

The Review of the 2012 Budgetary Bill of the Taiwanese Government

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To review the overall annual government budget of 2012, there is serious shortage in balance between the income and the expense. The deficit even needs 288 billion national debts to get even. With the deficit of government budget keeps increasing each year, the national debts of Taiwan has also climbed up rapidly and the average annual debt generated by the governmental budget reaches as high as 412.4 billion. It is estimated that the overall debts of the government will amount to 5.1377 trillion in the end of 2012 which compares to 1997 the debt increased is more than 1.419 trillion. The ever-increasing national debt leads to the increase of expense on interest incurred which in turns, excludes rooms for other budgets. Thus, the serious fiscal problem makes the enforcement of the policies much more difficult. Consequently, the lack of budget caused the bills promised by Ma ying-jeou in 2008 while he ran for the presidential election all went in vain.

The fiscal problem even causes the fiscal policy losing its character of anti-cyclic. Compared to the budget for public infrastructure in 2011, the budget in 2012 will decrease 110.8 billion. If the world economic environment doesn't rebound in 2012, the pessimistic expectation toward the recessive economy will reduce people's interest to invest and consume domestic products. With the decrease on public infrastructure budget, the economic performance of next year will only make little progress.

The Increasing Shortage in the Budget Causes the Debts Incurred Approach the Legal Maximum Limit

The government expense listed in the 2012 budgetary bill is amount to 1.939 trillion, increased by 150.6 billion than it was last year. The income listed is 1.7295 trillion which increased by 83.7 billion than it was last year. The short in expense-income balance reaches 209.5 billion as well as

the repayment of principal amount to 94 billion, the total financial source needed is 303.5 billion. This financial source consists of 288.5 billion loan borrowed (14.9% of government expense which is approaching the legal limit (15%) imposed by the National Debts Act) and 15 billion from previous annual revenue.

The national deficit increases 66.9 billion in comparison with last year. This problem causes the imbalance of the government income and expense, the increase of the fiscal deficit, and the structure of income-expense deteriorated. The cyclical deficit caused by the boom and bust and the structural deficit caused by the long-term imbalance of fiscal structure further sabotaged the healthiness of the fiscal environment be sabotaged.

The increasing national deficit year by year leads the national debts climbs up rapidly. The 2012 overall national budget including special budget, the loan borrowed is as high as 310.3 billion. Although comparing to 445.5 billion debts in 2011, 479.7 billion in 2010 and 413.8 billion in 2009, the debt is decreasing, the average amount of debt incurred listed in these 4 years while Ma taking office is still as high as 412.4 billion.

The unredeemed debt has quickly accumulated. According to the estimation of the budget borrowed in 2012, until the end of 2012, the government debt due more than one year is approaching 5.1377 trillion which is 35.49% of the average nominal GNP in previous 3 years; to compare 2007's 3.7187 trillion debt, the national debt due more than one year has increased 1.4190 trillion. Recently, though the GNP has made progress, the percentage of the debt incurred in GNP has almost reached the legal limit (40% debt incurred according to National Debt Act). It is expected that the debt incurred will break the 40% legal limit which will make the government unable to incur more debt and become hopeless.

The Increasing Interests Incurred Excludes

Rooms for Other Expenses

The debt incurred remaining unredeemed stays high. The interest due has increased every year and cause the effect that the room for other expenses has been excluded. The interests incurred from the debt in 2008 is amount to 117 billion and in 2012 the budget for interests due has even increase to 129.5 billion which are 5.5 % and 7.5% of the total amount of government expense respectively. With the debt unredeemed keeps increasing and the revival of the prosperity, the interests incurred from the debt will also become higher year by year. This situation will cause the management of the national budget more difficult and exclude the room for other expense. All in all, it will definitely become a serious obstacle for the Taiwanese government to perform its function well.

The increasing unbearable debt not only leads to the exclusion for other government expense, but also fetters the government's function. Most beefs promised by Ma while he ran the election in 2008 need to be enforced by national budget or funds, but the fiscal problem has caused all promises in vain. The reasons for the break of promises are not only through his imprudent assessment, but also be caused by the unconstraint government expense leading to the fiscal difficulty.

The Limited Government Investment Makes the Revival of Economy Difficult

The sound fiscal policy should possess the character of leaning against the wind. In other words, government should not only expend the budget on the aspect of the social welfare endogenously such as unemployment subsidy, but also increase the budget scope as to the cost of public infrastructure in order to expand the domestic consumption which ultimately stimulates the revival of economy. However, in 2012, the total budget listed for public infrastructure is 408.6 billion which is 110.8 billion less than 2011.

The decrease of the budget for public infrastructure is resulted from the fiscal problem suffered by the government. In addition to the minimum expense regulated by law has increased, the government choose to increase the expense on the governmental personnel without effectively restraining other corresponding expense which inevitably generates the exclusive effect toward other expense such as that for the public infrastructure and causes the fiscal policy lose its character of counter-recession.

The Politician, Who Focuses on Election, Would not Pay Attention to The Making of Sound Fiscal Policy

Recently, the breakout of US debt limit crisis, EU sovereign debt crisis, and Japan's suffering of recession after 311 earthquakes as well as the deceleration of the Chinese economy due to the pressure of inflation, all contribute to the high risk of stagnant inflation which might lead a second economic recession. Yet, for the country like Taiwan in which economy highly relies on export business, the second recession of the world economy already causes the statistic relating to export order appear weaker.

Looking ahead, the world economy might not bounce back next year, the private investment and domestic consumption still lacks confidence. Public expenses on public infrastructure are cut down; the performance of Taiwan's economy will make little progress. If elected politicians keep bragging that the economy growth rate increases more than 10% and disregard the importance of the management of the budgetary proposal and fiscal policy for the future, the people of this island would not be willing to vote for them and the democratic politics would become impotent. **BT**