

### 1. The role of economic policies in economic development

The impact of economic laws on human activities is diverse, many-sided and flexible, so the society is very sensitive to economic policies.

Experience of many developed countries shows that they succeeded in developing their economies because they had chosen right policies to make the best use of their comparative advantages of natural and human resources, of capital and technology, or of market and infrastructure. Economic policies reflect skills of governments in applying economic laws to practical activities, and moreover, these policies are the essential component of the managerial mechanism. Therefore a system of economic policies appropriate to each stage of economic development is a guarantee of efficient performance of a managerial mechanism. A good system of eco-



comparative advantages and opportunity costs and provide for many-sided effects of the policy-making process.

- The economy always keeps on changing, new factors and comparative advantage as well appear and change over time, so we have to be alert to the "saturation point" of a policy, because at this point, a policy no longer produces good effects on the economic development and it needs a replacement, if not, it will become an obstacle to the development process.

- To learn from foreign experience is a must. But it's necessary to distinguish between learning foreign experience and copying foreign style blindly.

The world history shows that copying foreign theory or practice always leads to dogmatism and failure. Thus, we can't copy any foreign theory, policy or style of management

# STUDYING ECONOMICS AND MAKING POLICY

by Dr. ĐINH SƠN HÙNG

economic policies can tap all resources of a nation and stimulate its people to get rich lawfully, that is, it can generate high growth rate and stable economic development. On the other hand, a wrong policy can produce bad effect on other policies and on the managerial mechanism as well with the result that the managerial mechanism can't function well and the dynamic of development is destroyed.

No one can deny the fact that a wrong policy has a harmful influence on lives of millions people and even on the survival of a nation. To overcome disastrous results of a wrong policy is always a hard task to do. So in all aspects, both material and spiritual ones, the price we pay for a wrong policy is always extremely high.

Thus, in making policy, we should meet the following requirements:

- Policies on different matters should be systematized so one policy can't produce bad effects on the others. On the other hand, all policies should function together to create a dynamic of economic development.

- Each policy should be both economically and technically efficient. The economic effectiveness is the most important factor which proves the rightness of the policy.

- Economic activities can't exist independently. They are interdependent, so a well-organized system of policies can enable the managerial mechanism to tap all limited resources and make the best use of existing factor inputs.

- Each economic policy always has a two-sided feature, whereas the factor inputs are limited, demands and goals of an economy are too numerous, so we should refer to all economic theories, pay attention to

and apply them to our country instead of trying to develop a logical basis for our economic policy-making process. However, we should also keep ourselves from going to the opposite extreme, that is, from stressing too much the importance of our own characteristics. We should admit that, although each nation has its own particular features, but the market mechanism in different nations should have common characteristics. So economic policies should be appropriate to common characteristics of the market mechanism and at the same time, take full advantage of one nation's particular features.

- The government performance is within the framework of laws and directed by laws, so all economic policies should be in accordance with laws and at the same time, make laws more effective.

- The ambiguity, inconsistency



and variability of policies will cause social unrest and erode the people's trust in government policies. This situation can lead to a decrease in private investment. In order to make a policy free from ambiguity and inconsistency, it should be seen against the background of a system of policies and the policy-makers should anticipate all effects and impacts produced by the implementation of the policy.

In short, the consistency, feasibility, lawfulness, systematicness and practicality are requirements which all economic policies should meet in order to stimulate the development of the economy.

## 2. To build the economic logic as a basis of policy-making process

There are many causes of the collapse of Soviet economic model, one of them is the inertia of the way of thinking which makes the Soviet

45.8% whereas the annual inflation rate was 3.5%.

In Vietnam, the inflation rate decreased from 67.5% in 1991 to 17.5% in 1992 but the growth rate reached an unprecedented peak of 8.1%. This fact has disproved Okun's theory (which argues that if the inflation decreases by 1%, the GDP will decrease by 4%).

Some above-mentioned issues show that different economic theories give different explanations of economic phenomena in the world. Moreover, in some instances, many occurrences are contrary to what is predicted by theories. But if we can't develop our economic logic serving as a basis for policy-making process and managerial mechanism, then we can't have an effective managerial mechanism and a necessary system of policies as expected.

perts as well to take part in this program.

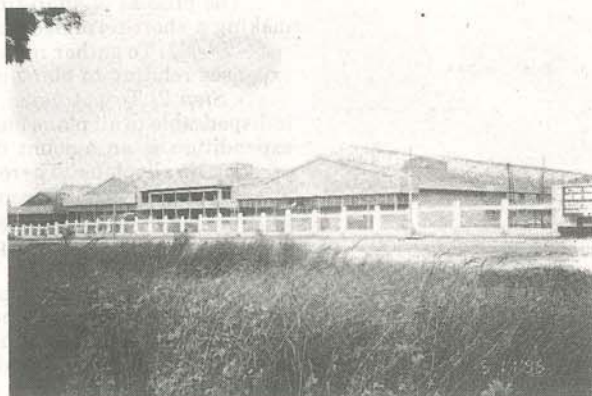
c. Economic information and other documents should be supplied to researchers in order to help them find out solutions to unanswered questions and evaluate new ideas.

d. In the coming years, we had better carry out researches into the following problems:

- + To develop a theory of development of socialism - oriented and multi-sector economy working according to the market mechanism under the government control in the background of globalization and regionalization.

- + To form arguments for model selection, industrialization and modernization, and managerial mechanism appropriate to the industrialization process.

- + To build logical basis for mak-



economics fail to keep pace with global changes, and makes dogmatism and voluntarism widespread with the result that the economic structure and managerial mechanism become rigid and unable to cope with changes, and then, become unrealistic.

In capitalist countries, Keynes's theory about how to stimulate aggregate demand and how to use inflation to struggle against economic depression and unemployment has been applied successfully in many countries for a long time. But at later period, especially in the 1960s and 1970s, inflation became widespread but economic crisis and unemployment uncontrollable.

Many other nations have switched from the monetarism. From 1985 to 1990, the money supply of Thailand had increased by 148% but its growth rate had increased by

Recent experience shows that economic researches have aimed at finding out solutions to actual situations or finding ways of realizing economic policies under the old managerial mechanism instead of studying or developing economic theories. So in dealing with many problems, we are badly in need of appropriate theories. We had to carry out tasks in parallel with developing new theory and wondered whether the idea would work in practice or not. Therefore, it's necessary to build our economic logic basically and systematically. The following are our suggestions on how to build Vietnam economic logic:

- a. The Government had better launch a program to carry out researches into economic logic in coordination with various ministries and local authorities.

- b. To invite scientists, economists and managers, and foreign ex-

ing long-term plans to develop the economy.

- + To form argumentation of administrative reformation.

- + To build scientific basis for a strategy and policies to develop both domestic and foreign markets.

- + To form arguments for realizing strategy and policies on development and employment of human resources.

- e. All theories should be put into practice by appropriate policies adopted by the Government and the Party with a view to testing the value of research result.

In short, the Government should find out and take different measures to encourage economic study in order to form a Vietnamese economic theory as soon as possible. This effort should be considered as a national program■