

HELICOPTER MONEY AND THE PROSPECT OF IMPLEMENTATION IN VIETNAM DURING ECONOMIC CRISES

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Abstract

As the current COVID-19 pandemic lingers on with its fallout agonizing several economies on the globe, a number of policy instruments have been summoned by governments to cope with the looming recession. Among those instruments is the contentious “helicopter money”, which has received the endorsement of multiple economists while many others consider it a too risky tactic to follow. This paper is going to discuss the suitability of implementing “helicopter money” in the context of Vietnam during economic crises, particularly with a focus on the ongoing novel coronavirus-induced economic downturn. The author also makes an attempt to clarify certain challenges that Vietnamese legislators should better study carefully if “helicopter money” is ever to be deployed, as well as the circumstances and extent of such deployment.

Keywords: *COVID-19, economic crisis, helicopter money, Vietnam.*

1. Introduction

As economic cycles proceed, recession might revisit an economy from time to time. A recession is usually characterized with very low or even negative growth, high unemployment and structural deficits, which then results in long-term social security instability. There are multiple possible factors in play behind each economic crisis, for instance, wars, economic mismanagement, economic bubbles, natural disasters, and the most recent one namely the COVID-19 pandemic. Throughout the history, governments have come up with various policy prescriptions to cope with such arduous recessionary periods. Among those lies the controversial “helicopter money”, whose popularity has been rising these days while countries are struggling in the midst of the COVID-19 pandemic.

Since its first emergence in the second half of the twentieth century, the application “helicopter money” used to be taken into consideration during notorious fierce economic crises in Japan when deflation cast a bleak outlook on the whole economy and reducing interest rate could not do any good. Recently as the COVID-19 continues to rage on in a still unpredictable manner, “helicopter money” has been put on the table again. Although a few countries have taken initial steps in implementing this tactic, it is still open to question whether it is entirely advisable for Vietnam to adopt the same approach.

In this paper, the author is going to discuss the essence of “helicopter money” concept and its pros and cons as well, which is followed by a deeper look into the empirical evidences

of the implementation and arguments over “helicopter money”. The third section of the paper provides readers with a brief overview of some major economic crises in Vietnam since the country’s reunification in 1975, which is accompanied with the author’s reasoning about the suitability of “helicopter money” as a policy prescription during such critical periods and the challenges of enforcing this tactic in Vietnam. The paper is then concluded with some of the author’s final thoughts about “helicopter money” and policy approach in time of economic crises in Vietnam.

2. Literature Review

2.1. The mechanisms of Helicopter money

The term “Helicopter Money” is used to name an expansionary fiscal policy in which a large sum of money is distributed among the public, with the aim of boosting the economy during recessionary period. It is conventionally suggested that “helicopter money” policy can be implemented through either direct income increments (in cash or via account crediting) or tax rebates, which are financed by the Central Bank printing money, rather than by Government’s borrowing or deduction from its existing spending ([Belke](#), 2018).

Generally, helicopter money is expected to raise spending and economic growth thanks to its immediate impacts on aggregate demand. Theoretically, there are four channels through which helicopter money could realize such impacts. Firstly, a direct money transfer from the government would possibly incentivize people to spend more on goods and services. Secondly, in case government’s spending is financed by money printing, there is supposed to be a boost to GDP, employment and income due to extra spending on public projects. Thirdly, since helicopter money is financed by money creation, rather than increased borrowing from Central Bank, it is supposed to associate with a transient raise in inflation expectation, which in turn could possibly lead to further spending motivation for economic individuals. Finally, although helicopter money is usually considered an unconventional alternative to quantitative easing, the implementation of helicopter money policy involves a permanent money supply expansion, rather than a government debt which will ask for future compensation via increased tax or reduction in government’s spending at some point in the future. This makes helicopter money sound a more effective stimulus for household to spend their windfalls (Buiters, 2014).

