

переведення працівника на більш високу, престижну посаду. Не існує єдиних методів мотивації персоналу, ефективних у всі часи і при будь-яких обставинах. Вибір конкретного методу мотивації повинен, у першу чергу, визначати загальну стратегію управління персоналом. Щоб не дозволити втрату потенційного прибутку, менеджер повинен добитися максимальної віддачі від своїх підлеглих.

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### **KEYNESIAN AND NEOCONSERVATIVE PARADIGMS: APPROACHES CONCERNING THE BASIC PROCESSES OF ECONOMIC DEVELOPMENT**

**Abstract.** The theoretical basis of the world countries' economic development in the second half of the 20<sup>th</sup> – beginning of 21<sup>st</sup> centuries – paradigms of Keynesianism and neoconservatism (including monetarism, theory of rational expectations, supply-side economics) are analyzed.

**Keywords:** *Keynesianism, neoconservatism, monetarism, theory of rational expectations, supply-side economics.*

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### **ПАРАДИГМИ КЕЙНСІАНСТВА ТА НЕОКОНСЕРВАТИЗМУ: ПОГЛЯДИ НА ОСНОВНІ ПРОЦЕСИ ЕКОНОМІЧНОГО РОЗВИТКУ**

**Анотація.** Проаналізовано теоретичні засади економічного розвитку країн світу у другій половині ХХ – на початку ХХІ ст. – парадигми кейнсіанства та неоконсерватизму (монетаризму, теорій раціональних очікувань й економіки пропозиції).

**Ключові слова:** *кейнсіанство, неоконсерватизм, монетаризм, теорія раціональних очікувань, теорія економіки пропозиції.*

During the 20<sup>th</sup> century there were few significant changes of paradigms in economic science. The attention in this paper will be focused on the theories that played the major role in the economic development of the world countries in the second half of the 20<sup>th</sup> – at the beginning of the 21<sup>st</sup> centuries. These two mainstream economic paradigms are Keynesianism and neoconservatism.

According to Keynesian economics the state can stimulate economic growth and improve stability in the private sector – through, for example, interest rates, taxation and public projects. In Keynes's theory, some micro-level actions of individuals and firms can lead to aggregate macroeconomic outcomes in which the economy operates below its potential output and growth. Keynes contended that aggregate demand for goods might be insufficient during economic downturns, leading to unnecessarily high unemployment and losses of potential output. Keynes argued that government policies could be used to increase aggregate demand, thus increasing economic activity and reducing high unemployment and deflation. A central conclusion of Keynesian economics is that in some situations, no strong automatic mechanism moves output and employment towards full employment levels.

After J. M. Keynes, Keynesian analysis was combined with neoclassical economics to the “neoclassical synthesis”. Though it was widely held that there was no strong automatic tendency to full employment, many believed that if government policy were used to ensure it, the economy would behave as classical or neoclassical theory predicted.

Through the 1950s, moderate degrees of government demand leading industrial development, and use of fiscal and monetary counter-cyclical policies continued, and reached a peak in the 1960s, where it seemed to many Keynesians that prosperity was now permanent. In this era most western countries faced low, stable unemployment and modest inflation.

However, with the oil shock of 1973, and the economic problems of the 1970s, neoconservative doctrines began to fall out of favor. During this time, many economies experienced high and rising unemployment, coupled with high and rising inflation, contradicting the Phillips curve's prediction. This stagflation meant that the simultaneous application of expansionary (anti-recession) and contractionary (anti-inflation) policies appeared to be necessary, a clear impossibility. This dilemma led to the end of the Keynesian near-consensus of the 1960s, and the rise throughout the 1970s of ideas based upon more neoconservative analysis, including monetarism, supply-side economics and new classical economics (rational expectations economics). At the same time Keynesians began during the period to reorganize their thinking (New Keynesian economics in particular).

Monetarism is a school of economic thought that maintains that the money supply (the total amount of money in an economy, in the form of coin, currency, and bank deposits) is the chief determinant on the demand side of short-run economic activity. To the monetarists point of view the variation in the money supply has major influences on national output in the short run and the price level over longer periods and that objectives of monetary policy are best met by targeting the growth rate of the money supply.

