

PUBLIC SECTOR AND MONETARY POLICY IN THE SEACEN COUNTRIES

Edited by

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The South East Asian Central Banks (SEACEN)
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FOREWORD

Development literature in the 1950s emphasized the role of the government in economic growth. This has led to an enlargement of the public sector in most developing countries, including SEACEN members. Lately, however, emphasis has shifted to privatization. Nevertheless, the considerable size of the public sector in the SEACEN countries makes the sector a dominant player in their respective economies. Public sector expenditures which ranged from about a fifth to two-fifths of gross domestic products as well as revenues which were just slightly lower, made them very influential in their economies. The deficits implied by these resource gaps, though not necessarily undesirable per se, would have effects on the national debt, the level of economic activity, the inflation rate and the current account deficit.

One component of the public sector, which also has far-reaching effects on the economy, is the public sector enterprise category. In view of the fact that public sector enterprises (PSEs) in the SEACEN countries are engaged in a wide variety of business activities, the microeconomic implications are also vast. Subsidies granted to PSEs as well as their own procurement and production practices send signals to the market economy, thereby influencing the kind of goods produced and consumed in the country. While the presence of PSEs is felt in most of the SEACEN countries, there is a scarcity of region-wide data on their activities and size.

This paper is an attempt to address that scarcity by presenting an overview of the public sector, including the PSEs in the SEACEN region. It examines the nature of the public sector as well as gives an idea of the size of the public sector in the SEACEN countries covered. Some discussion is also devoted to one component of the public sector, namely, the PSEs in which the various definitions and evolution of PSEs are presented. Their sectoral distribution is also described. The role of the entire public sector in the context of economic development is duly analyzed.

The research project is a collaborative effort between the member central banks and The SEACEN Centre. Six member banks participated in this project, namely, Bank Indonesia, Bank Negara Malaysia, Nepal Rastra Bank, the Central Bank of the Philippines, the Central Bank of Sri Lanka and the Bank of Thailand. Each member central bank made available at least one researcher in preparing the respective country studies which form the contents of Part II. The SEACEN

Centre in this respect wishes to express its sincere gratitude to the participating member central banks for their close cooperation and strong support in contributing to the successful completion of this project.

The SEACEN Centre for its part coordinated the whole project. In this regard, Mrs. Maria L. Fres-Felix, Research Economist, was responsible for the research design and the coordination among the country researchers. She edited the country chapters and also prepared an overview on the public sector in the SEACEN countries. The overview chapters form Part I of the study.

At various stages of the project, Mrs. Fres-Felix was kindly assisted by Miss Sally Ho, who provided the necessary research support and proofread the chapters. Secretarial assistance of Miss Karen How is also gratefully acknowledged. Mrs. Fres-Felix would also like to thank the Publications Committee for its publication assistance.

The views expressed in this volume, however, are those of the authors and should not in any manner be ascribed to the institutions or individuals whose assistance is duly acknowledged herein.

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