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METHODOLOGICAL BASIS FOR ECONOMIC DEVELOPMENT AND THE PROBLEMS OF ECONOMIC GROWTH MODELLING

This article studies the problems of economic development and economic growth modelling on the basis of retrospective and comparative analyses of foreign and domestic methodological approaches. The research results allow expanding the vision of the problem, consider in detail the economic processes of formation, development and growth of national economic systems, particularly, analyze actual and forecasting data on Kazakhstan economic development.
Keywords: *economic growth; economic modelling; dichotomization; Kazakhstan.*
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МЕТОДОЛОГІЧНІ ОСНОВИ ЕКОНОМІЧНОГО РОЗВИТКУ ТА ПРОБЛЕМИ МОДЕЛЮВАННЯ ЕКОНОМІЧНОГО РОСТУ

У статті досліджено проблеми економічного розвитку та моделювання економічного росту на основі ретроспективного та порівняльного аналізу зарубіжних та методологічних підходів у цій області. Отримані результати дослідження дозволяють розширити бачення проблеми, звернутися до глибинних економічних процесів становлення, розвитку та росту національних економічних систем, зокрема, проаналізувати фактичні та прогнозні дані щодо розвитку економіки Казахстану.
Ключові слова: *економічний ріст; економічне моделювання; дихотомізація; Казахстан.*
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МЕТОДОЛОГИЧЕСКИЕ ОСНОВЫ ЭКОНОМИЧЕСКОГО РАЗВИТИЯ И ПРОБЛЕМЫ МОДЕЛИРОВАНИЯ ЭКОНОМИЧЕСКОГО РОСТА

В статье исследованы проблемы экономического развития и моделирования экономического роста на основе ретроспективного и сопоставительного анализа зарубежных и отечественных методологических подходов в данной области. Полученные результаты исследования позволяют расширить видение проблемы, обратиться к глубинным экономическим процессам становления, развития и роста национальных экономических систем, в частности, проанализировать фактические и прогнозные данные развития экономики Казахстана.
Ключевые слова: *экономический рост; экономическое моделирование; дихотомизация; Казахстан.*

Introduction. In contemporary economic science the trigger to experimental design of various models including the models of economic growth has been spreading along with growing government interference into economic development. It started from very simple indirect methods to direct enterprise transfer into government property through the use of state finance and credit. In addition, there is a widely assumed idea of presenting economy as an integrity. Such ideas are expressed as regulations in a variety of economic works developed by foreign and domestic economists and they often serve as a methodological basis for modelling.

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Literature review. The issues concerning economic growth and development in the form of research on the relation between income level, employment and social product were first raised by J.M. Keynes in "The General theory of employment, percent and money" (1936). Publication of this research triggered macroeconomic modelling in its current form. Economic literature also widely studies the classical macroeconomic model, such as already classical A. Smith (1776), D. Ricardo (1817), J.B. Say (1820), A. Cournot (1838), K. Marx (1867), L. Walras (1898) etc. Actually, none of the works of the above scientists contains any macroeconomic model in its contemporary understanding. Prior to J.M. Keynes (1936) scientists did not express their economic ideas in macroeconomic terms. But their works, of the aforementioned authors in particular, provide distinct ideas of economic system operation as a whole. In this respect, classical model is a schematic expression of judgments, positions of "orthodox" theorists on the key issues of economic development. These are: the notion of increasing national wealth (Smith, 1776), formation of mutually beneficial inter-country exchange (Ricardo, 1817), fundamental issues of economic system balance (Say, 1820), correlation of general and special in business under the conditions of private property and public nature of reproduction on the whole (Marx, 1867), expressing general principles of market economy operation (Cournot, 1838; Walras, 1898).

Problem statement. In contemporary social and economic conditions the problems of economic growth are becoming more urgent due to intensification and scaling up of external economic activities of the countries worldwide. In this regard, emerging optimistic forecasts of economic growth in reality are not so easily achievable. Obviously, the established research methods of economic development and economic growth modelling must be enriched by adding diverse methodological approaches, extending the vision on the problem to consider in detail the economic processes of formation, development and growth of national economies.

The research objective is to study the problems of economic development and economic growth modelling on the basis of retrospective and comparative analyses of foreign and domestic methodological approaches in the given field.

