



OFF THE NEWS

What Fiscal Stimulus?

The notion of fiscal stimuli in Japan during the 1990s is somewhat misleading. It is not so much that government spending was ineffective, but rather that it never actually existed, or at least not to the extent touted by the government. After the bursting of Japan's economic bubble, spending on public works increased from ¥7.0 trillion in fiscal year 1990 to ¥13.7 trillion in 1993. However, spending stopped increasing after 1994, even though successive economic stimulus packages were introduced until 2002. Public works spending fell to ¥9.2 trillion by 2002, down ¥4.5 trillion from its peak in 1993. In other words, the government did not pump

as much money into the economy as their stimulus plans suggested.

Excluding spending on public works, government spending rose by ¥13.1 trillion from ¥61.4 trillion in 1993 to ¥74.5 trillion in 2002. This was mostly due to increased social security spending in a rapidly aging society. The economic slump also caused tax revenue to shrink from ¥54.1 trillion in 1993 to ¥48.3 trillion in 2002. Overall, the government deficit grew from ¥21.0 trillion to ¥39.8 trillion over the period. Japan's budget deficit ballooned as a result of an aging population and anemic economic growth, rather than large fiscal stimulus measures.

—T. Nakamae



Tokyo: Japanese 1990s government spending: Now you see it, now you don't.



Singapore Coffee Klatch

Sometimes a picture tells the story as well as a thousand words. The image above, produced using a combination of Google Earth and a plugin from Vesseltracker.com, shows an unprecedented number of container ships sitting idle off Singapore in March. The world’s busiest port for container traffic, Singapore saw its year-over-year volume drop by 19.6 percent in January 2009, followed by a 19.8 percent drop in February. As of mid-March 2009, 11.3 percent of the world’s shipping capacity, or some 484 ships, sat idle, a record.

The story? The worldwide economic downturn has led to a steep drop in global trade and exports—which has led to the largest morning coffee klatch of commercial ship captains in the history of mankind.

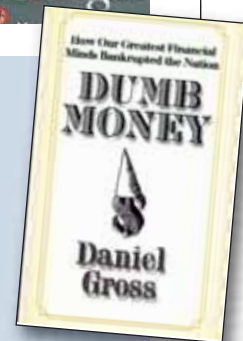
From *Newsweek* Columnist Dan Gross’s Hot New E-book:

“In fact, it was now clear that because of the way the system was designed, losses and failures could only create massive, widely distributed losses. The disaster was not a bug, but an inevitable feature of the financial operating code former Federal Reserve Chairman Alan Greenspan had helped write.”

• • •

“In the second half of 2007, a vicious new malady—Erect Deal Dysfunction—began afflicting middle-aged men who lived on the Upper East Side. Suddenly, they could no longer consummate mutually satisfying transactions with eager partners.”

■ **Dumb Money: How Our Greatest Financial Minds Bankrupted the Nation** by Daniel Gross (Free Press, 2009) is available at amazon.com, ebookstore.sony.com, and other online sources.



“Your Fall 2008 issue did a fantastic job of assessing and evaluating what has transpired in recent months in the global economy. The issue has just a whole host of first rate articles.”

—Clayton Yeutter
Former U.S. Trade Representative