Supply-side economics is a school of macroeconomic thought according to which the economic growth can be most effectively created by lowering barriers for people to produce (supply) goods and services, such as lowering income tax and capital gains tax rates, and by allowing greater flexibility by reducing regulation. Typical assumptions of supply-side economics are: a) the decision to supply more or less of a factor is determined by the marginal tax rate (the rate of taxes people pay on their last dollar earned); b) when marginal tax rates go up, aggregate supply goes down. The average tax rate does not matter; c) this shift in aggregate supply is more important for predicting what taxes will do than is the shift in aggregate demand.

Rational expectations – expectations that are unbiased and based upon the best available information. According to the rational-expectations theory high unemployment and recession occur because people are lack of the information necessary to make the work and employment choices necessary to bring the economy to produce up to its potential. Rational expectations say prices would be halved if people were well informed. However, if the event was unexpected, it may take time for them to discover what has happened. The rational-expectations theory can be explained by the following assumptions:

1) People will try to make good forecasts. They try to make the best forecasts, as follows: a) they make unbiased forecasts; b) they use the available information well.

2) People take steps to avoid being fooled. It is impossible for the government to fool people systematically into increasing output. The effects of continued changes in government policy will be to dull the economy's responses to real changes and to increase uncertainty.

3) Prices and wages will become more flexible if the government keeps trying to fool suppliers and workers into increasing output and employment. Being fooled is costly. However, having flexible wages and prices is also costly. People balance these two costs: when the government tries to fool people more often, people will in turn pay the costs of becoming more flexible.

Starting the early 1950<sup>th</sup>, there are disagreements in views on macroeconomic processes between Keynesians and neoconservators. Among these disagreements are the following ones:

1. Monetarists believe that the economy will usually be at full employment unless the government acts to destabilize the economy. In addition, monetarists believe in a faster time recovery of the economy on its own from a recession than Keynesians.

2. To the monetarists view most recessions have been caused by sharp decreases in the growth rate of the money supply. They point to the Great Depression (when the money supply was cut by one-third) and to the 1981-1982 recession (when the money growth rate was cut by one-half). Keynesians believe that recessions have been caused by the changes (dramatic decline) in investment spending (and consumer durable spending).

3. Economists have identified several key “lags” in using economic policy to affect the economy actively (which is called discretionary economic policy). Suppose the economy is in a recession. The first lag is the recognition lag: it takes time for the government to recognize that something is wrong with the economy. The second lag is the implementation lag: it takes time for the government to implement its policy and take action. The final lag is the effectiveness lag: it takes time for government action to affect the economy. If these lags are too long and if their length is uncertain, the effect of discretionary policy can be for the government to do the wrong thing at the wrong time. For example, a policy to dampen inflation may impact the economy later when it is in a recession, making the recession worse. Monetarists believe the government should steer a steady course by following a set of fixed rules. Keynesians, on the other hand, more readily advocate discretionary policy action, although many now reject trying to “fine-tune” the economy with continual discretionary policy action.

4. Keynesians believe that government spending can have a strong positive effect on the economy. Investments in basic research, in highways, and in related projects have produced very good results. Monetarists tend to doubt that most added government programs will be efficient.

5. Keynesians believe that if government spending is productive, then the higher taxes needed to support the government spending will not harm the economy. Supply-side economists and monetarists believe that taxes reduce aggregate supply (AS) and slow the growth rate of output.

6. Keynesians tend to believe the AS curve is flat (especially when the economy is in a recession) and is slow to shift up when prices increase. Monetarists tend to believe that the AS curve is steep and that it will shift up quickly when prices increase.

7. Monetarists believe that more money causes people to spend more even if the interest rate does not change.

In conclusion it should be noted that the central problem – strengthening of the uneven socio-economic development of the world, socio-economic inequality, income distribution and full employment could not be solved by the use of only one economic policy based on recommendations of the mainstream economic theory. That’s why the discussion between the representatives of alternative economic theories should be done.