Analysis of methodological approaches. If a model is constructed as an abstract and simplified expression of an actual economic process in the form of equation modelling, then it solves the tasks of monitoring quantitative changes typical for the process with the aim to address the issues of stability, formation of preconditions for more balanced growth. Setting tasks of changing these regulations means the analysis of phenomena in their breakout. Not phenomena but their essence are researched and tasks of growth trend determination or phenomena alleviation are set. These tasks are solved through grouping mass economic phenomena by means of aggregation. For instance, individual labor activity in public production is determined as employment, hereafter the following are defined: fluctuations of employment levels, their maximum and minimum levels. For such enlargements or aggregations serve empiric methods, thus the whole research on modelling of economic growth processes is an empiric research with a pre-set concept. Such research serves for practical solution of important problems, for example: determination of resources use degree, total price level, income growth rates. This scientific and practical research is then connected with definite targets of economic policy: achievement of maximum employment,

restraint of inflation, achievement of the expected growth rate. Theoretical discussions on modelling issues currently mingle with discussions of political issues due to more or less compatibility of the goals of general strategy of macroeconomic policy, practicability of spending that may be born the society as a result of implementing the policy undertaken.

Thus, *the research based on economic growth process modelling is mainly an empiric one and, therefore, requires control over definite conditions within the context of this research*. Through fixment to this context qualitative certainty of economic situation are preserved enabling to fulfill real economic processes in models.

To determine the growth rate or to secure the general balanced growth course the economists use such terms as: warranted growth rate, required growth rate, equilibrated growth. This means that regulation of social reproduction process involves the use of income not only for achievement of qualitative growth but also for quantitative changes. These changes include changes of technical and technological features of the resources used, quantity and qualification of human resources, changes of technical coefficients, or labor efficiency, variation of production process overall etc. Theoretical task is to transform this economic landscape, pattern of branches, services etc. into a model (i.e., to simplify) for further empiric research. The model shall reflect actual interrelations among branches, final output data expenses elements providing this output. Experience of social planning in the USSR can be viewed as an attempt to research multiple branch connections, search of their rationalization through economic policy. Theoretical basis for the methods for national economy balancing (intersectoral balances, i.e. balances of raw materials, human resources, personal income and expenses) was developed by W. Leontief (1941). He developed and expressed his method in formulas as applied to the US economy in his famous work "Structure of the American Economy" (1941). Interrelations among all sectors of the US economy were considered in this research. These relations were based on specific functions of individual sectors in the whole economic process reflecting relations of objective natural, climatic, cultural and historical conditions. These relations slowly change in time and are determined as long-term development factors. Is control over these factors necessary for modelling the processes of economic growth? We think it is necessary. Today's conditions of economic development are known to be characterized by rapid changes, revolutionary changes of many parameters in material production; acute collisions in relation to economic and political forces affecting the development of the world community. That is why, in our opinion, the methodological principle of preservation and invariance is especially important in modelling of economic processes and in formation of a general strategy for national economic development.

According to the principle mentioned above development of an object is seen as an aggregate of interchanging variants of one abstract invariant. The philosophic principle of invariance includes the whole family of terms: homogeneity, continuity, order, structure etc. The term "structure" is the most spread and widely used one in economic science. It means an aggregate of stable relations among the main parts of a studied object (economic system, for example). And these relations are formed under the effect of the said long-term development factors. Thus, *building of growth model involves the determination of national economy structure, situation with actual*

economic relations established in the course of definite historic events. Building a model on the basis of the identified structure enables to consider the factors of succession, "link of times". Integrity of an object (national economy), its self-identity (preservation of its key properties under a wide range of internal and external changes in time) are reflected in structural bonds. Knowledge of the object's actual structure gives the possibility to identify the potential for object development.

