



Government credit is the credit created by the government. It came into being almost at the same time as the government.

In the world economic history, government credit has helped governments get out of financial difficulties and create economic booms. As the economy develops, the government credit becomes more and more important, and it is used as a useful instrument for controlling and regulating the economy.

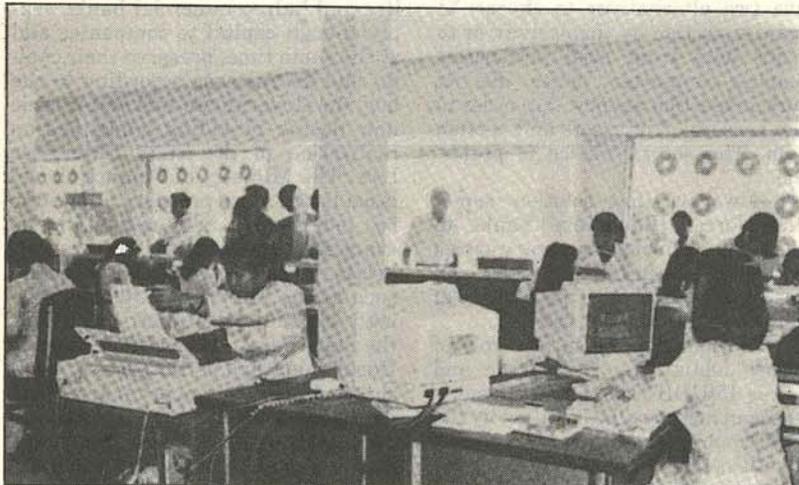
The development of government credit can be divided into three stages:

- Stage I: the primary stage

The government credit took shape in underdeveloped countries before capitalism came into being, when the commodity economy hadn't developed, labor efficiency and personal income were low and

GOVERNMENT CREDIT AND ITS IMPLEMENTATION IN VIETNAM

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there was a permanent deficit in the national budget. The government credit didn't have economic effect and was used for making up the deficit usually caused by public expenditure. Governments at that time usually took compulsory measures to raise money and repaid by increasing the money supply so governments couldn't find way out of financial difficulty.

- Stage II: Government credit in transition

It appeared in pre-capitalist period in developing countries and had the following characteristics: the economy developed well, the labor efficiency was enhanced and the demand for capital became greater. The government credit was used for, besides making up the deficit, financing productive public works or development projects. Thus the

compensation for budget deficit had more active effects. It was not only spent on unproductive works but also on fixed assets or improvement of fixed assets. Governments therefore could repay debts by raising money from developed economic activities. That was what had been done by Meiji Emperor in Japan (building the railway network), by Indian government in the 1960s and 1970s (carrying out the green revolution), or by Chinese Government in the 1980s (carrying out four modernization programs). In this stage, the government credit assumed greater economic importance.

- Stage III: Government credit in modern time

It appeared in the capitalist period and in developed countries. In this stage, the government

credit became a factor of the utmost importance in money and capital markets. It was run by a stable and flexible mechanism which enabled the government to raise money quickly in order to complete important tasks undertaken by the public finance. Moreover, the government credit could also make the government budget balanced and stable, and help the government regulate the economy.

In this stage, due to achievements of the techno-scientific revolution, the labor efficiency in developed countries was on the increase. The economy wasn't limited by national boundary and has become globally linked. Many multinationals, international groups, banks or financial institutions have come into being. Governments of developed countries, such as the U.S., Japan, the U.K, France, Germany, etc., not only regulated their economies, but also carried out many programs to interfere or cooperate in both political and economic fields of other countries.

In these countries, the government credit has been expanded and diversified. It wasn't limited to the creditor-debtor relation between the government and citizens. On the other hand, this relation has involved governments of different countries. At present, the government credit not only aims at making up the budget deficit and developing the national economy, but also at increasing investment in foreign countries and consolidating political and economic position in the world. Thus the government credit in this stage has revealed all its economic, political and social features in both national and international scales.

Government credit, like other kinds of loans, has two basic features: repayment made in future and interest payments. In addition, it has other special features (compulsoriness, political and social effects) originated from the government's political power and role in socio-economic management, therefore the many-sided relation between the government and other entities is reflected in operation of government credit.

The government credit is connected to the operation of the public treasury. It reflects the relation in which the government is both the debtor (who pays for public expenditure) and the creditor (who controls all socio-economic activities and develops foreign trade).

In Vietnam today, all sources of money raised by government credit are reflected in the national budget. They are used for increasing the budget income and investing in vital economic programs or in projects of high return on capital.

In the economic renovation, the birth of the national treasury system has created a new mechanism for operating the government credit in the public finance activities. The government credit has taken a more definite shape and produced good effects on different fields (renovating the management of the public treasury and the monetary system, developing foreign trade, supervising the realization of socio-economic programs, etc.)

1. Realization of the government credit through the national treasury system

a. Raising money from home and abroad by issuing government bond:

All government bonds, including treasury bill, treasury bond, project bond, municipal bond... are related to the realization of financial tasks and regulation of the public treasury, therefore the Ministry of Finance and the Treasury should:

- Control the printing and issuing of bonds and bills.
- Collect and control all sources of budget income.
- Repay both principal and interest when debts are due.
- Keep accounts for all operations and dealings.

b. Supplying credit of preferential rate of interest

Public investment and financing socio-economic projects is one of government's duties, represents a large percentage of budget expenditure. The Treasury is assigned, by the Government and the Ministry of Finance, the task of allocating funds for public investment (the 500KV Line, hydroelectric plants in Hòa Bình, Thác Mơ, Yali, Vinh Sơn...) and for financing socio-economic projects (the plan to create new jobs, the afforestation plan...). The Treasury should:

- Make out policy and regulations concerning the supply of credit of preferential rate of interest, and submit them to the Government and the Ministry of Finance for approval.

- Analyze and estimate regularly results of credit supplying plan, and give advice on this task to local treasuries.

- Take part in the investigation and estimation of investment projects before submitting them to authorized bodies.

- Receive capital from the Ministry of Finance, foreign aid and other sources of capital, and then, allocate them to local treasuries.

- Estimate projects before supplying credit, supervise the use of capital supplied and handle problems arising in the process of supplying credit and collecting debt.

2. Remarkable achievements of the government credit in recent period

a. In economic and financial aspect

By issuing short-term bills, a lot of dead money has been mobilized in order to make up budget deficit, control the inflation rate, stabilize market prices, and finance major development projects (the 500KV Line for example).

By supplying credit of preferential rate of interest, the Treasury has helped many medium and small businesses expand their operation, create new jobs, stimulate local economies, revive many traditional crafts, and improve the living standard of the working class.

b. In political and social aspect

In the Resistance, to raise money by issuing government bonds was a way of requiring everybody to show patriotism in a realistic manner. Thus the government credit in this period had an important political meaning. To some extent, it has united all people of the country.

Although the project bill raising money for the 500KV line issued recently brought the buyers in only small interest, but they were ready to buy. This reflected the trust they put in the Government's determination to renovate the economy.

The financing of job-creating programs in recent years has produced good results and reflected the Government's determination to struggle for social equality.

c. In foreign relation

In the Resistance, the Government has tried its best to secure aid from the socialist bloc. This aid has helped us liberate the country. After the Liberation Day, this aid has contributed remarkably to the building techno-material basis for the economic development. Recently, the Government has changed its foreign policy along with economic policy, and thereby attracting aid from many foreign governments and international financial institutions, and as we know, this aid has produced good effects on Vietnam economic development. ■