

# Business

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## MARKET SNAPSHOT

### LOCAL SHARE PRICES

Stock	Move\$	Close\$	Vol
Atlantic and Pac. Pack.	0.00	0.88	-
Amal. Telecom Holdings	0.00	1.18	-
Fosters Group Pac. Ltd	0.00	13.70	-
Communications Fiji Ltd	0.00	1.65	-
FijiCare Insurance Ltd	0.00	0.67	-
Flour Mills of Fiji	0.00	0.85	-
Fiji Sugar Corp. Ltd	0.00	0.36	-
Fiji Television Ltd	0.00	3.50	-
Kontiki Growth Fund Ltd	0.00	0.77	-
Pleass Bev & Packaging	0.00	0.94	-
Pac. Green Ind. Fiji Ltd	0.00	2.10	-
RB Patel Group Fiji Ltd	0.00	1.77	-
Rice Comp. of Fiji Ltd	0.00	3.00	-
Toyota Tshusho 5th Sea	0.00	1.96	-
VB Holdings	0.00	3.00	-
Yaqara Group Ltd	0.00	1.18	-
Fijian Holdings Ltd	+0.02	2.77	8,385

### AUSTRALIAN SHARE PRICES

Stock	Move\$	Close\$	Vol
Westpac	0.260	16.910	2.380m
Commonwealth Bank	0.350	31.300	2.372m
ANZ Banking Group	0.840	12.730	7.790m
Foster's Group	0.010	5.460	2.373m
Qantas Airways Ltd	-0.015	1.875	6.883m
Air New Zealand	0.000	0.780	0

### EXCHANGE RATES

Selling notes against major currencies	
US \$	0.5441
Aust \$	0.8327
NZ \$	1.0366
UK Pound Stg	0.3788
Canadian \$	0.6762
Euro	0.4217

## BRIEFLY

### Investor suicide

A FORMER British soldier killed himself after losing his savings in an alleged \$50 billion fraud run by financier Bernard Madoff, news reports said. William Foxton, 65, had served in the army and more recently was a contractor in Afghanistan, died from a single bullet wound to the head in Southampton.

# The fear of debt



Columnist T.K. JAYARAMAN believes solvency of America is critical.

THE United States Congress finally cleared the stimulus package.

After two weeks of hectic negotiations, the US Congress hammered out a compromise. The spending program would now cost about \$US787 billion - less than the amount approved in the House of Representatives as well as in the Senate.

The original bill as passed by the House was for \$US820 billion.

The Senate's bill was of \$US838 billion.

Thus the final bill agreed to between Congressional leaders and the Obama administration is less than 4 per cent of the House bill and more than 6 per cent

from the Senate version.

After the consensus was reached, on Friday February 13, the House voted on the revised bill for \$US787 billion.

The vote was 246 to 183, reflecting the Democrats' considerable majority in the House.

Not a single Republican voted for the bill, reflecting the Republicans' deep dissatisfaction with government spending plan.

It went to the Senate the same day, which approved the bill for the same amount, with a 60-38 vote.

### Stimulus package

The final bill, which would "save or create more than 3.5 mil-

lion American jobs", includes \$US507 billion in spending programs and \$US282 billion in tax cuts. It includes more than \$US150 billion in public works projects.

Much different from the original plan, the final deal cut billions of dollars meant as assistance to the states, school construction and health insurance for the unemployed.

The bill is likely to reduce the severity of the recession, although not eliminate its impact entirely. The reason: only a portion of the stimulus will be spent in 2009 and the bulk of the money will be spent by the end of 2010, when the effects of recession would continue to be felt.

Opponents to the new law say it will only stimulate more debt.

The considerable time spent on chopping and intense debate and negotiations on the bill truly reflected the concerns amongst two schools of thought in modern political economy.

Can government solve economic problems? Will not government spending add to national debt? Is not government spending always proven ineffective, slow in its impact and wasteful?

Aside from the philosophical question whether a bigger, more activist government would work, the stark reality of the day is monetary policy initiatives have

Continued: Page 13



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Near zero interest policy has not encouraged any new investment.

From Page 12

failed. Near zero interest policy has not encouraged any new investment.

