FISCAL MONETARY POLICY IN MODERN ECONOMIC MODELS

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As a tool in the hand of governments, the fiscal-monetary policy has two functional features:

- It helps the government intervene in the economy: adjusting the distribution of resources, income and wealth; and stabilizing macroeconomic situation.
- It is the instrument for economic intervention of the government based on the market mechanism and its laws.

With these two features, the size and order of importance of targets in different periods are set forth differently by governments. Therefore, each nation has its own fiscal-monetary policy. But we can consider basic functions of the fiscal-monetary policy as a basic model, and its variants as specific models. Although all these specific models are based on the market economy and their implementation is legalized, but they always reflect economic and social conditions, traditional culture and national customs of a nation, along with national institutions, government's strength, social contradiction in an economy at a given period. Thus, these models show us different characteristics in ways of implementing the fiscal-monetary policy in modern market economy. The following are some features of the fiscal-monetary policy of certain market economies.

1. The fiscal-monetary policy in American "short-term economic adjustment" model

The outstanding feature of the American model is that the government always uses economic instruments to intervene in the economy. The main instrument is the fiscal policy. The most common measures taken are funding, giving financial support and reducing taxes. In the monetary policy, the US government intervenes through the Federal Reserve System by setting reserve requirements, discount rate and functioning the Federal Open Market Committee. The coordination of fiscal policy and monetary policy in the American model is considered as a good example for the short-term economic adjustment, and in fact, it has helped with preventing economic crises and securing stable development of American economy since the end of the World War II.

2. The fiscal-monetary policy in Japanese military-civil economy model

Based on the tradition of close cooperation between civil companies and the government, all economic policies in general, and the fiscal-monetary policy to be precise, resulted from the agreement between the government and business circle.

Unlike the American model, the Japanese (and French) way of intervention is based on short- and medium-term orienting plans for development. The fiscal-monetary policy is used to support the development of companies (tax policies, credit supply from public finance organizations). In addition, the Japanese government has its own plans of investment (in building roads, ports or sewerage, etc.)

3. The fiscal-monetary policy in the German "Social market economy" model

In this model, the government intervenes to struggle against monopoly and increase effects of the market mechanism. The fiscal-monetary policy aims at stabilizing the market prices and value of the domestic currency. So the policy takes the firm control over the money supply as the most important condition for the normal operation of the economy. The federal central bank has the task of controlling the amount of money available in circulation, keeping the money supply in proportion to the growth rate in order to prevent increase in prices.

The fiscal policy is attached to economic plans in which balance-of-payment equilibrium is considered as one of the four most important objectives (the other three are: price stabilization, reasonable economic growth and full employment). In addition, the government through its public finance and state enterprises, can affect the economy by building socio-economic infrastructure and giving support to the development of the private sector.

4. The fiscal-monetary policy in the French planned economy model

Planning is the striking feature of the French government's intervention in the economy. Since 1947, ten medium-term plans have been executed in France. Although these plans aren't orders given by the government (they are only guidelines) but each plan always sets forth different objectives and priorities. The French fiscal-monetary policy thus is based on these plans and supports them. In their turn, these plans are considered as instruments to offset shortcomings

as instruments to offset shortcomings of the market mechanism.

In this model, the government pays a lot of attention to the public sector. In 1979, the government officials working in the public sector represented 10.5% of total employees, revenue of state enterprises represented 13% of GNP and investment of state enterprises represented 30.5% of gross investment. France is the first nation that applies the VAT and at present, nearly 80 nations follow in its footsteps.

5. The fiscal-monetary policy in British "ownership" model

The striking feature in British government regulation since the World War II is that the nationalization alternated with privatization as the government alternated between the Labor and the Conservative Party. In this alternation of ownership, many instruments and measures are taken but the most important one is the fiscal-monetary policy.

Privatization is the process of transferring certain industry from public to private ownership. On the other hand, nationalization occurs when the government replaces private persons as investor in certain industries of low profitability with a view to securing the stable growth rate. Thus we can consider it as a specific method of regulating the economy of the British government which is different from other methods applied in other market economies.

6. The fiscal-monetary policy in the Italian "participation" model

The Italian way of intervening in the economy of the Italian government is characterized by the participation of the government in big companies, usually by means of buying a large proportion of shares. Companies with state participation usually sell shares, bonds or borrow short- and medium-term loans from the government in order to increase their capital.

As a holder of a large proportion of shares, the government can appoint somebody as a director of the company and orient the company towards realization of planned targets set forth by the government. In Italy, companies with state participation play an important role in the economy, they attract over 50% of total capital investment of the nation in the 1970s and 1980s. Thus the government, by buying a large proportion of shares of leading companies, can affect the economy.

7. The fiscal-monetary policy in the Swedish "welfare state" model

The Swedish government gives top priority to the welfare of the people, especially in matters of social security, education, health and housing. Thus, the fiscal-monetary policy of the Swedish government aims at increasing aggregate demand by increasing government expenditure for social benefits. The annual public expenditure of Sweden can reach over 50% of GNP, so the government should take many measures to transfer a large percentage of GNP to the public treasury.

Because supply of social benefits is considered as the main target of the economic policy, the public sector in Sweden is developed well. Moreover, the government takes many measures (supply of funds for example) to encourage the development of the private sector. The government can provide with funds to businesses in some cases of loss, factories producing goods for export, enterprises of small and medium scale or gives subsidies to certain businesses and products.

In short , in the modern market economy, the fiscal-monetary policy is used by governments as an instrument of economic regulation with a view to orienting economic activity towards planned targets. In each stage of development, there are always different socio-economic targets, so the fiscal-monetary policy of a nation will change over time in order to become appropriate to specific conditions. This makes the modern economics more diversified and supplies numerous practical knowledge to policy-markers who want to make fiscal-monetary policy for their countries, especially ones (such as Vietnam) which are backward and in the transition to the market economy■