Economy of any country is a complicated structural formation with its peculiarities of economic arrangement, institutional mechanism, aggregate of social organizations, stereotypes of national mentality etc. But this structure shall be much wider that that proposed by W. Leontief. Leontief's national economic model is reduced to engineering and manufacturing structures. Institutional structure of economy is left aside, and not only it. As all actual expenses and results of branch activities cannot be determined through the use of balance calculation method, W. Leontief introduced the methods of aggregation and the principle of direct linear dependence. The idea of complete interrelation (also as a principle of national economy operation under market economy and simultaneously, as a method of this economic system research) theory of overall equilibrium was developed by (Walras, 1898). In the interpretation of W. Leontief this "principle of interrelation between variables... simplified with linear approximations" (Blaug, 2000) was the announced as principle of strict proportion between changes of expenses and changes at the level of product output. Consistent application of linear dependence principle by W. Leontief resulted in generalization of the latter. It means building a model under Leontief's postulated permanence of all coefficients of the branch as the main condition: technical (technical and technological characteristics of production process) and economic (price level). Actually, building "under Leontief" is reduced to building a structure in a form detached from evolution.

However, structure being ontological does not reflect: 1) *the effects of production factors replacement, based on the effect of scientific and technical progress;* 2) *the effects of changes in the general level of earning capacity based on the benefits of external economic relations. Modelling of economic growth processes involves compulsory consideration of the given effects.*

Effect of the first group of factors is obvious and is on the surface. Like all relevant to real economy factors, the effect of these factors is immediate and is implemented in the course of active business activity and policy of the counties on implementation of various innovation programs.

Effect of the second group of factors is mediate and implemented through exchange. Exchange processes, in turn, raise the issues of quantitative assessment, transfer of quality measure, originally specified by international division of labor, into quantitative one. Qualitative measure as a structure of national economy (as mentioned above) is significantly more conservative in its change than the quantitative one, being under the effect of rapidly developing scientific and technical revolution, determining the world market conjuncture. Special logic of interaction between quality and quantity secures the coherent development of national economy and evolution of its structure. Thus, *the issues of national economy growth shall be construed as those included in the range of problems of national economy development but not as those replacing them.* The issues of development as high-scale, covering historical courses of

national economy establishment, reflecting the logics of changing material and technical base of production process, are much wider than the issues of growth. The latter shall be viewed within the general concept of national economy development.

Peculiarity of growth issues, unlike development issues, is based, as we have mentioned, on the exchange process. The research tool for the latter is accumulated in the course of general economic theory. The first works dedicated to the inter-country exchange – works of the mercantilism school representatives – were in the empirism traditions and treated these issues not as abstract-theoretical, but in connection with the current issues of practical activity. The works of mercantilists recognized assessment as specifying the most beneficial strategies of inter-country exchange: the policy of active trade balance formation; security of stable gold flows to the country, up to embargo on gold and silver export and colonization. Such approach to formation of international exchange strategy striving to enrich country with gold was based on interpretation of the latter as the only and absolute wealth and a source of country's economic strength development. This approach adequately reflected social and economic conditions of its time: the dominance of commercial capital, system of international exchange as gold-monetary exchange of goods between closed markets.

In the classical theory money and gold, on the contrary, had the role of a neutral factor. Classical works were oriented on the solution of the well-known economic dilemma between resources scarcity and infinite human demands for welfare. The classical analysis was concentrated on production processes and was carried out with the use of real economy terms. The key topic in the famous work by A. Smith "An Inquiry into the Nature and Causes of the Wealth of Nations" (1776) was economic development and the analysis of factors providing national wealth growth. A. Smith understood wealth as income and connected income growth with deepening of social division of labor and expansion of market size as a result of international trade. Social division of labor was construed by A. Smith so wide that it covered all what we interpret today as scientific and technical progress. Analysis of the effects from social division of labor was nontemporal. As for analysis of inter-country exchange by D. Ricardo he also considered that practicability of the latter is based on the benefits from labor division but not as a process reflecting the development of production forces but from the view of specialization and division of labor among countries. As division of labor saves the labor in each country, inter-country exchange turns out to be beneficial for all participants. Comparative advantages of each country were seen static. D. Ricardo did not consider the dynamic processes of economic development.

A. Smith's interpretation of international trade as an objective for gaining profits based on progressive changes in social division of labor in combination with provisions of comparative advantages developed by D. Ricardo, based on natural, climatic, historical peculiarities of material production, the principle of universalization of theoretical analysis and uniformity of interpretation practice, assessment of benefits from international relations, exchange, trade in relation to any country. Meanwhile preconditions on which the concepts of A. Smith and D. Ricardo were based had a carryover effect. They were defined based on the conditions of Great Britain, that then reached the peak of its development and economic dominance. This circumstance increased the generalizing effect of the concept, its universal nature as in Great Britain capital as a form of public production reached the level of

development corresponding to its internal essential nature. Advantages of Great Britain, being then perfect in comparison with other countries, were uncritically accepted and interpreted as advantages of inter-country exchange.