2.2. Risks of “Helicopter Money”

Though “helicopter money” might theoretically sound promising in boosting demand and pulling an economy out of an economic stagnancy quagmire, it is still highly controversial whether the pros can outweigh the cons once such an instrument is implemented. Unlike many other policies, helicopter money is not a reversible strategy, which asks for significant prudence over using it as a solution to revive the economy.

One of the main risks associated with helicopter money is that it might result in excessive price increases and ruin the central bank’s financials. Proponents of helicopter money would argue that raising prices is one goal of helicopter money to deal with deflation and stagnancy during an economic recession. However, the concerns do not lie in such a

transient increased price level, which is indeed desired to help the economy out of a liquidity trap. Instead, it is the central bank's losing control over inflation even when the liquidity trap is no longer present that causes a major concern. This comes from the conventional view that helicopter money is financed by the central bank printing new money, which is then transferred to the public or used to monetize government debt without any corresponding assets or claims on the central bank's balance sheet. Therefore, the implementation of helicopter money is conventionally associated with a permanent increase in money supply, which consequently raises the public's inflation expectation and in the worst scenario would lead to realistic hyperinflation once such a policy is believed to be repeated (Heise, 2016).

It is posited that helicopter money would immediately boost aggregate demand due to the augmented income that the public would spend on more goods and services. However, the raised expectation of inflation might well render such a policy futile. Because an income increment coming from helicopter money does not surely improve the purchasing power of economic agents. On the contrary, printing more money, and thus higher inflation, can depreciate the savings of people and make them less well-off even during a deflation period. Consequently, people might become more prudent in their spending decisions and would possibly prefer saving more especially when their pessimistic economic outlooks are further compounded by future price instability (Dowd, 2018). In case helicopter money is used as a means of government's debts monetization, Krugman explains "a deficit ultimately financed by inflation is just as much of a burden on households as one ultimately financed by ordinary taxes, because inflation is a kind of tax on money holders" (Belke, 2018).

An increase in money supply as a result of the implementation of helicopter money could also raise concerns over the depreciation of the domestic currency on the foreign exchange market. The prospect of higher inflation and lower interest rate owing to a monetary expansion are the possible factors that discourage investors and speculator from keeping the currency, which in turn drags down the value of the domestic currency. Such currency depreciation is expected to be favourable for exports as the price of domestic goods and services would become cheaper in terms of other currency. However, it could likely deal a blow to import activities as the prices of foreign products become higher in terms of domestic currency, and thus raise the domestic price level further. It follows that there might be some crowd-out effect on the price competitiveness of some export products, which use some imports as their major inputs (Bogdan, 2017).

What makes helicopter money a less desirable policy is the risk of jeopardizing the long-term independence of the central bank and blurring the institutional separation between monetary and fiscal policy. Once helicopter money is channeled through economy in the form of government debt monetization, it might set a dangerous precedent for both legislators and other economic agents. Legislators might establish the tendency of turning to helicopter money to facilitate the government spending or tax cuts again, instead of more sustainable policy instruments. If economic agents perceive such behavior of the government as habitual, they would no longer hold trust in the monetary system, especially the stability

of their currency as well as domestic price level. Such loss of trust is undeniably devastating to the whole socio-economic system (Belke, 2018).

The proponents of helicopter money generally expect that aggregate demand would increase in time of economic recession as people are given a specific amount of money and spend their windfalls on more goods and services. However, as previously discussed, the public's decisions between consumption and saving do not depend solely on the one-time supplement to their current incomes. Instead, they are influenced by several economic and psychological factors, such as expectations of future income and inflation, etc. Even in case all such economic and psychological factors support the public's decisions to raise current consumption, standard models suggest that economic agents typically divide every unit of income increment into both consumption and saving. Therefore, the likely impacts of helicopter money on aggregate demand and output could be much humbler than expected, which also diminish over time (Dowd, 2018).

