An Economic-wide CGE Analysis of Consumption Voucher Policy to Recover from Recession Caused by Financial Crisis

Ching-Cheng Chang、Shih-Hsun Hsu、Duu-Hwa Lee、Sheng-Ming Hsu

Abstract

To recover household consumption and macroeconomy, the government proposed an economic stimulus act names “Special Act for the Distribution of Consumption Voucher to Revitalize the Economy” on December 2008 in Taiwan, and the budget of the plan is NT$ 83.26 billion (nearly 2.6 billion US dollars) which amounts to 0.65% of Taiwan's GDP in 2008. The plan distribute vouchers worth NT$3,600 (113.4 US dollars) to each of the citizens.

The analysis tool is a comprehensive computable general equilibrium names TAIGEM (Taiwan general equilibrium model) which originated by ORANI model developed by CoPs of MONASH university in Australia. This study considers the survey data conducted by government of the behavior of citizens how to use the money, and then spread out the money as policy shocks to the industries. Database will update to 2009 to simulate the baseline with financial crisis, then perform the consumption voucher policy simulation.

The results reveal the policy will increase real GDP growth rate by 0.28 to 0.43 percent in 2009. The commodity trading, electronic product, and transport and communication industries have benefited greatly from consumption voucher plan. In view of employment benefit, the commodity trading, other service, food and hotel service, clothing and electronic product industries have benefited from the distribution of consumption voucher. To compare the effects of different policies, the scenarios design includes tax cut and tax rebate policies (like a stimulate policy of US in 2008, every tax payer will get 300 to 600 US dollars in a tax rebate check). We also consider the turnover effect and substitution effect in scenarios. Finally we would discuss the crowing-out effect and Ricardian Equivalence proposition.

Keywords: Consumption voucher, CGE, financial crisis, tax rebate.