



## ❖ Editorial ❖

### Broadband and Resource Allocation for Biofuel Crops

Broadband and biofuels are topical issues in Thailand. Two of the articles in this number address important issues associated with them. The first, An Analysis of Demand-based Factors for Broadband Migration, by Manit Satitsamitpong, Tokio Otsuka, and Hitoshi Mitomo of Waseda University and Toshiya Jitsuzumi of Kyushu University, Japan, analyzed how economic, technological and demographic factors influence the decision to migrate to broadband services. The result from a mixed logit model suggests that price, as proxy for economic factor, is an important decision influence, especially in developing countries. In Thai case, lowering the price of broadband services to 50% would increase the probability of the users migrating to broadband by more than 5%. Some demographic factors such as income and location have lesser influence on people's decision. Speed, surprisingly, was not statistically significant. They found that the rate of migration to broadband in Thailand was way behind Japan's (1.43% vs. 22.1% in 2007 and widening), mainly because Thailand's policy had been supply driven, i.e. "build them and they will come". It did not work well so the authors propose, from their findings, to use a demand-driven policy, which is to bring the price of usage down. One implication for policy is to encourage more competition.

The second article, A Dynamic General Equilibrium Model of Energy Crop by Aerwadee Premashthira of Kasetsart University, Bangkok, and Kenneth S. Lyon of Utah State University, USA, describes a dynamic general equilibrium optimal control model of an energy crop to resolve the food or fuel dilemma. A dynamic model of cassava was developed to analyze the conflict between using cassava for food and for energy. Regarding the competition for land, labor, capital, and energy between crop for food and for energy, the model suggest the allocation of the resources for energy crop production to balance the energy and food demands while maintaining the levels of food consumption and ethanol production. The results indicate that an increase in ethanol production through time can reach a long run optimal path and significantly contribute to the sustainability of the economy. This implies that the model can be used as a tool to provide information for policy makers on resource allocation. However, it has some limitations. One is that it did not factor in population growth and labor growth. They recommend therefore that, for any extension of the result, labor can be allowed to increase over time as it would affect the demand for food which drives the increase in food production or leads to a lower food export.

Eating out in Thailand is as popular as ever and the opportunity for this sector remains good, according to the findings of a study on Factors Affecting Households' Expenditure on Food Away from Home by Pravilada Wigraiphat and Visit Limsombunchai of Kasetsart University and Teerat Kittiveja of Marketing Moves Ltd., Bangkok. They found that the average household expenditure on food away from home to the total household income is 0.12. The age of household head, total household income, household size, tenure of residence, household head's marital status, and occupation influence expenditure on food away from home; household debt doesn't. They also noted that spending on food away from home is still increasing.

The fourth article, Model-based Measures of Output Gap, is another modeling exercise. Vimut Vanitcharernthum of University of the Thai Chamber of Commerce, Bangkok, tested two measures of output gap on the Thai economy. The first is applied under a perfectly competitive market without price or wage stickiness. It came up with a result that the author found difficult to explain because the calculated output gap for Thailand showed that the Thai economy performs consistently above the potential level even during recession. He then ran a second model-based measure, which is based on "business cycle accounting". With this method, he placed various "inefficiencies" or "wedges" into the prototype closed economy real business cycle model. He found some measures that delivered positive output gap during the recent recession. The results show some prospect for using this framework for further study since, under this approach, one can include or remove wedges that may be regarded as obstacle to attaining full potential output level in the short-run. A future study could for instance incorporate external shocks.

The fifth article, Idiosyncratic Volatility and Expected Stock Returns, by Pithak Srisuksai of Sukhothai Thammathirat Open University, comes up with some useful advice to investors; it demonstrates that time-varying expected idiosyncratic volatility has a significant and positive effect on expected stock returns for individual stocks and stock sectors. The study found that expected idiosyncratic volatility plays a more important role than expected market volatility in determining expected stock returns from individual stocks. In contrast, expected market volatility plays a more important role than expected idiosyncratic volatility in the case of stock sectors. The advice to investors derived from this study: First, consider the sources of market volatility before developing an investment portfolio. Volatility might come from an economic downturn, the fluctuation of foreign exchange rates, or political crises. Second, pick common stocks with high idiosyncratic volatility. Third, consider risky common stocks as the first investment priority because they have high idiosyncratic volatility that results in high expected stock returns. This investment strategy is useful for the Stock Exchange of Thailand and Securities Exchange and Commission in selecting companies to list on the stock market.