2.3. Implementation, empirical evidence and arguments over “Helicopter Money”.

The term “helicopter money” was first coined by Milton Friedman in 1969. It was initially intended as a classroom hypothesized circumstance rather than a serious policy proposal, to discuss the consequences of a permanent increase in money base, which was believed to never be repeated by the public (Bogdan, 2017). It was not until the 1990s that this idea gained significant attention among economists and policy makers as a helpful instrument to combat deflation and free the economy from a “liquidity trap”.

When the economy is undergoing very slow or no growth, “helicopter money” can possibly be prescribed to boost aggregate demand and thus create some desired moderate inflation. Such proposition has been applied to solve the economic issues in a number of countries, in various forms and with different level of adherence to the original idea of “helicopter money”.

Typically, when an economy slows down, legislators would likely think of decreasing short-term interest rate to encourage investment and spending. However, the situation in Japan during the period between 1990s and 2000s posed a much bigger headache to economists and policy makers as the aggregate demand in Japan constantly fell short of production capacity while the short-term interest rate had already fallen as low as zero. At the same time, the normal bond-financed expansion fiscal policy appeared implausible for fear of increasing privately held government debt. Among several policy prescriptions, increasing the public's disposable income was expected to incentivize more spending and heighten the level of economic activity (Bernanke, 2003). Multiple measures were attempted by Japan government, such as reduced tax rate, insurances of tax rebates, raised government's spending on public work projects. However, those measures did not bring about much rejuvenating effects as expected. It was later argued that much of such monetary bailout were inefficiently allocated to unproductive public work projects and failing businesses while, instead, the monetary resource allocation should have followed market rules. In other words, “helicopter money” should have been given directly to people and

allowed them to make their own decisions. More recently, in 2016, during another economic stagnancy period, Japan refused to monetize more government debt due to the concern over uncontrollable inflation and currency depreciation but was reported to implement a mild version of “helicopter money” by issuing long-dated perpetual bonds on a large scale. The money was then mainly used to fund infrastructure projects and improve purchasing capacity of low-income earners.

In the Eurozone, the idea of “helicopter money” gained in popularity during the 2010s. This concept was promoted within the “Quantitative Easing for the People” campaign in 2015. This proposal involved distributing the money created by the European Central Bank directly to eurozone citizens or spending on “much needed public investment such as green infrastructure, affordable housing” (Dowd, 2018). The idea of using helicopter money also appeared to be supported by a majority of Europeans as a survey in 2016 showed that 54 percent of people in the EU responded in favor of while only 14 percent expressed their opposition to helicopter money deployment (Positive Money Europe, 2006). *As the recent coronavirus pandemic cast a heavy shadow on the economic outlook for the EU in the next several months or even years, the debate about whether or not using helicopter money has come into vogue again.* Jordi Galí (2020) argues that a “direct, unrepayable funding by the central bank of the additional fiscal transfers” should be effected as “an alternative to a strategy based on higher taxes and/or more government debt in order to finance such an emergency fiscal programme” prompted by the acute repercussions of the COVID-19 pandemic (Galí, 2020). Stanislas Jourdan (2020) proposes that “helicopter money should be part of a recovery plan to boost the economy” without increasing the public debt burden but “this ideally requires all EU institutions to work together in a constructive manner”. On the other hand, the ECB has so far “avoided looking at helicopter money as a real possibility” to cope with the COVID-19 fallout, due to “concerns over central bank independence, foreign investment”, and the uncertain prospect of how people would use the extra cash (Amaro, 2020).

Throughout the economic history, helicopter money has also caught the attention of legislators in many other countries. Most recently, a number of governments, including Hongkong, the US, Singapore has decided to offer their citizens direct cash amid the aftermath of the coronavirus pandemic. Those transfers are aimed to ease the economic fallout of the outbreak, kick up demand and spur economic growth after social distancing periods (Amaro, 2020).

