

Analysis on Structural Monetary Policy Risks and Countermeasures

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Abstract: To play a complementary role in the aggregate monetary policy, the structural monetary policy came into being, which is mainly used to promote the coordinated development of micro economy. This paper mainly analyzes the objectives and tools of the structural monetary policy, puts forward the risks existing in the structural monetary policy, and formulates the countermeasures for the structural monetary policy risks.

1. Introduction

In recent years, in China, the structural monetary policy has made rapid development. The central bank has used diversified structural monetary policy tools, which effectively adjust and control the flow of credit resources, and play a good role in promoting the development of private enterprises, small and micro enterprises and agriculture-related enterprises, and promoting the progress of specific industries. However, influenced by some factors, it also reduces the scientificity and efficiency of the implementation of structural monetary policy to a certain extent, so it is necessary to carry out relevant research activities.

2. Objectives and Tools of Structural Monetary Policy

In China's macroeconomic policy, the traditional monetary policy and fiscal policy play a vital role. The implementation of China's monetary policy is mainly to ensure the stability of currency value and promote the economic development. In terms of relevant objectives, there are significant differences between structural monetary policy and traditional aggregate monetary policy. In the developed economies of Europe and America, the implementation of structural monetary policy is mainly to play a certain role in regulating the financing difficulties in economic development and stimulating the economic development. As for the goal of China's structural monetary policy, its directional goal mainly includes two categories. The first category is the short board lengthening goal. In other words, it can play a guiding role in the capital flow of financial institutions, promote them to enter specific industries or fields, and then help to solve the financing difficulties of vulnerable areas, fields and industries. The second category is the long board shortening target, which mainly plays a certain role in regulating the capital flow, and scientifically controls the credit support for industries with excess capacity, so as to realize the adjustment of industrial structure.

In the structural monetary policy, directional tools play an important role in terms of the used tools. Among the directional tools, quantitative tools and price tools belong to the main categories. Targeted cuts to required reserve ratios and pledged supplementary lending belong to the category of quantitative directional tools. Structural rediscount interest rate, standing lending facility and targeted medium-term lending facility are the contents of price tools. Based on the requirements and regulations of special industries at a certain stage, the central bank will also carry out relevant optimization work for structural policy tools to promote innovation in the loan system, so as to make the toolbox of structural monetary policy more diverse. In the process of using structural monetary policy tools, it is necessary to take the economic development and market demand as the basis, systematically consider the actual situation of specific period, industry and field, ensure the scientificity and effectiveness of the selected directional tools, and on this basis, carry out the

correct operation activities.

3. Risks in Structural Monetary Policy

3.1. Credit Risk of Qualified Collateral

In terms of moral hazard, compared with financial institutions, the information of micro subjects of the central bank has a higher asymmetry. In order to reduce the financing cost and accelerate the development of capital flow activities, it is very likely to produce moral hazard of adverse selection in financial institutions. The work of self-risk assessment is lack of scientificity and systematicness, and many of the work is just superficial. In the qualified collateral, some debt products without high-quality credit assets and solvency are mixed in. Through the form of mortgage, the risk of the central bank is increased and the quality of collateral is reduced. As for the credit risk of the central bank's qualified collateral, in the current scope of bank's qualified collateral, the relevant rating work needs to carry out rating activities within the central bank, while some collateral does not need to carry out relevant rating activities. Compared with treasury bonds and government bonds, these assets have relatively low security performance, which increases the credit risk to a certain extent.

3.2. Increased Difficulty to Adjust Systemic Financial Risk

In the structural monetary policy, most of the tools are related to the qualified collateral, and the qualified collateral accounts for a relatively high proportion of the total assets of the central bank. Once a large range of such assets default, it will affect the balance sheet to a great extent. If the products of collateral do not belong to high-grade bonds, as the lender of last resort, the central bank is difficult to take some measures, such as standing loan facilities, pledged supplementary lending, to buy back collateral in the open market. If small and micro enterprises have relatively high uncertainty, it is difficult to transfer the credit risk of these products, and the central bank needs to be responsible for all the risks. Once concentrated credit risk occurs, the risk transmission channel will also be reduced, and the central bank will have less room for maneuver, which is very likely to develop into systemic financial risk, seriously affecting the balance sheet of the central bank.