The first objections to universalization of economic development on the basis of the theory developed by A. Smith and D. Ricardo were made by German economists. A famous German Economist F. List in his work "National system of political economy" (1841) stated, in particular, the necessity for control over historical peculiarities of nation's economic activity. The whole history of nation was schematically divided by him into three periods: agricultural; agricultural and industrial; agricultural, industrial and commercial. F. List considered that special development policy is useful for each period: free trade – in the first period, protection system is useful for the second and third periods. Special attention to the search of national peculiarities of economic development of Germany can be explained by the tasks that had to be solved in that period. In the XIXth century Germany reached state independence at the end of Napoleon wars, was a dispersed space from the economic point of view. That was a union of independent German lands or 39 different state formations. 38 internal customs (Pavlov, 2015) were arranged within its territory. Germany, like many other West European countries and the USA had to pass the stage of national unity formation and its own ways of economic development, while achieving national independence. Thus, German economists founded a tradition of independent analysis and solution of development problems, establishment of national economy without any connection to inter-state exchange.

Classical school of economic theory sees economic processes as a dynamic system of production forces development, changing, forming new areas of revenue achievement. On the contrary, neoclassical school refers to economic processes as a system in a static state, recovering this state in a monetary form in the course of reproduction (Lane et al., 2014). According to the neoclassical school instruments, economic processes are designed as closed one within own national market, represented by turnover of money capitals for different purposes. This money sector gains peculiar attractive force as it determines money income, interest and aggregate demand simultaneously. Increase of aggregate demand becomes the first necessary condition for increased employment. Based on the condition of unemployment – that corresponds to current situation – it turns out that increase of production volumes, level of actual income depend not on production capacities of a country, but on the size of aggregate demand becoming the determinant of economic growth capabilities. This is the peculiarity of market economy mechanism called dichotomization of economic processes. Analysis of these phenomena requires dichotomy logic operation when generic term shall be divided into two specific ones (Blaug, 2000: 163). *Economic development and economic growth is a dichotomic display of the same economic process, based on material activity represented in the monetary form.* Hence, ignoring this principle of dual nature of economic processes may cause serious miscounts in economic analysis. So, if reproduction is deemed as coinciding with reproduction of financial assets of economic assets, achievement of a definite liquidity level (in the reproduction process) can be considered as an efficiency index overall. But this level of liquidity does not reflect the efficiency of production activity. In economic practice facts of increase in liquidity level as a result of simple price increase are wide spread.

Non-critical acceptance of the ideas of economic development, national production forces developed by A. Smith, ideas of thorough analysis of national advantages of D. Ricardo, expressed serious disadvantages of the latter, first because of excess abstractiveness, formalism and outhistorism. Under such absolutization of "interrelations, ignoring diversity of historically definite forms" (Kulkov, 2014), national peculiarities, the neoclassical theory was applied as a theoretical basis for modern ideology of liberalism, determining the positions of such influential actors in international policy as: the International Monetary Fund (IMF), the World Bank (WB), the World Trade Organization (WTO), International Financial Clubs (London, Paris), authorized as supranational bodies and operating on behalf of the world community.

According to IMF recommendations, all that is required for the countries with forming market economy is a standard set of three positions:

- fulfillment of market reforms including privatization and introduction of market prices;
- achievement of macroeconomic stability through stiffening budget and money-credit policy;
- liberalization of external economic activity, capital market in particular.

However, according to the IMF data (Annual Report on Exchange Arrangements and Exchange Restrictions, 2015), there is no country in the world without monetary restrictions as such. And majority of restrictions refer to capital transactions. For example:

- control over direct investments of non-residents is established in 107 countries;
- control over acquisition of property by residents abroad and non-residents in the country is established in 135 countries;
- control over transactions of residents with medium and long-term securities in foreign currency and/or transactions of non-residents with internal securities – in 131 countries;
- control over financial credits in foreign currency – in 13 countries.

