

Budget for fiscal 2009 should be smaller, used more wisely

Better fiscal management today reduces future pain

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On Dec. 24 the government will deliberate on a budget plan for fiscal 2009. The general budget will likely grow to nearly ¥90 trillion (\$1 trillion), topping the past record of ¥84.98 trillion registered in fiscal 2000.

As the slowing economy pulls down tax revenues, there appears to be too much attention being paid to increased

government spending and tax cuts. A sharp increase in bond issues is almost inevitable, and will further push up the ratio of accumulated liabilities to gross domestic product. This comes at a time when the ratio is already noticeably high relative to other advanced nations.

Efficient spending

A hike in the consumption tax has been discussed. It should be noted that there is little room in the national coffers to use revenue from an increased tax for any purpose other than social security. A fundamental change is required in the manner in which the revenue is used for social security. It is inevitable to continue squeezing the non-social security

budget. Efforts should be made to further cut it or make more efficient use of it. Japan cannot survive without making greater efforts to make efficient use of precious funds.

Tomorrow's impact

Higher spending may be necessary as an emergency macroeconomic measure.

But the government appears to lack a sense of direction for the future, as illustrated by its intention to use the outstanding surplus in a special budget account to finance increased spending. Why hasn't the government used such surplus for reducing

accumulated public debt, then? Trust in fiscal discipline is seriously at stake. If we lose the discipline now, future generations will suffer.

The government's attempt to prop up the economy by increasing expenditures will not improve national economic sentiment; instead, it only stirs public anxieties. The public is beginning to see that postponing solutions to fiscal problems will affect their children and grandchildren, as well as their future pension payments. Greater efforts must be made to restore the fiscal order so that we can live next year with improved economic prospects.