3.3. Regulatory Arbitrage Risks

In terms of determining the content of the rules, the structural monetary policy breaks the neutral competition, and promote some market subjects to have relatively low financing products. Because the CIRC (China Banking and Insurance Regulatory Commission) has some financial regulatory responsibilities, and the implementation and supervision of relevant policies need to be carried out by two departments respectively. The two departments do not focus on the relevant exchanges and cooperation, so it is difficult to ensure the flow of funds. Driven by interest, some funds with lower financing interest rate may flow to the departments with higher financing interest rate, which is very likely to produce arbitrage distortion, such as reselling problem, change of the use of loans, etc., promoting the generation of new moral hazard and separating the policy transmission from the relevant objectives.

4. Countermeasures of Structural Monetary Policy Risks

4.1. Reflect the Structural Role of Rediscount Tools Efficiently

The structural characteristics of rediscount tools are very prominent. Based on the requirements and regulations of economic development, the central bank can scientifically define the types and objects of rediscount bills, which can play a good leading role in the direction of capital investment of commercial banks. Different bills with gold hook rediscount should have different rediscount rates, which can control the quantity of rediscount, and then use the form of discount to connect the money supply structure and policy intention as a whole. At the same time, it is necessary to strengthen the structural adjustment function of rediscount, and make full use of special policies and

funds to help the development of relevant regions and some industries. In order to help enterprises to reduce the burden, it is necessary to strengthen the development of the bill market, constantly improve and optimize the qualified bills, increase the scope of bill discount, promote the guiding mechanism of rediscount policy, and develop in a sounder direction, so as to effectively reflect the role of rediscount policy.

4.2. Resolve Financial Risks through Relevant Policies

In the process of choosing structural monetary policy, the demand of economic operation in the following period should be taken as the basis, so as to play a good guiding role in the investment direction of social credit. Using the targeted cuts to required reserve ratios, rediscount and interest rate policy of the central bank can show the central bank's monetary policy function, and then play a good role in controlling the fluctuation of the capital market. Especially for the central bank, the adjustment and support of structural monetary policy can promote the local government to properly deal with the defects and deficiencies in debt issuance activities. For some financial institutions, it can also enhance the liquidity of their short-term funds, alleviate the problem of bond mortgage to a certain extent, realize the control of local risks and help to reduce the overall risk.

4.3. Improve the Supporting Economic System and the Allocation of Credit Resources

In the process of vigorously implementing the structural monetary policy, in order to effectively reduce and control the risks of structural monetary policy, it is necessary to vigorously innovate the economic structure and constantly improve the direction of credit resource investment. The smooth implementation of the above work is inseparable from the reform of the economic and financial system and mechanism, and the strong support from these two aspects is needed. The specific measures mainly include the following points.

Firstly, the relevant departments of the state should vigorously carry out relevant research work and quickly formulate relevant policies, so as to promote the smooth development of the reform of the financial system and state-owned enterprises. As for regulatory departments, in the process of carrying out specific work, they should also thoroughly implement the idea of competition neutrality. All the work should be carried out around this concept to strengthen the atmosphere construction of relatively neutral market development, and help SMEs to master more credit resources.

Secondly, in order to make the financing channels of agriculture, rural areas and farmers, small, medium and micro enterprises more diversified, it is also necessary to strengthen the construction activities of direct financing, so as to effectively deal with the problems of indirect financing faced by enterprises, and accelerate the smooth development of these enterprise financing activities. In addition, for the structural monetary policy and other policies of the central bank, we should also strengthen the coordination performance of the two, which can effectively promote the implementation of structural monetary policy. The evaluation of macro prudential supervision of the central bank can pay more attention to the implementation of structural monetary policy.

5. Conclusion

With the rapid development of China's society and economy, China's economic aggregate has become more and more huge. However, due to the long-term unbalanced development, the structural problems are very prominent, causing a series of structural monetary policy risks. In order to prevent these risks, our country began to implement the improvement and optimization activities of structural monetary policy, so as to promote the adjustment of relevant structure and improve the quality of industrial development, which has made remarkable achievements. In the future, the relevant departments of the state should carry out in-depth research activities on structural monetary policy, and use diversified measures to ensure the effective implementation.

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