Now it can be concluded that the loss of control over capital flows provoked the crisis of 1998 in Russia, the world financial crisis in 2008 and the last events connected with devaluation in the Republic of Kazakhstan in 2014 and inflation targeting in 2015. The same was the situation in Mexico when foreign investments in short-term state stocks exceeded the reserves value a half-year prior to the crisis broke out in 1994. The crisis in the countries of South-Eastern Asia were triggered by excess debts, not governmental, but private – excess expansion of external debts of banks and companies (Galbraith, 2009).

Obviously, capital behavior in the situations described above is very aggressive. Openness, creation of conditions for free transition of production factors (all that neoliberalism ties with development prospects for any country), the special role imposed on capital as the most mobile factor of production, in practice results in "actual capital mobility degree increases in crisis times" (Kholopov, 2015) with all respective consequences.

The capital transfer cannot be deemed as the expansion of economic activity to the extent it was viewed by A. Smith and K. Marx. A. Smith viewed expansion as new

areas for capital application. K. Marx viewed expansion as capital export with the purpose of gaining absolute surplus value, in modern terms – gaining additional profit through relatively cheap labor power. Classics meant transition, export of capital and its use in a production form.

And today international capital transfer in the form of direct foreign investments and international credits significantly yield volumes of investments to derivative financial instruments. The latter are non-productive and are implemented for both speculative purposes and risk insurance. Possibility of such transactions fulfillment is associated mainly with globalization of financial and commodity markets, overall liberalization and growth of international capital mobility, volumes of its accumulation and the existing irregularity of economic growth in the world community. Objects of investors' attention are, firstly, exchange rates, and secondly, interest rates on financial assets. Volatility of these indices directly affects the interests of investors in tangible assets. As this interest manifests not through transactions with assets but through transaction with derivative financial instruments at stock and street markets, volumes of these transactions can ten times exceed the actual assets turnover. Transactions with derivative financial instruments, where gold is the basic asset, are very demonstrative. But, figures, certainly, are incompatible with the exchange volumes in real economy. So, the volume of actual turnover of the world trade is 50 times lower that that of currency-exchange operations (Popov, 2014). These transactions mainly reflect short-term capital flows directed at preservation and increase of liquidity volumes. These transactions define market conditions for currency rate formation. Such spontaneous market rate established in the process of inter-country exchange cannot be treated as objective as it is established at the level of a balance point between currency offer and demand. This rate shall be called the market rate. It is determined by the volumes of export-import operations and reflects the demand for currency as a market commodity, i.e. money capital. But market rate does not reflect prices within internal markets: tenge in Kazakhstan, roubles in Russia, dollar in the USA etc. Market rate is determined not by economic situation but by migration of money capital.

Economic relations and institutions establishing national currency rate formation are:

- international financial and commodity markets;
- special system of measures different from internal pricing;
- offshore areas through which significant volumes of international commercial transaction is regulated;
- transnational companies and transnational banks establishing the direction for the main volume of investment flows irrelevant to any national economic system.

Distribution of goods and materials values and income generation in the course of external economic relations is an external process in regard to national economy, determined by capabilities of national economy production potential, but not involving the solutions of national economy development issues. All conjunctural peculiarities of national export product transformation into income in the form of hard convertible currency are determined not depending on actual, specific conditions, tasks, perspectives of national economy development. They are not connected with the issues of national economy reproduction in real (non-monetary) terms, with the

problems of social development within the limits extended beyond market economy frame (Maslennikova, 2014).

However, this income determines the potential for economic growth: the increase in production volumes, employment level, standards of living etc. Revenue from external economic activity forms the liquidity in accordance with the volumes, by forming inflows from which the state issues national currency. Such revenue forms the strong basis for final payment funds for a national banking system. The latter operates with internal funds formed in exchange for private debts. Debts from external economic activity determine the capabilities of unimpaired operation of national money-credit system, exchange rate and, finally, stimulate national economic growth.

Key research findings. On the basis of the methodological approaches to national economic development, we have analyzed the actual and the forecast data of Kazakhstan's economic development.