3. The possibility of implementing “Helicopter Money” policy in Vietnam during economic shocks

3.1. Economics crises in Vietnam and the Government’s responses.

This section of the paper is going to provide an overview of major economic crises in Vietnam during the 1980s, the late 2000s and the most recent one related to the COVID-19 outbreak. Generally speaking, these economic crises were caused by different factors and impacted the economy in various ways and at various scales. Consequently, the policy schemes that were employed by the government to help the economy get over those tough periods were also highly flexible.

From the national reunification in 1975 to 1985, Vietnam was confronted with a plethora of difficulties under the centralized economic mechanism. The economy remained dominated by small-scale production mainly based on simple labor rather than the application of technology, which failed to produce enough food and consumer goods. To make matters worse, the ownership regimes, initially expected to concentrate all the available resources for reconstructing the country by promoting the public ownership of production means, later became an obstruction of economic development since the private ownership was not fairly respected (Diem, 2011). Meanwhile, the distribution of income was intended to satisfy the principle of egalitarianism but turned out to greatly reduce people's motivation for hard-work and renovative ideas. Consequently, during the 1980s, Vietnam was reported as "one of the poorest countries in the world" (The World Bank, 2004) with about 70 percent of its population living below the poverty line (Shaw, 2018). The gross domestic product per capita in 1985 was estimated at approximately USD 130, which made Vietnam among the five most impoverished economies in the world (The World Bank, 2004). As the government became impatient in its effort to break out of the economic crisis, money printing was resorted to as a source of financing the government's increasing budget deficits, which further pushed the country into another terrifying nightmare of hyperinflation. By 1986, the annual inflation in Vietnam had soared to 487 percent (The World Bank, 2004).

In response to this crisis and with the benefit of hindsight from the previous policy failures and achievements, in 1986, Vietnam initiated its radical economic and political innovation campaign, namely "Doi moi". "Doi moi" essentially entailed replacing the centrally planned economy with the "socialist-oriented market economy", which embraced the concept of a multi-sector economy, affirmed the recognition of private ownership, and relaxed the State's control over investment and foreign trade (Vuving, 2013). In 1987, the new Law on Foreign Investment was passed and quickly harvested the reward as dramatic waves of foreign direct investment were attracted into the economy which amounted to roughly 10 percent of GDP in 1994 (Vuong, 2014) and made Vietnam one of the largest FDI recipient among transitional developing countries in proportion to its economy's size (The World Bank, 1994). In addition, further renovative measures in the "Corporate Law" and "Private Enterprise Law" in 1990 greatly boosted domestic production and trade, while the Land Law revised in 1993 granted farmers more land rights and security, which incentivized them to raise agricultural products. In another effort to stabilize the macro-economy, especially to curb the rate of inflation, the government cut down its spending and modified the tax system to raise more revenue, which helped to alleviate the budget deficit from 8.4 percent of GDP in 1989 to 1.7 percent in 1992 (The World Bank, 2004). By the late 1990s, most of Vietnam major economic malaises had been resolved. Agricultural productivity and output rose significantly, which was not only sufficient to satisfy domestic demand, but also used for exports. Vietnam became the world's third largest exporter of rice in the early 1990s, and the second largest exporter of coffee in the late 1990s. In the years after the implementation of Doi Moi Campaign, the annual growth rates showed an upward trend from just below 3 percent in 1986 to approximately 9.5 percent in 1995 (The World Bank, 2004).

Another recent economic crisis occurred during the late 2000s. Shortly after Vietnam officially became a member of the World Trade Organization in 2007, which is regarded as a cornerstone in its endeavor toward a liberalized economic model, the country was faced with another economic downturn under the influence of the global economic crisis. Vietnam's GDP growth rate plunged from 7.13% in 2007 to just above 5.6% in 2008 (The World Bank, 2020), then fluctuated from then on but has never recovered its prime peaks before the crisis. Meanwhile, the macro economy had fallen into drastic turbulence, which involved high rates of inflation (roughly 23.1% in 2008), large trade deficit, massive business shutdowns (Vuong, 2004), and increase in non-performing loans rate within the bank system. Many enterprises had to scale down their production or modify their business plan to cope with the reduced demand and higher production cost, especially higher loan interest rate. There was a sharp fall in export revenues due to the decreased demand from major export markets which was severely affected by the global economic crisis, including the US, EU and Japan. At the same time, Vietnam also witnessed a downward trend in newly invested capital, and critical disruption in stock and real estate market. Such slowdown in economic activities unarguably led to the deterioration in people's living standard, especially the susceptible low-income group.

