

Macro-economic Regulation of China under the Influence of Monetary Policy

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Abstract: *This paper discusses the macroeconomic regulation and control of China under the influence of monetary policy. At first, the article briefly reviews the practice of macroeconomic regulation and control in China, and puts forward the current challenges. First of all, the downward trend of the global economy has put pressure on China, resulting in a decline in exports and insufficient investment. Secondly, the slowdown of domestic economic growth and the prominent problem of structural unemployment make macro-control more difficult. In addition, the problems such as the unsmooth transmission mechanism of monetary policy, the lack of effective coordination of fiscal policy and the imperfect industrial policy have also brought certain constraints to China's macroeconomic regulation and control. Aiming at these challenges, this paper gives a series of specific policy suggestions. By implementing prudent monetary policy, strengthening the coordination between fiscal policy and monetary policy, perfecting industrial policy, deepening opening to the outside world, strengthening the coordination of international economic policies, promoting supply-side structural reform and attaching importance to employment, China can effectively cope with global economic challenges and achieve sustainable economic growth. In order to provide valuable theoretical basis and practical enlightenment for policy makers through systematic analysis.*

Keywords: *Monetary policy; China; Macroeconomic regulation and control*

1. Introduction

Monetary policy and macroeconomic regulation and control have always been an important field of economic research, especially in the current context of globalization and economic uncertainty, it is of great theoretical and practical significance to discuss the macroeconomic regulation and control of China under the influence of monetary policy [1]. At present, the research on monetary policy and macroeconomic regulation has achieved rich results [2]. Many scholars have conducted in-depth discussions on the relationship between monetary policy and economic growth, price stability, employment and other aspects from different angles and using various methods [3]. However, the influence mechanism between monetary policy and macroeconomic regulation and control is still controversial and needs further in-depth study [4]. In addition, for a big economy like China, the particularity of its monetary policy and macroeconomic regulation also needs attention.

This paper aims to deeply analyze the macroeconomic regulation and control of China under the influence of monetary policy, and provide valuable theoretical basis and practical enlightenment for policy makers through systematic analysis. This paper will start with the interactive relationship between monetary policy and macroeconomic regulation, and use the method of combining quantitative analysis and qualitative analysis to deeply discuss the macroeconomic regulation of China under the influence of monetary policy. Specifically, this paper will analyze the transmission mechanism of monetary policy, the policy mix and implementation effect of macroeconomic regulation and control, with a view to providing valuable suggestions for relevant policy formulation.

2. Basic theory of monetary policy and macroeconomic regulation and control

2.1. The basic theory of monetary policy

Monetary policy is a series of measures taken by the central bank or other monetary authorities to influence economic activities by controlling the money supply [5]. Monetary policy, also known as financial policy, is a policy that the central bank or other monetary authorities use various policy tools and means to influence financial variables such as market interest rate, money supply and exchange

rate according to the macroeconomic situation and policy objectives, thus indirectly regulating social supply and demand and realizing macroeconomic regulation and control [6]. When implementing monetary policy, the central bank needs to use various policy tools and means to influence the money supply and credit conditions, so as to achieve the monetary policy objectives.

The transmission mechanism of monetary policy refers to the process that the central bank influences economic activities through monetary policy tools. This process includes policy formulation, policy operation, policy transmission and policy effect. Specifically, the central bank formulates monetary policy according to the macroeconomic situation and policy objectives, and influences the loanable funds volume and market interest rate of commercial banks through the operation of monetary policy tools, thus affecting the investment and consumption behavior of enterprises and individuals, and finally achieving the goal of macroeconomic regulation and control.

2.2. Basic theory of macroeconomic regulation and control

Macro-economic control refers to the government's influence on the operation of the whole national economy through a series of policy means to achieve certain macro-economic goals [7]. Macroeconomic regulation and control mainly includes fiscal policy and monetary policy. Among them, economic growth is one of the main goals pursued by the government, which is mainly achieved by increasing investment, expanding domestic demand and optimizing industrial structure. Price stability is to avoid the adverse effects of unstable factors such as inflation and deflation on the economy; Full employment refers to controlling the unemployment rate below a certain level; Balance of payments is to avoid the adverse effects of trade deficit and trade surplus on domestic economy. The means of macroeconomic regulation and control include fiscal policy and monetary policy. Fiscal policy refers to the government's policy of influencing total demand and total supply by adjusting fiscal expenditure and taxes [8]. In addition, the government can also carry out targeted macro-control through industrial policies, investment policies, price policies and other means.