As an information basis we have taken the data provided by the Applied Economic Research Center (AERC) and the Statistics Committee of the Republic of Kazakhstan, dealing with the main macroeconomic indicators of Kazakhstan. Particularly, we take into consideration the data published by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan (SC MNE of RK) and the National Bank of Kazakhstan (NBK) for the period of January-September 2016. We consider them in comparison of reported data with the forecasted ones. The forecasting scenario is based on average annual target price of Brent crude oil as well as economic states of China and Russian Federation.

As the reported data shows Kazakhstan's economy has not yet demonstrated the signs of recovery. According to the Statistics Committee, industry is stagnant for several months, in January-September 2016 as compared to the same period last year, there was a decline of 2.3%. The pattern of goods production follows the service sector: in the first 9 months passengers and goods were transported by a third less than the same period last year, the volume of retail trade fell during the analyzed period, the volume of communication services falls too. The KCell Company that is Kazakhstan's largest mobile operator, recorded a drop in net profit by 71% as compared with its 4.4 bln KZT during the same period last year. Summing up the above facts, we can assume that national economic development is moving on a mixed path between the base and pessimistic scenarios. Table 1 presents the comparison of forecasting and report data on economic development of Kazakhstan, January-September, 2016.

It should be noted that evaluating the state of national economy of Kazakhstan the Applied Economic Research Center has been using the based scenario for the world oil price at 45 USD per barrel. Two other scenarios are pessimistic (30 USD per barrel) and optimistic (60 USD per barrel) the representing lower and upper boundaries of the likely range of realistic scenarios. In Table 2 we compare forecasting annual data of economic development of Kazakhstan for 2016 in contrast to 2015.

Forecasting by the Applied Economic Research Center concerning real GDP growth is close to the forecast of the IMF in the baseline scenario, however, it is lower than the forecast of the Ministry of National Economy by 0.4%. The IMF forecasts inflation of 9% exceeds the defined corridor within 6–8%.

Table 1. **Comparison of forecasting and report data on economic development of Kazakhstan, January-September 2016,** *% to 2015, compiled on the base of data*

	Forecasting data of AERC			Report data of SC MNE of RK and NBK
	Base scenario	Pessimistic scenario	Optimistic scenario	
Agriculture	102.4	102.4	102.4	104.9
Industry	99.6	99.0	100.3	97.7
Construction	103.9	103.9	103.9	106.7
Trade	99.3	99.3	99.3	96.9
Transport	99.1	99.1	99.1	104.2
Connection	96.7	96.7	96.7	96.5
Inflation	17.4	17.4	17.4	17.6
Exchange rate	338.43	381.92	307.32	344.92

Table 2. **Comparison of forecasting annual data of economic development of Kazakhstan for 2016,** *% to 2015, compiled on the base of data*

	Forecasting data of AERC			Forecasting of MNE of RK	Forecasting of IMF
	Base scenario	Pessimistic scenario	Optimistic scenario		
GDP	100.1	99.6	100.5	100.5	100.1
Agriculture	106.0	106.0	106.0	103.6	
Industry	101.4	100.2	102.6	98.3	
Construction	101.6	100.3	102.9	109.5	
Trade	97.6	97.5	97.8	96.5	
Transport	95.7	95.6	95.8	104.0	
Connection	97.4	97.0	97.7	95.5	
Inflation	-	-	-	6.0–8.0	9.0

According to the forecast of social and economic development of Kazakhstan for 2017–2021 prepared by the Ministry of National Economy of Kazakhstan, "Kazakhstan's economy will develop on the background of a moderate global economic growth, gradual recovery of demand and continuing low prices commodities. At the same time, it is expected to have stable and sustained economic dynamics due to the increase in public investment in infrastructure and public consumption".

Further we have compiled and compared the forecasted growth rates of Kazakhstan's economy calculated by the Ministry of National Economy of RK, the International Monetary Fund, and the World Bank as presented in Table 3.

