

MARKET SNAPSHOT

LOCAL SHARE PRICES

Stock	Move\$	Close\$	Vol
Atlantic and Pac. Pack.	0.00	0.88	-
Amal. Telecom Holdings	0.00	1.07	-
Communications Fiji Ltd	0.00	1.71	-
Fosters Group Pac. Ltd	0.00	12.40	-
FijiCare Insurance Ltd	0.00	0.67	-
Flour Mills of Fiji	0.00	0.69	-
Fiji Sugar Corp. Ltd	0.00	0.25	-
Fiji Television Ltd	0.00	3.25	-
Kontiki Growth Fund Ltd	0.00	0.50	-
Pleass Beverages	0.00	0.91	-
Pac. Green Ind. Fiji Ltd	0.00	2.10	-
RB Patel Group Fiji Ltd	0.00	1.82	-
Rice Comp. of Fiji Ltd	0.00	2.45	-
Toyota Tshusho Sth Sea	0.00	1.97	-
VB Holdings	0.00	2.98	-
Fijian Holdings Ltd	0.00	2.90	-

ASX SHARE PRICES

Stock	Move\$	Close\$	Vol
Westpac	0.01	25.40	2.129m
Commonwealth Bank	0.88	54.75	967,935
ANZ Banking Group	0.32	22.71	3.068m
Foster's Group	0.08	5.57	1.332m
Qantas Airways Ltd	0.03	2.96	2.567m
Air New Zealand	0.00	0.97	0

Time to reflect



TK JAYARAMAN

AS the New Year begins, one of the usual pastimes of journalists all over the world is to pick up the gaffes of the yesteryear.

While the "balloon boy" episode in America is the easiest one for anybody to select, the serious one of everybody's concern is the midair attempt to blow up a civilian aircraft of a super power despite the near fool-proof safety measures taken ever since the 9/11 terror strike of 2001.

Decade's capitalist country

The economists have their own selection: the most capitalist nation of not only 2009 but also of the first decade of 21st century.

Their selection was the easiest: China.

The impact of Great Recession of our times has been blunted by the most carefully executed macroeconomic policy response by the world's most powerful communist country in the world. The measures were the text book prescriptions of the greatest economist of the last century, John Maynard Keynes to save capitalism.

China did what the capitalist economy would do: fiscal stimulus of massive proportions, when the United States hesitated. Being a communist country, there was no legislative control or public debate or media scrutiny of the policy measures. In the absence of any opposition, the one-party government in China undertook measures to fight the world recession without any opposition from any quarter within the country.

The massive foreign reserves built through by a two-decade old encouragement of foreign direct investment policies aimed at export-oriented growth coupled with the supportive gluttonous appetite of industrialised nations, especially of America for cheap consumer goods, contributed to China's ability to indulge in huge public expenditure policies.

In 2009, the Chinese economy was about 33 per cent of America's economy, expanding from its previous size namely 12 per cent in the 1980s. Today, China holds US\$ 797 billion of the American public debt of US 1.42 trillion, all in US debt paper, known as Treasury bills and bonds.

Undervalued exchange rate

Added to its fiscal stimulus policy, a deliberately kept low exchange rate policy kept up the momentum of recovery. The "beggar thy neighbour policy" of an undervalued exchange rate was not changed in the midst of hue and cry of the western nations. Instead, the Chinese government officials never hesitated to give occasional lectures at regular intervals to the leaders of the west and to members of the visiting delegations asking them to implement sensible budgetary policies and keep debt levels low. The communists quoting chapter and verse from the Washington Consensus generously doled out in the past to poor countries! That is the irony of the decade.

The Chinese economy never stopped growing.

It stalled for a while but made great recovery in the second quarter of 2009. It grew by an annualised rate of 17 per cent.

So impressed with the fiscal measures of huge public sector projects in China and other



Workers at a Shanghai construction site. China, the author says is the capitalist economy of not only 2009 but also the 21st Century

emerging economies such as India and Indonesia, the venerable Economist of London wanted to give another apt name to 2009. They called 2009, the year of "Great Stabilisation".

Message for island countries

The message for small island countries is clear.

Papua New Guinea is in our region is certainly an outlier, being big in terms of six million plus population. Its enormous endowments of natural resources, especially enviable oil and gas resources coupled with other mineral resources and tree crop commodities have enabled the country to take advantage of the commodity price boom preceding the Great Recession. PNG's international reserves are reported to be US\$2.2 billion which would cover 9.8 months of

total imports. Its wise policies of conserving the earnings in trust accounts enabled the country to avoid the repetition of the familiar boom-bust episode, as in the 1990s.

Unlike in the past, this time they did not spend the boom period earnings away on wasteful projects. So when the bad time came back, the saved reserves proved handy.

Another country, which was able to withstand the adverse impact of stressful recession, was Vanuatu. It has no resources of the kind PNG has. However, its careful budgetary policies of running surpluses during 2003-2005 helped to tide over the situation.

Those other island countries, including Fiji, which have to depend upon limited exchange earnings from sources like tourism and remittances, have to

experience tough times. Because of low foreign reserves, which were under additional strain of rising fuel and food prices, island nations have to undergo greater stress. Obviously, there was no fiscal space for any expansionary activities to meet the fall in domestic demand and create more jobs.

Bad times do not last.

When the world economy improves in 2010, the lessons learned from the latest crisis should never be forgotten. Build surpluses when times are good. Never fritter away the resources. Building for a rainy day is often the prudent policy. Blow outs can always wait!

Associate Professor Jayaraman teaches economics at USP. Views expressed are his own.

18-year-old in \$2m fraud case

AN 18-year-old Brisbane student has been charged with defrauding Queensland's biggest bank of \$2 million in a case that has set off alarm bells about online banking security.

Philip Heggie, who is enrolled to study business at University of Queensland, appeared in Brisbane Magistrates Court on New Year's Day charged with fraud and attempted fraud, *The Sunday Mail* reports.

The alleged offences involved online banking and false identification.

The money was allegedly transferred from an internal account where Suncorp holds a large percentage of the bank's own money.

Just two days before the teenager's arrest, Suncorp general manager Terry Wasmund was praising the bank's award-winning internet banking scheme.

Mr Wasmund said that after online security attacks in the mid-1990s, security measures had improved and Queenslanders had embraced online services.

The bank was recently awarded best Australian-based transactional web and mobile service.

A Suncorp spokesman said the bank would review its systems and procedures and continue to assist police.

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'Happy as Larry' wins \$5m

A MAN who won \$5 million in Lotto still lives in a caravan and has no plans to retire from his local council job fixing potholes.

Paul Cousins, 52, the nation's most frugal multi-millionaire, who lives in Western Australia, only spent \$50 on a carton of budget beer and a Chinese take-away meal to celebrate the win two months ago, *Perth Now* reports.

And he reckons he's "as happy as Larry" in the caravan he's lived in for the past five years.

"It's been comfortable enough all these years," he said.

Mr Cousins, a lifelong Lotto player, bought the \$4.20 Slikpick ticket from his local newsagent. When his numbers came up, he rode his battered bicycle to verify the win.

"Well I couldn't drive, could I? Someone had stolen my car a week earlier," he said.

"When I found out it was \$5 million, I bought a pack of ciggies, had a few beers and some Chinese and went into work like normal the next morning."

His only concession to becoming an overnight millionaire was to buy a new Jeep and help out his parents and five siblings, who all live in WA.

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