In response to this economic crisis, Vietnamese Government put forward several measures to retrieve macro-economic stability and social security steps by steps, including measures to stimulate consumption and investment, policies to promote production and exports, supports for low-income people. Enterprises were offered tax reduction or tax extension. The size of income tax reduction that small and medium companies which created a large number of jobs were eligible for amounted to remarkably 30% (Pham, 2009). In addition, individuals were allowed to defer their income tax payment, while the VAT tax on some goods were also cut half, which was intended to raise individuals' spending. Such measures were not powered by the Government's debt financing, but rather a contractionary fiscal stand, in which the Government managed within its tight budget and controlled overspending at an acceptable level. In terms of monetary policy, the government endeavored to reduce the lending interest rate to support domestic enterprises while keeping the exchange rate flexibly and efficiently to facilitate exports. The government also created more favorable conditions so that enterprises could gain access to credit support packages more easily. Such economic solutions played an important role in controlling inflation, moderating trade deficit and improving economic growth in the following years (Pham, 2009).

By the end of 2019, the whole globe was confronted with another crisis, which has been continuing up to present with no certain ending date. This pandemic has obviously taken heavy tolls on several economies all over the world, including Vietnam. Though having succeeded in containing the spread of the virus within the community, Vietnam's economic activities have been seriously disrupted during the first quarter of 2020, especially when the pandemic has exerted destructive impacts most of its strategic trading and investment partners, such as the US, China, the EU. Vietnam's gross domestic products fell dramatically to 3.8 percent in the first three month of 2020, as compared to 6.8 percent in the same period in 2019

(GSO). It is also reported that from the beginning of the year up to April 2020, 35000 enterprises have halted their operations (VCCI) (Van, 2020). The major difficulties that most surviving enterprises have to deal with come from the sudden contraction of demands for goods and services, the disruptions of production inputs and the shortage of capital and cash flow. As the economic pillar has been shaken by the pandemic, other social security elements in Vietnam are also at risk, which affects the low-income groups the most (VCCI, 2020).

From the beginning of the outbreak, apart from strict measures to contain the spread of the coronavirus, Vietnam government has also taken proactive actions to alleviate the adverse impacts of the pandemic on the domestic economy. A socio-economic relief package of 62 trillion VND was launched via the Decision 15/2020/QĐ-TTg and Resolution 42/NQ-CP. It mainly focuses on helping people whose incomes have been severely reduced or whose jobs have been lost due to the pandemic, which makes it impossible for them to maintain the minimum living standards. The income assistance to each affected person which can be up to 1.8 million VND per month and for the maximum of 3 months starting from 1 April is scheduled to be financed directly through the government budget. As per Decree 41/2020/ND-CP, the government's incentives to ameliorate the economic aftermaths of the COVID-19 outbreak also include tax breaks, tax payment delays, tax reductions and exemptions, electricity bill discounts of 10 percent for 3 month starting form 1 April, and land rent fees delay for impacted businesses, households and individuals, which can add up to 180 trillion VND. In addition, the central bank of Vietnam has lowered several operating rates while commercial banks have already reduced interest rates and many types of service fees, applied more favourable terms to enhance enterprises' access to business loans, and allow debt restructuring and debt payment delay. To boost the domestic market further, the government has also accelerated the disbursement of public investment. The total capital which hasn't been disbursed in 2019 and which has been planned for 2020 is calculated at USD 30 billion. It is expected that such public investment would incentivize industrial production and services, hence create more jobs and improve income for workers, while at the same time, contribute to the infrastructure development which is essential for growth in the long term. These measures have proved to be especially helpful to individuals and companies in the most heavily affected sectors, such as tourism, education and training, hospitality industry, processing industry, textiles and foot ware, transportation, and banking (Falak, 2020).