3. The impact of monetary policy on China's macroeconomic regulation and control

3.1. The mechanism of monetary policy on China's macroeconomic regulation and control

(1) Stabilize prices

The main goal of monetary policy is to stabilize prices and avoid inflation or deflation. China's monetary policy authorities achieved the goal of stabilizing prices by controlling the money supply and interest rate, and adjusting the deposit reserve ratio [9]. When the price rises too fast, the central bank can ease the inflationary pressure by increasing the money supply; When prices fall too fast, the central bank can curb deflation by reducing the money supply.

(2) Promoting economic growth

The regulation of monetary policy on economic growth is mainly realized in the following ways: first, through expansionary monetary policy, increasing money supply to stimulate economic growth; Second, by lowering interest rates, enterprises are encouraged to increase investment and residents to increase consumption, thus driving economic growth; Third, by adjusting the deposit reserve ratio and other monetary policy tools, it will affect the credit scale of banks, and then affect the investment scale and employment level of enterprises.

(3) Achieve full employment

The regulation of monetary policy on full employment is mainly realized in the following ways: first, through expansionary monetary policy, increasing money supply to stimulate economic growth, thereby increasing employment opportunities; Second, by lowering interest rates, enterprises are encouraged to increase investment and residents to increase consumption, thus promoting employment growth; Third, by adjusting the deposit reserve ratio and other monetary policy tools, it will affect the credit scale of banks, and then affect the investment scale and employment level of enterprises.

3.2. The Effect of Monetary Policy on Macroeconomic Regulation in China

(1) The effectiveness of monetary policy

The formulation and implementation of China's monetary policy must take into account the changes

in the international economic situation and the international financial market. In practice, China's monetary policy authorities usually adopt a variety of monetary policy tools, including deposit reserve ratio, interest rate, exchange rate and other means to achieve the established macroeconomic goals. These policy instruments interact and restrict each other, and it is necessary to comprehensively consider various factors to make decisions. The process of economic forecasting is shown in Figure 1.

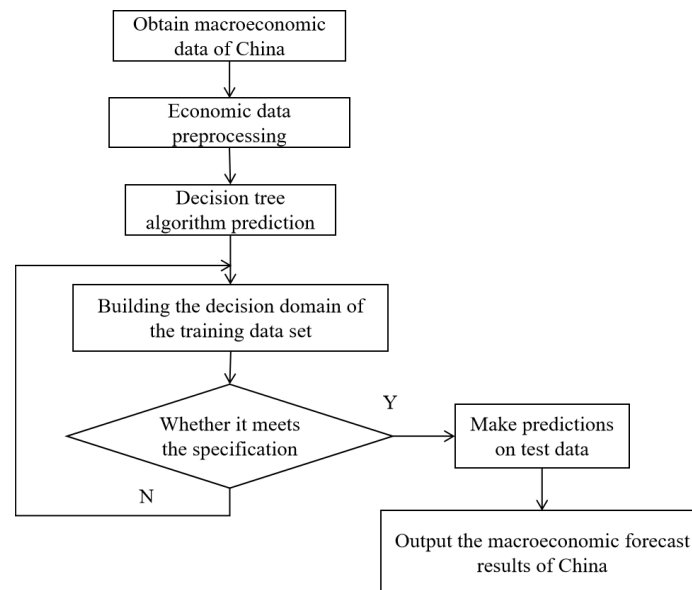


Figure 1 The process of economic forecasting

(2) The efficiency of policy transmission mechanism

The efficiency of monetary policy transmission mechanism refers to the speed and degree of influence on the real economy after the implementation of monetary policy. In China, the transmission mechanism of monetary policy mainly includes credit transmission, interest rate transmission and exchange rate transmission. Among them, credit transmission is one of the most important channels, and the expansion and contraction of bank credit scale directly affects the investment of enterprises and the consumption behavior of residents. Interest rate transmission plays an obvious role in the period of economic contraction, and it can stimulate investment and consumption by lowering interest rates. Exchange rate transmission is relatively complex, involving the international economic situation and policy coordination.