Table 3. **Forecasting of economic growth in Kazakhstan, 2016–2021,** *compiled on the base of data*

	2016	2017	2018	2019	2020	2021
Ministry of National Economy of RK	0.5	1.9	2.1	2.7	2.9	3.1
International Monetary Fund	0.135	1.050	1.806	2.163	3.364	4.931
World Bank	0.1	1.9	3.7	-	-	-

Analyzing the external factors, it should be mentioned that the Brexit process has not fundamentally affected the state of the Eurozone economy, where GDP growth

is down to 0.3% for the second quarter of 2016. As compared to the same period of 2015 it was down by 0.5% in the first quarter. Moreover, UK economic growth increased by 0.6% as compared with 0.4% in the first quarter of this year. Export and import of the Eurozone has ceased to decline, as compared with a fall of 0.1% in the first quarter. Despite the European Central Bank's efforts of quantitative inflation softening in the Eurozone it is still close to zero (0.2% at the end of August, 2016).

The US economy is gaining momentum in recent years and the Federal Reserve System receives the signals that higher interest rates will become a reality in the foreseeable future. The United States Bureau of Economic Analysis (US BEA) is responsible for national accounts and balance of payments data, recorded GDP growth in the second quarter of 2016. 1.1% compared to 0.8% increase in the first quarter. The level of US inflation in August was 1.1% same as last year. The US labor market as opposed to European labor market is influenced by employment growth trends. Only in August 2016 it created 151 thousand of new working places. In August of this year the unemployment rate was 4.9%, as compared with 10.1% in the Eurozone.

The BRICS countries trends are mixed. China's economy shows the acceleration of growth to 1.8% in the second quarter of 2016 as compared with the first quarter, while in annual terms, GDP growth was 6.7%. In India, GDP growth fell to 1.4% from 2% in the first quarter. Brazil's economy continues to be in stagnation. In the first quarter its GDP declined by 0.4% as compared with the previous quarter, while in the second the fall was accelerated to 0.6% as compared with the previous quarter. South Africa's economy grew in the second quarter of this year by 0.8% as compared with the previous quarter, accelerating from the 0.6% level in the first quarter of this year. GDP decline in the second quarter of this year was 0.6% as compared to the same period of 2015 that is better than the drop of 1.2% in the first quarter of the given year.

As two main factors influencing global economic slowdown we can call a strong dollar within US trade and China's economy that is not growing so fast now. Lower commodity prices also have negative impact on developing countries, especially net oil-exporting states.

Meanwhile, in the US the rise in interest rates is restrained by the Federal Reserve System (FRS), particularly because of the threats for world economy.

The monetary policy of the Republic of Kazakhstan still cannot activate the demand in its economy, as it is much more dynamic in contrast to the policy of public finance. Reducing the base interest rate to 13% had some impact on the capital market in August 2016. The growth of loans in July was 0.15% as compared to June, and it increased in 6% in August as compared to July. Therefore, the monetary base is still restrictive. At the end of August 2016 it was less than at the end of 2015 by 4.8%. The money multiplier is decreasing each month. In September 2016 banks' correspondent accounts in the National Bank were 15% lower than a month earlier. That tells us about the growth of money demand, even under the current level of interest rate.

Conclusion. In the theory of economic growth the contradictory nature of economic phenomena is expressed as the issue of harmonization of interrelation of money savings and investments to real sector of national economy. As many methodologists note this issue is the main theoretical problem debated and unsolved, due

the current growth theory originated from it. According to general methodological objectives of system research including the study of growth, economic interrelations, expressed in monetary form, have been specified as functional ones with the use of proper mathematical tools. As we have noted before, effective use of this tool is possible only in the case of combining with applied research. Otherwise, economic growth modelling turns into an abstract operation with figures. For example, in our opinion, the use of consumption function requires broad social research. Use of the investment function gives positive results in combination of macroeconomic research while doitn research at a mezo- and micro levels: development of financing models with consideration of regional peculiarities, development of target programs of financial assistance etc. Complex analysis of institutional patterns shall precede the use of demand for money function: peculiarities of the existing payment-settlement mechanism; speed of money circulation; structure of physical cash flow; distribution of cash flows among the sectors of national economy; peculiarities of the environment and expectations of economic entities etc. All the mentioned above is forecasting, social research, analysis of institutional patterns overall and market mechanism in particular – comparison of such research with the structure of national economy is, in our opinion, the most definite concept of economic development of society. It is obvious that considering all the factors that make up the specific peculiarities of national economic development, we can talk about correct reflection of the dual nature of economic processes and balanced solution of the problems of economic growth and economic development.

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