In short, it is clear that the government's responses to economic crises differ and depend on the nature of each economic crisis. There are various tools which have been used by the government, including printing money and income transfer. However, these two instruments have never been incorporated as one single measure in Vietnam so far. While money base expansion during the early 1980s caused the most terrible hyperinflation period in Vietnam, income transfer has been used largely as a measure to mitigate a business downturn due to a negative economic shock or as a measure to redistribute income within the community, which aims to raise the living standards of disadvantaged people. These empirical evidences provide some insight into the possibility of implementing "helicopter money" in the context to Vietnam economy.

3.2. Outlooks for the implementation of “Helicopter Money” in Vietnam.

3.2.1. The legitimacy of employing “Helicopter money” in Vietnam.

Powerful as it may sound as a bold move to rescue an economy from the verge of a great recession with falling demand and stagnant production, “helicopter money” obviously contains several risks, which make it a much more pricey policy in case of inappropriate implementation. With the previous painful experience of galloping inflation during the 1980s, the government of Vietnam would certainly be much more precautionous as to utilize such a policy which involves swelling the monetary base as “helicopter money”. And as far as the empirical evidences have shown, “helicopter money” has only been considered during the time of extreme economic recession whose repercussion spread throughout the whole economy, when the interest rate was already flat, and the national budget deficit had already reached an alarming level.

However, the rationales for “helicopter money” must not be solely contingent on the severity of the economic crisis. As a matter of fact, the natures or the roots of an economic crisis play a decisive role in devising a rescue scheme. For instance, giving people extra income to spend would have been a futile tactic because it could not solve the major problems dragging Vietnam economy down in the 1980s, which included the inefficient centralized economic mechanism that defied all market rules, the absence of fair recognition of private sectors and reasonable protection of private property rights. Consequently, as the central bank print more money to finance the government spending at that time, it only worsened the situation, without doing any good to domestic production. As regards the economic crisis in Vietnam during the late 2000s, “helicopter money” could not have had a chance of being put on the table either. This crisis occurred under the influences of the contemporary global financial crisis which racked several major export markets of Vietnam, coupled with the turbulence within the banking system which heavily suffered from bad debts when the domestic real estate market collapsed in 2010. Though this crisis cost hundreds of thousands of enterprises and millions of jobs, sharply diminished domestic demand and disrupted production, employing “helicopter money” to revive demand and boost production was still out of the question since it would definitely inflate the price level and interest rate, which had already too high for companies to access loans from banks. The government apparently had more viable choices including restructuring the bank system, carefully revising its spending to leave more room for a stimulus package which aimed to back enterprises via interest rate reduction, tax reduction or tax payment delay.

The crisis related to the novel coronavirus pandemic, which takes a heavy toll on the economy worldwide, has brought “helicopter money” in vogue recently. There are a number of reasons which seemingly qualify the implementation of “helicopter money” in several countries, including the US, Hongkong, and Singapore. This pandemic has unavoidably entailed the nationwide compulsory and strict social distancing periods when people are asked to stay at home and businesses satisfying “inessential” needs are required to close for weeks. These economic shutdowns have negatively affected individuals and businesses in

almost all sectors, causing rising unemployment, dwindling income and mounting debts burdened on individuals, households and companies. People have become much more prudent over their spending which is financed by an income already lessened as a result of the pandemic. Therefore, such tactics as loan rate reduction or tax exemption, tax payment delay might help to alleviate the financial malaise but their effectiveness in boosting production is completely open to question as almost all consumers have already gotten financially worse off and less willing to spend. It follows that giving everyone an extra sum of money directly and unconditionally could probably trigger a surge in demand and thus spur production and the economy to faster growth.

