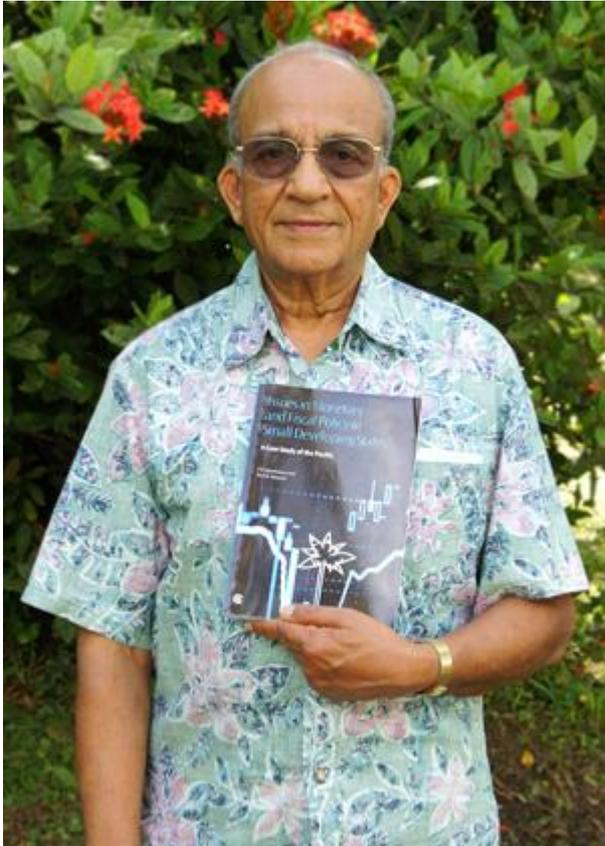


Issues in Monetary and Fiscal Policy in Small Developing States highlighted in report



A new publication looking at how monetary and fiscal policies are implemented in small Pacific states and its impact on growth and development in these countries was recently released by the Commonwealth Secretariat, London.

The publication, which was authored by academics, Dr T.K. Jayaraman and Professor Paresh Narayan, carefully sets out both the policy and institutional constraints in monetary and fiscal policy management, provides case study examples of policy implementation in practice, and suggests policy options that can be used by Pacific Island Countries (PICs).

Dr Jayaraman is an Associate Professor in the School of Economics at the University of the South Pacific (USP) and Professor Narayan is a Finance and Research Professor at Deakin University in Australia.

“The publication is the first of its kind and marks an important contribution to the understanding of complex issues faced by the PICs in the context of growing globalisation and rising interdependence of economies,” Dr Jayaraman explained.

Giving an overview of the publication, Dr Jayaraman said it covers economic policies pursued by PICs. He added that out of the 14 Forum Island Countries, six have independent currencies. These countries are Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu.

The other eight countries, Cook Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, and Tuvalu are known as “dollarised countries” as they use one of the three currencies of the three major metropolitan powers in the region.

These countries, according to Dr Jayaraman, cannot pursue independent exchange rate and monetary policies to promote growth and development. The only way out is to resort to fiscal policies.

“The book deals with the experiences, successes and failures of the six PICs ever since their independence in regard to monetary policies, besides their fiscal policies,” he added.

In the publication, Dr Jayaraman gives a comprehensive account of monetary policy issues faced by these six PICs and the challenges thrown by exchange rate pressures created by expansionary fiscal policies and Professor Narayan provides a succinct analysis of fiscal policies pursued by PICs since their independence with a focus on recent global crisis.

For copies of the publication, contact Commonwealth Secretariat, London