4. Practice and challenge of macroeconomic regulation and control in China

4.1. The practice of macroeconomic regulation and control in China

Since the reform and opening up, China's macroeconomic regulation and control has experienced a process of continuous development and improvement. In the past few decades, China government has taken a series of measures to regulate economic operation, including the transition from planned economy to market economy, the coordination of fiscal policy and monetary policy, the adjustment of industrial policy and the implementation of opening-up policy. The implementation of these measures has made China's economy develop rapidly and become one of the largest economies in the world.

Specifically, the practice of macroeconomic regulation and control in China can be divided into the following stages: from 1978 to 1993, the planned economy was transformed into a market economy. At this stage, China began to carry out economic system reform, including rural reform and urban reform, gradually liberalized the market economy, and achieved rapid economic growth. From 1993 to 2008: Macroeconomic regulation and control was gradually institutionalized. At this stage, China government began to give priority to the regulation of stabilizing economic growth, preventing financial risks and improving economic efficiency, and at the same time strengthened the coordination of fiscal policy and monetary policy. 2008-present: Responding to the international financial crisis and the global economic downturn. At this stage, China government has taken a series of measures to deal with the international financial crisis and the global economic downturn, including increasing infrastructure construction, expanding domestic demand, promoting industrial upgrading and innovative development.

4.2. China's current challenges in macroeconomic regulation and control.

China's macroeconomic regulation and control is facing some challenges at present. First of all, the downward trend of the global economy is constantly strengthening, and factors such as trade protectionism and geopolitical risks have brought pressure to China's economic growth. Secondly, the slowdown of domestic economic growth, structural contradictions and institutional problems have gradually become prominent, making it more difficult for China to adjust its macro-economy. In addition, the problems such as the unsmooth transmission mechanism of monetary policy, the lack of effective coordination of fiscal policy and the imperfect industrial policy have also brought certain constraints to China's macroeconomic regulation and control. The economic impact indicators are shown in Figure 2.

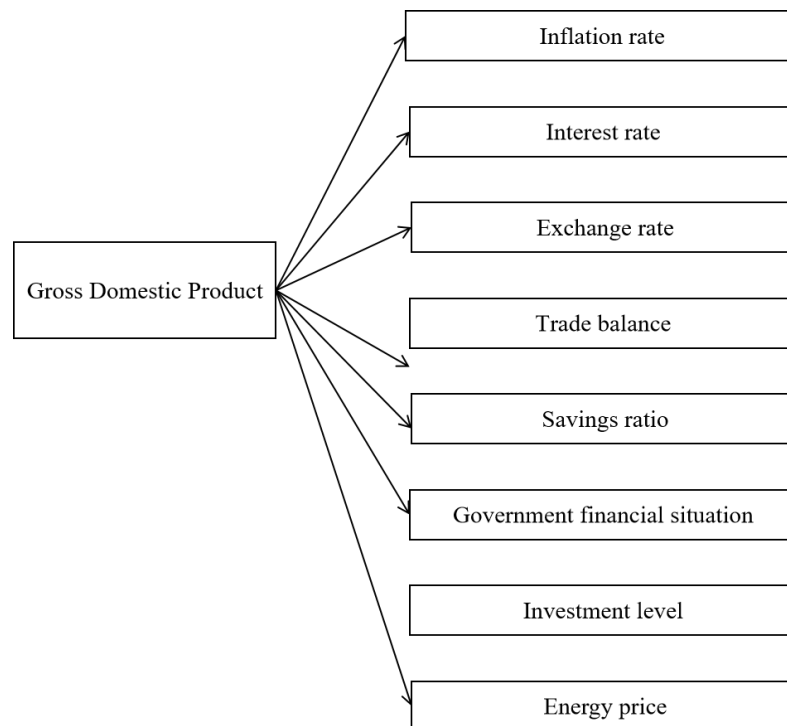


Figure 2 Economic impact index

4.3. The influence of international economic situation on China's macroeconomic regulation and control

The international economic situation has an important influence on China's macroeconomic regulation and control. With the in-depth development of global economic integration, changes in the international economic situation have a direct impact on China's macroeconomic operation. For example, the intensification of global trade protectionism will lead to the impact on China's export trade, thus affecting domestic economic growth and employment situation. In addition, the turmoil in the international financial market will also have adverse effects on China's domestic economy, such as capital outflow and exchange rate fluctuations. Therefore, the China government needs to fully consider the impact of the international economic situation when formulating macroeconomic policies, and take appropriate measures to ensure the stable development of the domestic economy.

