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Concept of Fiscal and Monetary System

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Abstract: This article provides information about the role and global significance of the state's fiscal and monetary policy.

Keywords: Fiscal, monetary system, financial support, small business, risk, deficits

As one indicator of the global fiscal and monetary response, the IMF projects $5.4 trillion in public spending and revenue to support economic activity through 2020, $5.4 trillion in loans, equity, guarantees, and more, and a total of $10.8 trillion dollars were allocated [1]. Global government borrowing will grow from 3.9% of gross domestic product (GDP) in 2019 to 12.7% in 2020. According to other estimates, central banks have allocated $17 trillion to support their economies to combat the economic consequences of the pandemic [2]. The ratio of budget deficit to GDP in developed countries is forecast to increase from 3.3% in 2019 to 14.4% in 2020; For the United States, this figure is projected to increase from 6.3% to 18.7%, the highest of any country or region [3]. According to the IMF, France, Germany, Italy, Japan and the United Kingdom implemented measures to support the public sector at the level of 10 percent of GDP. According to the forecast of developed countries, the budget deficit will increase from 4.9 percent of GDP to 10.7 percent, which increases their debt burden. can [4]It is known that in order to fight against the Covid-19 pandemic and to increase activity in the economy, the US government has developed 5 laws, the main aspect of these laws is a total of 3.4 trillion from the state budget directed to reducing unemployment caused by the pandemic in the 2021 financial year. and 3.3 trillion for the 2020-2030 fiscal year. It is planned to transfer the amount of dollars [5]. According to some estimates, the countries considered financially weak include Argentina, Venezuela, Lebanon, Jordan, Iran, Zambia, Zimbabwe and South Africa [6]. According to the IMF's conclusion, some developed countries may have an "unmanageably" high level of debt. For this purpose, it is important to check the financial stability of the banks operating in them [7].

1World Economic Outlook Update, International Monetary Fund, June 24, 2020. p. 16.

2 Wigglesworth, Robin, Long Live Jay Powell, the New Monarch of the Bond Market, Financial Times, June 23, 2020. https://www.ft.com/content/5db9d0f1-3742-49f0-a6cd-16c471875b5e.

3 Fiscal Monitor, International Monetary Fund, October 2020, Table 1.1

4 Global Financial Stability Report Update. International Monetary Fund, June 2020, p. 2

5US Congressional Budget Office, The Budgetary Effects of Laws Enacted in Response to the 2020 Coronavirus Pandemic, March and April 2020, June 16, 2020, https://www.cbo.gov/publication/56403. The two laws not mentioned in the text were the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (PL 116-123) and the Families First Coronavirus Response Act (PL 116-127). A subsequent law, the Paycheck Protection Program Flexibility Act (PL 116-142), provided for more generous terms for PPP loans

6 Wheatley, Jonathan, Tommy Stubbington, Michael Stott, Andrew Yengland, and Joseph Cotterill, Debt Relief: Which Countries Are Most Vulnerable? Financial Times, May 6, 2020. https://www.ft.com/content/31ac88a1-9131-4531- 99be-7bfd8394e8b9

7 Global Financial Stability Report Update, p. 2.

If we analyze the state budget expenditures and revenues of our republic between 2000 and 2022, the change of state budget expenditures and revenues had a tendency to change in proportion to the growth rate of real GDP. In 2000, state budget revenues were 28.5 percent of GDP, and by 2022, they have decreased to 22.7 percent. In the same way, the state budget expenditure was 29.6 percent of GDP in 2000, and in 2022, this indicator decreased to 26.6 percent. If we analyze the growth rate of real GDP in our country, the lowest trend in 2000-2022 was observed in 2000 and 2020. In 2020, this indicator is guaranteed to grow by 1.6 percent despite the economic pandemic. The highest growth rates of real GDP were observed in 2010, 2015 and 2016, when the growth rate averaged 8.0 percent. Accordingly, state budget revenues were on average 21.0 percent of GDP, and state budget expenditures were nearly 21.0 percent of GDP.

Many countries provided additional financial support to small businesses and households during the economic pandemic. In October 2020, the state carried out financial control and implemented new temporary fiscal measures. We can include Australia , Canada, France, Germany, India , Indonesia, Japan, Spain, the United Kingdom , and the United States. European countries have developed new laws . In 2021, many countries saw low budget deficits due to rising incomes. Temporary measures to revive the economy caused by the pandemic led to an automatic reduction in spending. Also, the 2021 budget cuts could dampen the recovery, the pace and extent of which remain uncertain. Many developing countries and emerging economies are expected to tighten fiscal policy in 2021, reflecting downgrades and negative market reactions if they maintain high levels of debt, currency risks and large deficits. The budget deficit is one of the main macroeconomic indicators showing the country's economic situation. Its changing tendency affects the state debt and economic growth rate on the one hand, and on the other hand it affects the strategy set by the state to implement the goals planned in the future. In economic theory, two types of budget deficit are distinguished: permanent deficit and temporary deficit. Among foreign economists, McConnell K.B. and Brew S.L. pay special attention to these two types .

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