

CHAPTER 10

COMPARATIVE STUDY

A summary of findings of causal relationships between revenue and expenditure observed in our study with the historical dataset in Indonesia, Malaysia, Singapore and Thailand is being presented through the table 10.1

Table- 10.1
Summary of Findings of Causal Relationship with Historical Dataset

Country	Period of study	Direction of causality	Comments	Nature of policy in Fiscal Management
Indonesia	1968-2008	Revenue Granger caused expenditure	Unidirectional causality that ran from revenue to expenditure did exist.	Tax-and-Spend principle
Malaysia	1963-2007	Revenue failed to Granger cause expenditure and expenditure failed to Granger cause revenue	No causality link between Government revenue and government expenditure did exist.	Fiscal Neutrality
Singapore	1966-2008	Revenue Granger caused expenditure	Unidirectional causality that ran from revenue to expenditure did exist.	Tax-and-Spend principle
Thailand	1953-2007	Revenue failed to Granger cause expenditure and expenditure failed to Granger cause revenue	No causal relationship between government revenue and government expenditure did prevail.	Fiscal Neutrality

10.1 Synthesis of the Findings

Table 10.1 shows that Tax-and-Spend principle did exist in Indonesia for the period 1968-2008 and in Singapore for the period 1963-2007 and Fiscal Neutrality Principle was followed in Malaysia for the period 1966-2008 and in Thailand for the period 1953-2007. The relationships between revenue and expenditure for four South East Asian countries over the period concerned have undergone significant changes following the structural changes in the economy which have been presented through the table 10.2. The empirical findings with the historical dataset in four south East Asian countries are not consistent with the findings observed in different sub-periods.

The summary of the findings about the causal relationship in different sub-periods have been presented through the table 10.2

Table-10.2
Summary of the Findings in Different Sub-periods

Country	Sub-periods	Direction of causality	Comments
Indonesia	1968-1997	Revenue Granger caused expenditure and expenditure Granger caused revenue	Bidirectional causality between revenue and expenditure did exist.
	1998-2008	Revenue Granger caused expenditure	Unidirectional causality that ran from revenue to expenditure did exist.
Malaysia	1963-1984	Revenue Granger caused expenditure	Unidirectional causality that ran from revenue to expenditure did exists
	1985-2007	Expenditure Granger caused revenue	Uni-directional causality ran from expenditure to revenue did exist.
Singapore	1966-1987	Expenditure Granger caused revenue	Unidirectional causality that ran from expenditure to revenue did exists
	1988-2008	Revenue Granger caused expenditure	Uni-directional causality ran from revenue to expenditure did exist.
Thailand	1953-1987	Revenue Granger caused expenditure	Unidirectional causality that ran from revenue to expenditure did exist.
	1988-2007	Revenue Granger caused expenditure	Unidirectional causality that ran from revenue to expenditure did exist.

10.2 Synthesis of the Findings

The table 10.2 reports that for Indonesia Fiscal Synchronization Principle was observed in the first sub-period (1968-1997) and this was not in conformity with the findings from the study with historical dataset. After structural break in 1998, Tax-and-Spend principle was observed in the second sub-period (1998 to 2008 and this was in conformity with the finding while dealing with historical dataset.

The table 10.2 exhibits that for Malaysia the first sub-period (1963-1984) was marked by presence of Tax-and-Spend principle and this particular nature of causal relationship was not observed with historical dataset. After structural break in 1985 Spend-and-Tax principle was followed in the second sub-period (1985-2007) However, the country Malaysian fiscal system was marked by the presence of Fiscal Neutrality principle with historical dataset.

The empirical findings as reported in table 10.2 suggest that Spend-and-Tax principle was prevailed in Singapore in the first sub-period (1966 to 1987) and this was in striking contrast with the finding in the study with historical dataset. After structural break in 1988 Tax-and-Spend Principle in Singapore in the second sub-period (1988-2008) was observed. However this was also in conformity with the finding of Tax-Spend principle with historical dataset.

The table 10.2 confirms that for Thailand the first sub-period (1953-1987) was marked by presence of causality that ran from revenue to expenditure and this was in striking contrast with the finding of 'exogeneity' between the variables concerned with the historical dataset. After structural break which occurred in 1988 unidirectional causality running from revenue to expenditure was prevailed in the second sub-period (1988-2007) and this was not observed in Thailand with historical dataset.

10.3 Resolutions from the Comparative Study

The comparative study brings out following important empirical observations regarding the revenue- expenditure relationship as observed in different sub-periods and in study with historical dataset.

- (1) The relationships between revenue and expenditure in Indonesia, Malaysia and Singapore were different before and after structural break. Revenue-expenditure relations for these three south-east Asian countries underwent significant structural changes in respective sub-periods.

- (2) The relationships between revenue and expenditure in Thailand remained unchanged before and after structural break. Despite the occurrence of structural shift in 1988 in Thailand, the revenue-expenditure relation has not change in two sub-periods under investigation. However, this particular nature of causal relationship as found in sub-periods differed from that observed in the study with historical dataset.
- (3) The causal relationships between revenue and expenditure as observed in Indonesia, Malaysia, Singapore and Thailand in different sub-periods were in striking contrast with the findings of our study with the historical dataset. The historical dataset is marked by the presence of unidirectional causality in Indonesia and Singapore while Malaysia and Thailand fiscal management system were marked by presence of no causal relationship under the historical dataset.