5. Policies and suggestions

In view of the above challenges, this paper puts forward the following policy suggestions:

(1) Implement a prudent monetary policy: Monetary policy is one of the important means of macroeconomic regulation and control. In order to maintain economic stability, it is suggested that the central bank adopt a prudent monetary policy, adjust the money supply and interest rate level in a timely manner, and avoid economic ups and downs. (2) Strengthen the coordination of fiscal policy and monetary policy: fiscal policy and monetary policy are two major means of macroeconomic regulation

and control. In order to improve the regulation effect, it is suggested that fiscal policy and monetary policy should strengthen coordination and cooperation in the process of formulation and implementation to form a joint force of policies. (3) Improve industrial policy: Industrial policy is an important means to promote economic growth. It is suggested that the government further improve industrial policies, encourage innovation and technological progress, improve industrial competitiveness, and realize the optimization and upgrading of industrial structure. (4) Deepening opening-up: In the process of promoting economic globalization, it is suggested that China further expand its opening-up areas, promote trade and investment liberalization, and strengthen its ties and cooperation with the world economy. (5) Strengthen the coordination of international economic policies: under the background of globalization, economic policies of various countries influence each other. It is suggested that China actively participate in international economic policy coordination, strengthen economic cooperation with other countries and regions, and jointly meet global economic challenges. (6) Promoting supply-side structural reform: In order to solve the structural problems faced by China's economy at present, it is suggested to promote supply-side structural reform, and improve production efficiency, optimize resource allocation and promote economic growth through measures such as de-capacity, de-inventory, de-leverage, cost reduction and short-boarding. (7) give priority to the employment problem: In view of the current structural unemployment and employment difficulties, it is suggested that the government strengthen the formulation and implementation of employment policies, encourage innovation and entrepreneurship, and improve the quality of the labor force, so as to promote full employment and improve the quality of employment. (8) Improve the social security system: In order to ensure people's basic livelihood and stabilize social expectations, it is suggested that the government improve the social security system and improve the level of social security, especially for low-income groups and vulnerable groups. (9) Strengthen risk prevention: In order to ensure the stable economic growth, it is suggested that the government strengthen the construction of risk prevention and resolution mechanisms, including preventing financial risks, production safety risks and social stability risks, and early warning and responding to possible economic fluctuations and crises.

6. Conclusions

At present, China's macroeconomic regulation and control is facing many challenges. Through in-depth research on the practice and challenges of macroeconomic regulation and control in China, this paper puts forward a series of operable policy suggestions. These policy suggestions cover many aspects, such as monetary policy, fiscal policy, industrial policy, opening to the outside world, international economic policy coordination and supply-side structural reform, which are of great guiding significance for China to cope with global economic challenges and achieve sustainable economic growth.

The article holds that in practice, China should adhere to a prudent monetary policy and flexibly adjust the money supply and interest rate level according to the economic situation. In addition, fiscal policy should actively cooperate with monetary policy to form a joint force of policies to better play the role of macroeconomic regulation and control. In terms of industrial policy, we should encourage innovation and technological progress, promote the optimization and upgrading of industrial structure and improve industrial competitiveness. At the same time, China should continue to deepen its opening up, promote the liberalization of trade and investment, and strengthen its ties and cooperation with the world economy. In the supply-side structural reform, we should take measures such as de-capacity, de-inventory, de-leverage, cost reduction and short-boarding, so as to solve the structural problems faced by China's economy. By comprehensively applying the above policy suggestions, China can effectively cope with the global economic challenges and achieve sustainable economic growth under the influence of monetary policy.

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