

GMA expected to OK P75-B economic stimulus package

By PAOLO ROMERO

President Arroyo is set to approve a multibillion-peso emergency economic package which could result in a slight deficit this year.

Officials explained the package is aimed at balancing the budget to enable the country to weather the onset of the slowdown in the global economy.

Albay Gov. Joey Salceda, Mrs. Arroyo's

economic adviser, is going to brief the Cabinet on his proposed P75-billion "economic stimulus" package that would be funded through deficit spending.

Salceda said Mrs. Arroyo, who is scheduled to arrive this morning from an investment trip in Dubai, has already read his proposal on the "strategic response" to threats of US recession.

According to Salceda, the President did not pose any objection to his plan.

Salceda proposed a policy mix combining individual income tax reduction and electricity tariff rebates of P24 billion, and increased government spending of P51 billion for agriculture and social sectors.

With so much savings in the system and benefiting from remittances from overseas Filipino workers, Salceda said two-thirds of the stimulus package is geared towards increased spending to preserve growth momentum without wrecking the tax base for long-term growth.

Other officials, however, said Salceda's proposal is still open to question before finance officials who are pushing for a balanced budget this year.

Salceda said "in the face of the rising threats of US recession... policy authorities need to reassess the timeliness of a balanced budget in 2008 as a socially desirable national goal."

"The government's fossilized fixation on balanced budget this year as embodied by the 2008 budget must be shaken by emerging market realities," he said.

"It would be a big mistake not to vigorously consider changing the gears of fiscal strategy - calibrated downshifting - not necessarily its long term direction (of) strong fiscal capacity."

Salceda added targeting a surplus in a period of global slowdown should be approached with caution.

Salceda explained a balanced budget in national government actually translates to surplus in the entire public sector of about P56 billion in 2007 that is way ahead of schedule.

According to Salceda, a deficit is not the single index of fiscal health. He likened a public debt to gross domestic product as "a companion indicator."

The trade-off between fiscal balance and higher economic growth is not irreconcilable, he said.