Though distributing direct cash to the public might sound promising in helping the economy recover from such crisis as the COVID-19 pandemic, the choices over the source of finance for this money nationwide distribution scheme would render different possible impacts on other economic variables such as the domestic price level, the interest rate, and exchange rate. Conventionally, “helicopter money” is considered to be financed by the central bank printing money. However, such movement could highly likely incur rampant inflation and destabilize the macro-economy, especially when there has already been a bitter precedent in Vietnam after the 1975 reunification. Therefore, the scenario of “helicopter money” being implemented in its conventional form in Vietnam looks hugely risky and almost unacceptable to a majority of Vietnamese legislators. Instead, the country could possibly consider deploying the concept of “helicopter money” during economic crisis periods in a more relaxed approach, which entails using other sources to finance such policy rather than expanding its monetary base.

3.2.2. The challenges of employing “Helicopter money” in Vietnam.

Though “helicopter money” might be qualified as a solution to some extreme economic crisis, its efficiency is contingent on a number of factors. In this section, the paper is going to further discuss the challenges of putting “helicopter money” into effect, using the current COVID-19 pandemic and economic crisis as a case study.

First of all, the effectiveness of such monetary grants would depend hugely on the income elasticity of demand. The more elastic is demand in response to changes in income, the bigger is the impact that an additional income would have on spending and vice versa. Therefore, it is of great importance that policymakers have some understanding of the income elasticity of domestic demand, which would then give a good idea of the size of the economic bailout and its corresponding impact on aggregate demand. It is also worth to note that the income elasticity of demand differs among goods, i.e. as income increases, spending would possibly increase for some goods (normal and luxury goods), while it would possibly decrease for others (inferior goods). And the size of the income increment would largely decide the outcome as well. This follows that the assumed rise in aggregate demand would influence sectors in the economy differently. In case of such crisis as the COVID-19, as many people’s wallets have already drained after weeks of social distancing and business freeze, the financial support from the government would highly likely prioritize the spending on essential goods, which has already been the main concern of low-income people and

people who suffer the worst by the pandemic. It follows that sectors whose outputs satisfy basic needs might benefit more from such “helicopter money” tactic while the impacts on other sectors which have also been badly affected by the pandemic, like tourism, export processing, finance and banking, might be quite modest. Moreover, the unpredictability of the pandemic cast a much bleaker outlook for the national and global economy, which reasonably drives people to save more on their incremental income. Meanwhile, for a minority of the public with high-income, a small “once in a life time” increase in income (relative to their current and usual income) would only has little to no impact on their current spending, which supposedly has already enough to fulfil their current needs. Therefore, the financial aid would produce much larger effect on aggregate demand if it is targeted at the part of the public who are the most likely to spend their extra income immediately, rather than spread among all individuals nationwide.

4. Discussion and Conclusion

Though initially used as a class example to illustrate the impacts of expanding money base, “helicopter money” has attracted the attentions of several economists and policymakers since it was firstly coined by Milton Friedman. The conception appears so propitious in time of economic recession that it has been suggested on the table as a policy prescription in countries such as the US, the EU, and Japan during the recent economic downturn caused by the coronavirus pandemic. However, in the context of Vietnam, the Government should better pay more careful thoughts on such a tactic. “Helicopter money” in its conventional form, which involves the Central Bank printing new money, would be of little application to Vietnam up to now. In the worst scenario, it could bring about uncontrollable hyperinflation and exacerbate macro-economic instability during recession. In addition, the central bank of Vietnam still has room for less risky measures, such as reducing the interest rate, and quantitative easing, in order to boost domestic demand and production. Nevertheless, the implementation of “helicopter money” approach in a more relaxed way, which rules out monetary base expansion, might possibly provide some positive assistance in the endeavour to stabilize the macro-economy, and social security during time of economic crises. Finally, it must be emphasized that to help an economy get out of a crisis definitely requires a combination of multiples policy measures, rather than relying on just one single supposed transcendent instrument.

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