✄ Editorial ✄

Joining the Discourse on Financial Regulations

There has been no shortage of commentaries and analyses on the causes and consequences of the current global financial turmoil, which has affected the economies of almost all nations. In this issue, the Journal makes a modest contribution to the literature with five articles that deal with the subjects of government intervention to rein inflation (in English); a methodology to forecast exchange rates (between the Thai Baht and the Japanese Yen) over a two-year period, during which a political disturbance occurred (and how that disturbance affected the exchange rates); the impact of the latest rounds of WTO negotiations on Thailand's trade balance in agricultural commodities; a test for the efficient prediction of futures spot prices based on the study of RSS3 or ribbed smoked rubber sheet no.3, which is one of the commodities with a futures market in Thailand (in English); and, of relevance to selling consumer goods, regardless of the economic climate but particularly crucial during these times when consumers would want the most value for their money, is the study on what attributes of a product consumers are willing to pay a bit more, in short what would command a premium price. Capping this issue is a review, in English, of the book, "The Political Economy of Financial Market Regulation". Written in 2006, the book is brought into current relevance by the reviewer (at present Head of the School of Economics and Finance, Faculty of Business and Law of Australia's Victoria University) based on his expertise and familiarity with the complex issues of the subject.

In the lead off article, Ashraf and Rodriguez confirm that the stochastic behavior of inflation is unstable so that any government intervention to control inflation rates would be temporary, which implies the need for alternative measures of monetary policy. In this regard, they recommend pursuing the time-consistency economic policy, explaining that this policy would sustain government intervention in line with the policy for the longer period.

Using the monetary portfolio synthesis model and vector error correction model (VECM) to forecast the Baht-Yen exchange rates over a 24-month period from August 2006 to July 2008, the second paper shows that VCEM can provide acceptable forecast values of exchange rates.

On trade, the third article formulated a computable general equilibrium (CGE) model to predict the national economic gains and losses as well as the structural changes in the agricultural sector resulting from the latest WTO negotiations. Its finding: GDP would expand slightly from an increase in government spending but private investment and household consumption would decrease; and Thailand suffer a net loss from the negotiations. The authors recommend that government consider revising the list of the items for the negotiations.

Predicting futures spot prices of commodities can be a hit or miss exercise. Experienced traders would likely make better predictions than beginners, but that would be more an art than science. The study that is the basis of the article on futures price of RSS3 showed that the monthly futures prices in the futures market of Thailand can serve as unbiased estimators of futures spot prices. It finds Thailand's RSS3 futures market as efficient and aids the process of price discovery. The methodology and the result would provide a better guide to traders so that they can be more competitive in the global market, by being able to use the predicted spot prices as a reliable guide for planning their stocking, purchases and sale of the commodity.

With or without a financial crisis, consumers would want a product which they perceive as giving the best value for money. The fifth article applied the hedonic price model to show the negative and positive attributes of a consumer good (orange juice) as seen by consumers. More importantly, the study revealed which attributes of a product the consumer would be willing to pay a bit more for. These included purchasing convenience, information on nutritive values as well as brand identification.