In the midst of deflation, asset prices are falling. While credit institutions are reluctant to lend, because of uncertain values of their existing assets, borrowers are not sure about their collaterals.

So, the only way open is government initiative to create confidence.

The Republicans felt tax cuts were insufficient and spending excessive. So, the compromise led to greater tax cuts and less spending: It now comprises, 36 per cent for tax cuts and 64 per cent in spending and money for social programmes.

**How will it be paid for?**

One legislator said before the vote: "The only thing the Democrats' stimulus bill will do is stimulate more debt."

Indeed it is true.

And with decreased revenues due to recessionary conditions, that would be

the only way. Even before the new President was inaugurated, there were plans for \$US1 trillion of new debt. With the new spending and bank rescue plans, another \$US2.2 trillion in new government debt will now be added.

The fears that government debt would crowd out other borrowers, raise interest rate and cause inflation.

Already there is an excess of debt in the nation, with private sectors overspending over past decades, ranging from individual credit card habits, borrowing for homes, and sub prime mortgages to Wall Street banks. Niall Ferguson of Harvard University has estimated that total debt, private and public sector stands at 355 per cent of American gross domestic product.

Despite government's assurances that all stimulus measures are temporary and that it would bring the budget back into balance, the future is uncertain.

If government cannot fulfill its commitment, cost of government borrowing would rise. The future generation will have to bear it in terms of higher taxes.

Senator McCain, the unsuccessful Presidential candidate described the stimulus plan as "generational theft", echoing President Hoover's words: "Blessed are the young, for they shall inherit the national debt".

**Concerns of the world**

Developing countries are worried about the way America would be dealing with the current crisis. The government leaders, who met in Davos,

Switzerland early this month, expressed their concern about the US debt financing potential to drive up inflation and interest rates around the world.

Ernesto Zedillo, the former Mexican president spoke for all: "We, as developing countries, need to know we won't be crowded out of the capital markets, which is already happening."

American dollar is a reserve currency for the world. So it has the option of simply printing more money, unlike other countries.

Over the long term that could reduce the value of the American dollar.

There is now no-sell of the dollar. The world is in turmoil and the dollar is still safe haven for many.

If fundamental factors do not change, that is, if American savings do not rise and budget deficits do not come down, the US dollar in the long run is vulnerable.

The Obama administration is aware of the grave implications of rising debt levels. Restoring fiscal responsibility and return to a sustainable economic path would alone assure the unique status of the US dollar. In the meanwhile, solvency of America is critical.

Remember what Ralph Waldo Emerson, the famous American philosopher said: "Solvency is maintained by means of a national debt on the principle: If you will not lend me the money, how can I pay you?"

■ Associate Professor Dr Jayaraman teaches at the University of the South Pacific.

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Commission seeks input



Telecommunication companies are expected to next week tell the commission their views of the pricing order

THE Commerce Commission is expecting submissions from telecommunication companies by next week on the telecommunication pricing order.

Interim Attorney-General and Commerce Minister Aiyaz Sayed-Khaiyum said the commission had asked for an extension to February 28 on his directive on whether the order should be amended or revoked.

"The Price Control Order was put in place by the former minister for industry," Mr Khaiyum said.

"Upon taking up this appointment, the new minister wanted an independent body to look into the merits and demerits of retaining the Price Control Order against the backdrop of a newly deregulated telecommunications market.

"Thus, the involvement of the Commerce Commission under section 33 of the Commerce Act," he added when asked on why the country needed a price order when the market was deregulated.

Telecom Fiji, on the other hand, has made submissions to the Commission in regards to its application for a price review of interconnecting rates.

The commission maintains it is the only body that can look into this issue despite its Act explaining its role as an arbitrator if there is a dispute.

While telecommunication companies have not met to discuss amongst themselves on the interconnecting rates, they are expected to make their submissions on the application for a price review.

Meanwhile, Mr Sayed-Khaiyum said the Commerce Act has been amended to allow it to charge fees and become self funding.

The commission in the past has faced difficulties carrying out its responsibilities because of the lack of funds.

Mr Sayed-Khaiyum added that a chief executive officer for the commission would be appointed in due course.

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