy: small and medium-sized entrepreneurs, consumers, small shareholders and investors, employees. Therefore, the owners and managers of large businesses, banks and other financial institutions, relying on their economic power, tend to act in their private interests nowadays, regardless of the interests of other participants of the economic life, and often, against their interests. At the point of maximizing their incomes, the managers and owners of corporations and financial capital institutions do not ensure maximizing the aggregate well-being of the society, GDP, the economic growth or results of entrepreneurial and innovative activities. Institutional changes are needed in the organization of corporate business and financial capital to ensure that their leaders really represent interests of the whole staff and do not neglect consumers' interests, and public authorities could be focused on the balance of interests within these structures and ensure the protection of these interests. Only then the policy of the state support for the economic development will be able to express national interests.

The approach to substantiating changes in the state economic policy in order to ensure higher rates of the economic growth and increase the welfare of the entire population can also be implemented within the framework of the concept of optimizing the interaction of productive forces and production relations. According to the concept by Marx (1977) in a normally developing society, which is far from the social revolution, historically formed specific production relations should change adequately to the change of

productive forces and ensure their development. If spontaneously formed market relations are not able to ensure the development of productive forces, this task, under the threat of a social explosion, should be solved by the state. How should business act? How should the state act helping to maintain the social peace and ensuring an acceptable rate of the economic growth for the population? At the growth high rates, it is easier to ensure the growth of the welfare of the population as a necessary prerequisite for the social peace.

According to Marx (1977), the source of the economic and social development is internal contradictions embedded in the economy organization. We agree with this thesis. In our opinion, these are contradictions, for example, between the available limited resources and needs, between economic interests of the production participants and their limited productivity as production agents, that stimulate the activity of economic entities, increase their productivity and efficiency. However, how exactly should the interaction between economic agents be organized in organizations so that the naturally existing and sometimes escalating contradiction between productive forces and production relations works for increasing the economic growth rate and the population welfare?

From the Marxism position, the source of the world-historical development and economic progress is a contradiction, the conflict between productive forces and production relations within individual countries, and in the international sphere, it is a conflict between economies of different speeds (developed and developing, dynamic and stagnant). The social progress source is in the aggravation of class contradictions, class struggle and social revolutions. However, the historical experience shows that this is not the case. The intensification of contradictions between productive forces and production relations is stronger in the periods of deep economic and social crises. But in the crises period, especially at the acute phases of crises, when the economy according to Marx's approach should develop in the strongest way, the economy, on the contrary, stagnates or is in a state of decline. On the contrary, the accelerated development begins when the productive forces change structurally, preparing the future growth of the labor productivity, and production relations, especially power relations associated with the division of property and incomes, forcibly adapt to changes in the content of the productive forces. Consequently, the intensification of the conflict between productive forces and production relations is only an external prerequisite for the subsequent elimination of the conflict, a sharp discrepancy between productive forces and production relations. The development itself begins when the acute mismatch (between the productive forces and the production relations) is basically eliminated. Social problems and contradictions slow down the development of the economy and the society. They are expressed in the fact that representatives of the "upper classes" show their inability to productively and independently change the course of economic processes, in particular, voluntarily transferring a part of their power to other participants, teaching them to make decisions correctly and in a timely manner. Intensive, productive social and economic development begins when representatives of different classes begin to cooperate productively with each other for the successful solution of common problems: increasing the competitiveness of products and services, producing the planned rate of value added, increasing the efficiency of the economic resources usage. The cooperation of all production participants (owners, managers, employees) will be effective if it is based on the economic interest – participation in the value added division, incomes division according to the contribution to their creation.

Thus, under conditions that an economic mechanism of cooperation between owners, managers and employees is created and actively applied to solve the common problems of the economic development of organizations, the contradiction between productive forces and production relations is artificially delayed at the phase of its development at which it most productively affects the state of the production, increasing the competitiveness of products and labor productivity, ensuring the development of production relations and bringing them into a compliance state with the productive forces.

In order to ensure the economic and social development, essential is not the desire of each of the parties for traditional, inviolable ways of defending their interests – on this basis, the conflict is growing and intensifying – but the constructive cooperation in order to find mutually acceptable solutions. Such cooperation creates prerequisites for the automatic resolution of the conflict, preventing its acute destructive phase; it contributes to the substantive enrichment of the interaction process between all the parties.

