Comments

Comments by Maria Monica Wihardja, on Lessons from Thailand’s Fiscal Policy

Maria Monica Wihardja: The paper discusses how fiscal policy can be used to stimulate growth during a slowdown, with some precautionary notes. The author argues that output expands when public expenditure increases or tax revenue collection decreases, suggesting an expansionary fiscal policy may affectively counteract a growth slowdown. Running a budget deficit is not as dangerous, especially when business confidence is high. However, an expansionary fiscal policy combined with higher growth and rising business confidence will result in inflation. The author cautions that an expansionary fiscal policy should be carried out during the period of oil price decline and exchange rate appreciation to mitigate the inflationary impact of the fiscal stimulus. The author also cautions that public spending should be focused on capital instead of current spending and that populist military spending will result in slow growths in Thailand.

Overall the paper is good. There is room for improvement in the narrative of the paper. I would suggest shortening the introductory and literature review sections and elaborating and extending Section 5 on the short-term impact. The main story of the paper, I think, should be the results from this section. After all, that is what is stated in the abstract and conclusion, but this story does not come out until Section 5. Therefore, for the first few sections, the reader is left wondering what this paper is all about.

Figure 6 and the corresponding explanation are rather confusing. The author wrote, “public spending did respond to output and price level” and the coefficients here are 0.33 and 1.51. Then the author wrote “on the revenue side, inflation did not significantly lead to lower tax revenue, while output growth raised it” and the coefficients here are 0.65 and 0.72. If we compare 0.33 and 0.72 for output elasticity for expenditure and revenue, where do we draw the boundary in deciding whether the impact is high enough? Obviously, output growth raises revenues much more than public expenditure does. Also, with the same positive signs of the coefficients on price and output elasticity of revenue, why does the author conclude that one lowers revenue and the other raises revenue?