***Section**: Economic theory and history of formation of social responsibility of business*

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THE MACROECONOMIC AND MACROFINANCIAL INSTABILITY IN THEORIES OF ECONOMIC GROWTH

The liberalization of foreign economic relations, the weakening of state control over the development of monetary and credit relations, globalization processes in financial and credit sector have increased the financial instability and significantly reduced the stability of national and world financial markets, which negatively affected the economic growth and reliability of the functioning of the financial sector. In these conditions, the problem of the research of financial instability, its causes, as well as possible negative consequences acquire special urgency in order to be able to respond promptly to crisis processes to different branches of government.

In modern scientific literature the financial instability is primarily associated with the situation in which the functioning of the economy is worsened by fluctuations in prices for financial assets, with inability of financial institutions to fulfill their contractual obligations, with sharp deviations in prices for key financial assets from their fundamental basics and with disturbances in the functioning of credit markets.

The research of the problem of macroeconomic and macro financial instability occupies an essential place in modern economic theory, as the understanding of its nature and causes of its occurrence is necessary condition

for construction of an economic policy aimed at eliminating macroeconomic imbalances, mitigation of cyclic development of market economy and elimination of negative effects of economic downturns.

Among the theories of economic growth, which are focused on the main factors of macroeconomic and macro financial instability, it is possible to allocate a fiscal anti-cyclical theory proposed by J. Keynes and the neoclassical school of Western economic thought (representatives are P. Samuelson and M. Friedman) by its significance. The theoretical concept of J. Keynes is based on the doctrine that a market economy is internally unstable, cannot “regulate itself”, since in the conditions of the economy monopolization such economic mechanisms of regulation as prices, wages, interest rates are not sufficiently flexible for the automatic restoration of equilibrium in the markets. Compliance with the financial stability is possible through state regulation aimed at balancing the economy, and the use of such a tool as public expenditure in times of recession and crises, and an increase in taxation and rise in price of loans in conditions of “overheating” of the economy. However, the supporter of "financial Keynesianism" H. Minsky has proved the objective impossibility of long-term preservation of financial stability in a constantly evolving system by applying an evolutionary approach to the consideration of processes in the financial sector [1].

As opposed to Keynesianism, the supporters of neoclassical theory believe that the market economy is internally stable and capable of restoring the disturbed balance in conditions of minimal state intervention in the economy. Monetarists defend the established percentage growth of money supply due to the dynamics of GDP, price indices, velocity of money circulation, and they deny the effectiveness of a flexible monetary policy, considering it as the main factor of instability. They are supporters of a long-term policy of equalizing demand with a moderate increase in the money supply, believing that this will

prevent the development of macro financial instability processes.

The concepts that measure the value of money circulation, credit and banking activities in spreading business activity fluctuations are called "monetary theories of business cycles". According to R. Hawtrey, the cyclical fluctuations are generated by the volatility of credit processes. As part of the transmission fluctuation mechanism are wholesalers (intermediaries), who increase the volume of orders from production firms when the cost of credit is reduced [2]. Unlike R. Hawtrey, F. Hayek connected the monetary and real components of the cycle without abandoning the fundamental importance of the monetary factor itself [3]. They pointed to the need of the analysis of the impact of processes in the credit sector on the fluctuations in real output, rather than the isolated consideration of the monetary and real sectors of the economy.

A noticeable contribution to explaining the relationship between finance and economic stability has been made by J. Schumpeter. He recognized the innovative function not only of entrepreneurs of the real sector of the economy, but also of employed in the financial business, and pointed to the importance of the analysis of the correlation between financial innovation and economic instability. He offered to consider the financial market in dynamics, as the behavior of financial intermediaries is constantly adjusted due to changes in demand for borrowed funds, as well as under the influence of their personal opinion about the state and prospects of economic development.

There are three approaches to the researches of the impact of the quantity of money on cyclical fluctuations: 1) in the short-term period money are neutral and therefore the monetary policy can be used for smoothing the cyclical fluctuations (M. Friedman and A. Schwartz [4]); 2) recognition of the existence of high correlation for the variables of real and monetary indicators (A. Burns and W. Mitchell [5]); 3) recognition of the monetary system as one of the channels for strengthening macroeconomic shocks, and the monetary sector –

as a mediator of cyclical fluctuations (F. Kydland and E. Prescott [6]).

The concept of financial accelerator of B. Bernanke and M. Gertler is the most popular among modern monetary theories of business cycles [7]. Scientists introduced such a category as a premium for the use of external financing, the value of which is a function of the net wealth of the borrower (amount of equity capital). Shocks, which reduce the net wealth of borrowers, increase the premium and cause an increase in loan rates. Access to credit is limited as well as output and investments are significantly reduced as a result of the rise in price of the loan. Consequently, the financial accelerator is a mechanism for the propagation of cyclical fluctuations, which begins with the shock of the net wealth of economic agents with subsequent intensification through the reduction (expansion) of access to credit resources. The current stage of the development of this theory is associated with credit rationing, the content of which is that access to loan resources can also be limited by non-price way. When interest rates exceed the threshold then credit limits are totally closed, that is, the mechanism of credit rationing is launched.

The concept of financial contamination proposed by C. Kindlberger [8] after the Asian crisis in 1997-1998, uses network interconnections between financial intermediaries, which generate three types of externalities that are "responsible" for the extension of financial instability: the external effect of the sale of assets; the effect of lack of liquidity; externalities of complexity. The network approach is focused on the formation of a critical mass of unstable financial institutions, in which the growth of financial instability into a recession becomes virtually inevitable. The expansion of financial and economic shocks between countries is carried out through three main mechanisms for the transfer of negative shocks: common shocks, which simultaneously affect the fundamental economic variables of several countries; shocks specific to a certain country that affect the fundamental variables of other countries; shocks of pure

financial infestation. The main channels for the transmission of shocks are: international trade, bilateral investment and a joint investor.

Summarizing the material presented, we would like to note that the concepts under consideration try to reduce the fundamental uncertainty in the functioning of financial markets and intermediaries in the risk that can be estimated. These concepts explain the transmission mechanisms of financial instability, but are not capable to predict and prevent it.

We believe that from a methodological point of view it is difficult to propose a unified theory that would simultaneously explain the reasons for the emergence of financial instability, the mechanisms for its transmission, growth and transformation into cyclical fluctuations of the entire economy. An important means of solution of the problem may be an expansion of assumptions and the inclusion of elements of the experimental economy into these theories.

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