

Consumption Subsidies Revisited

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The Japanese Government launched “GO TO Travel” campaign in late July, 2020 amid the COVID-19 pandemic to rescue beleaguered tourism industries by subsidising travel expenses by 35%. The Cabinet Office, responsible for compiling national accounts statistics in Japan, determined the government burden for the campaign should be treated as individual final consumption expenditure of the government. This treatment implies that this subsidy was regarded as “consumption subsidies,” by using the term proposed by Jean-Claude Roman in 1985. However, the SNA in its 1993 version did not incorporate this concept and in its 2008 version, the term was referred to in only one paragraph as follows;

29.69 In some situations, there may be subsidies designed to reduce the prices paid by final consumers for certain goods or services, such as food, transport services, or housing services. They are commonly called consumption subsidies. In the central framework, when these goods and services are considered market products, they are included in final consumption at purchasers’ prices. (...)

So, the Cabinet Office’s treatment is simply against the present SNA’s recommendation, although she changed the treatment by the end of November 2021. However, it may be worth reconsidering the concept and its treatment, noting that there are some differences between the treatment in the SNA 2008 and that in the ESA 2010. In this paper, the author will review the discussion so far to clarify the key points involved (market/nonmarket distinction, for example) and re-examining the present treatment.