

MONEY SUPPLY FOR GROWTH OF SOCIALISM-ORIENTED ECONOMY

by NGUYỄN VĂN HÀ

I am agreeable to viewpoints of the article "Money supply may be helpful for the implementation of socialist equitability" printed in the *Nghiên Cứu Kinh Tế* (Economic Research) No. 286, March 2002 and like to present my opinions about this topic.

I think money supply may be helpful for the implementation of socialist equitability because:

1. Money supply may be useful for economic growth in two digits, thus building infrastructure for socialist equitability.

Former Prime Minister Võ Văn Kiệt's article "The economy grows but leaves not a few concerns" on *Sài Gòn Giải Phóng* Newspaper, March 17, 2003 noted that Vietnamese per capita income increased only by US\$42 in 2002 with a growth rate of 7.1%/year.

This figure of Thailand amounted to US\$105 while its growth rate rose by 4.8%. As such, this nation's wealth tripled that of our country due to its larger GDP. He also wrote that with a growth rate of 10%, Vietnamese per capita income in 2019 would be only equal to that of Thailand in 1999. In the meantime, according to our calculations, China has wisely applied Marx's rules of money circulation to use rather high inflation (8.98%) but in only one digit for economic development with GDP growth in two digits (19.5%) as indicated by Table 1.

If Vietnam attains an annual growth rate of 19.51% like China, it will take only 10 years to catch up with Thailand's per capita of US\$2,000 in 1999 as calculated in the following table.

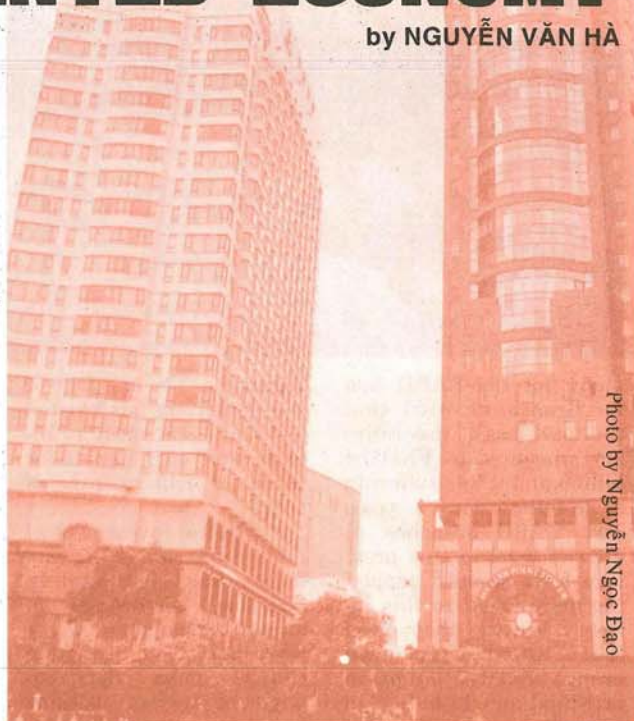


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2. Money supply may be useful for beefing up hunger eradication and poverty alleviation.

Table 1: China's money supply and GDP growth rate from 1984 to 2000

Year	Money (bil. yuan)	% of the previous year	GDP (bil. yuan)	% of the previous year	Inflationrate (%)
1984	251.47		676.10		
1985	301.73	119.00	833.00	123.00	11.00
1986	385.90	127.90	969.60	116.40	7.00
1987	457.40	118.50	1,130.10	116.50	8.70
1988	548.74	119.90	1,401.80	124.00	18.80
1989	583.42	106.30	1,591.60	113.50	18.28
1990	700.95	120.00	1,854.80	116.50	3.06
1991	898.78	128.00	2,166.30	116.80	3.55
1992	1,171.43	130.40	2,663.80	122.97	6.30
1993	1,671.10	143.10	3,463.40	130.00	14.60
1994	2,153.99	128.50	4,661.20	134.60	24.20
1995	2,559.68	118.83	5,826.10	124.99	16.90
1996	3,066.60	119.79	6,833.00	117.28	8.30
1997	3,834.30	125.05	7,489.50	109.61	2.80
1998	4,321.70	112.71	7,985.30	106.62	-8.00
1999	5,079.82	117.54	8,205.40	114.63	-1.40
2000	5,454.10	107.40	8,940.40	114.60	8.84
Average		119.51			8.98



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If Vietnam's per capita income reaches US\$1,938 by 2010 with money supply accounting for 30-35% as implemented in 1993, the socialist objectives of hunger eradication and poverty alleviation and social equitability will be achieved. The money supply posted VND33,000 billion (US\$2,182 mil) or 21.71% in 2001. If this percentage increases to 31.5% as in 1993, we will have US\$3.1 billion for economic development and implementation of social

equitability. Inflation is income redistribution in its essence; everybody suffers a loss of 9-10% due to price hike but the country can use hundreds of millions of US dollars in the money supply of US\$2-3 billion for hunger eradication and poverty alleviation. The people's income may rise 19.5% while the price index increases 9-10%, they will not see the effects of inflation because their real income still climbs 9-10%.

3. Using commercial banks' deposits in US dol-

lar for equipment innovation and infrastructure construction and reduction of unemployment

With US\$2-3 billion in money supply and some US\$6 billion in foreign currency deposits at commercial banks, the Government will obtain a fund larger than foreign loans and aids to renovate equipment and build infrastructure. This fund also creates many jobs for workers and thus reduces unemployment.

These facts really have great effects on settling the danger of lagging behind and implementing the social equitability. We hope that we will not depend on developing nations' fear of inflation or consulting of financial institutions. We also think our article will trigger off scientific debates in order to verify positive effects of money supply on the implementation of social equitability. ■

Table 2: Estimated Vietnam's GDP and population from 2001 to 2015

Year	GDP (US\$ mil.)	Population (mil.)	Per capita GDP (US\$)
2001 *	32,400	72.0	450.00
2002	38,718	73.1	529.28
2003	46,268	74.3	622.53
2004	55,290	75.5	732.21
2005	66,071	76.7	861.21
2006	78,955	77.9	1,012.94
2007	94,352	79.2	1,191.40
2008	112,751	80.4	1,401.30
2009	134,737	81.7	1,648.19
2010	161,011	83.0	1,938.56
2011	192,408	84.3	2,280.10
2012	229,928	85.7	2,681.81
2013	274,764	87.1	3,154.30
2014	328,343	88.5	3,710.03
2015	392,369	89.9	4,363.66



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