The thesis "development through cooperation, achieving reasonable compromises" is true and productive not only in relation to individual organizations, business communities and states, but also in relation to the interaction of states in the world economy. In their classic works Huntington (2011) and Brzezinski (2018) spoke about the civilizations clash as a fact of our reality, about the extreme danger of this collision, the role of cultural differences as a catalyst for such collisions. At the same time, the basis of the conflict is formed by aspirations of individual countries at all costs to achieve the realization of their national and civilizational interests. However, the cooperation of states, while all of them will be guaranteed some minimum rights within the framework of the general world order, can give each country incomparably more than the benefits of unilateral (onesided) advantages obtained by force, accompanied by fears of revenge of the losing side. In this case, the cooperation, in addition to direct economic benefits, will bring benefits to all countries due to mutual enrichment of different cultures.

Cooperation between representatives of all classes within organizations and individual countries, cooperation between countries in the world economy with minimal guarantees of compliance and protection of interests for the participants will allow to include the most powerful incentives for the economic activity, the value of which was revealed by the liberal economists at all levels of the economic activity: from the family economy to the world economy.

Qualitative changes in the economic activity organization in conditions when cooperation mechanisms do not work, give rise to ugly deformations of economic institutions. For example, the property rights system that supports the banking system is not a passive response to an efficiency criterion, but rather the result of political transactions that determine which laws to adopt, which groups of people may enter into contracts, and with which people, on what and on what terms these contracts can be concluded. These transactions are driven by the logic of politicians, not the logic of markets (Calomiris & Haber, 2017).

#### **4. Purpose of the Study**

The purpose of this study is to identify the impact of the cooperation within organizations in individual countries and between countries on the content of the economic policy. It is established that methods of the economy deregulation, used in economically developed countries in recent decades, have lost the ability to serve as tools for stabilizing the economy, stimulating growth, and reducing risks. Their

application corresponds to the private interests of individual representatives of large business and financial capital structures. But it does not meet the interests of most other participants in economic processes.

The creation of a cooperation mechanism for corporations while protecting interests of managers and employees creates a common focus on the economic development, entrepreneurship and innovation. The absence of such a mechanism leads to the deformation of economic institutions and their unilateral use in the specific private interests of big business and financial capital representatives. The use of the cooperation mechanisms within organizations, as well as in the relations between organizations and countries allows to accelerate economic development processes, balance development goals and results with the interests of all production participants and increase the economy manageability.

## **5. Research Methods**

The results of the research obtained through the study of statistics, cross-national research and comparisons, based on the study of the classics of the economic science, geopolitics, well known modern scholars, such as Stiglitz (2016), Huntignton (2011), Brzezinski (2018), Marx (1977), Calomiris and Haber (2017), Acemoglu and Robinson (2016), Wolf (2016), Zingales (2016).

## **6. Findings**

It is established that the deregulation of the economy is currently a factor of contradictions aggravation at different levels of its organization, because it increases the extreme inequality of economic power and income distribution in the society. It contributes, on the one hand, to an increase in the share of super-rich people in the distribution of GDP and national wealth by giving a part of the value added created by other participants of economic processes in their favor. This reduces the efficiency of business functions of the super-rich people and the motivation and ability to effectively implement functions of owners and entrepreneurs for other participants of production and economic processes, exacerbating social contradictions and conflicts and reducing the economic growth rate relative to the potential one. To enhance the influence of traditional market forces (motivations of owners and entrepreneurs) on the economic development, it is necessary to block the further strengthening of the uneven distribution of the economic power in the society, consistently and securely protect all types of property rights of market economy participants, providing them with a real right to an additional part of the value added in the creation of which they participated. When the right to participate in the additional income of all those who created them is restored, not only the beneficial influence of the owners' and entrepreneurs' motivations on the economic development will economy be strengthened and expanded, but the inter-class and inter-group cooperation will also become possible, which will give the economy an additional impetus.

## **7. Conclusion**

The results of this research regarding the role of intergroup and inter-country cooperation for the economic development provide a basis for the formulation of hypotheses: the formation of a mechanism for the adequate distribution of added value between production participants in accordance with their role

in its creation will allow: to decrease the opportunism appearance by big business and finance capital representatives; to involve the material interest of all production participants for improving the efficiency of economic resources usage; to increase the economic growth. As a result, the behavior of economic entities will become more predictable and controlled by the state. The orientation of the state not to private interests of big business and financial capital structures, but to the balance and protection of interests of all employees in the organizations will reduce manifestations of rent-oriented behavior of big companies, make them more sensitive to the profit size and business profitability. At the same time, the financial capital will become more sensitive to the profit from credit operations. The credit will become more affordable for organizations. If at the same time the Bank of Russia continues to conduct a policy of lowering interest rates and increasing lending for the real sector of the economy, the inflow of the financial capital into the this sector will increase.

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