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**FISCAL EXPANSIONS OF CHINA, KOREA, AND MALAYSIA:
 COMPARING THEORY TO PRACTICE**

This work reviews and compares the fiscal responses to the global crisis of the 3 fastest growing economies today – China, Korea, and Malaysia, with those prescribed in the literature. It is appealing to compare these countries because China represents a large, emerging, and communist economy; Korea, a smaller, advanced, and democratic economy; and Malaysia, an even smaller, emerging, and democratic economy. Amidst differences in their actions, findings show they have preferred fiscal spending to tax cuts or monetary measures in their attempts to revive the economies. This might have allowed the authorities to select the sectors deemed desirable for growth and employment. Of course, this is possible by their still manageable budget stance, as a result from the current account surpluses and deleveraging since the Asian crisis.

Keywords: China, Korea, Malaysia, East Asia, fiscal policy, global financial crisis, budget deficit.

**По Чу Лоу, Чи Хеонг Куа, Мохд Назарі Ісмаїл
 ФІСКАЛЬНА ЕКСПАНСІЯ В КИТАЇ, ПІВДЕННІЙ КОРЕЇ ТА
 МАЛАЙЗІЇ: ПОРІВНЯННЯ ТЕОРІЇ ТА ПРАКТИКИ**

У статті досліджено та порівняно фіскальні відповіді на глобальну кризу трьох економік, що розвиваються швидкими темпами – Китаю, Південної Кореї та Малайзії. Південна Корея – невелика, але економічно розвинена демократія; Китай – велика економіка, що розвивається за комуністичного режиму; Малайзія – найменша з трьох економік, що розвивається в умовах демократії. Через суттєві різниці між економіками порівняння даних трьох країн може бути цікавим. Незважаючи на відмінності у політиках, всі три країни обрали фіскальні трати, а не зменшення податків або монетарні методи боротьби з кризою. Уряди також обрали певні галузі для пріоритетного розвитку та стимулювання працевлаштування. Такі заходи стали можливими завдяки непоганим показникам бюджету, які, в свою чергу, спричинені активним балансом рахунку та делевереджингом після Азійської фінансової кризи.

Ключові слова: Китай, Південна Корея, Малайзія, Східна Азія, фіскальна політика, світова фінансова криза, дефіцит бюджету.

Рис. 4. Табл. 5. Літ. 17.

**По Чу Лоу, Чи Хеонг Куа, Мохд Назарі Исмаил
 ФИСКАЛЬНАЯ ЭКСПАНСИЯ В КИТАЕ, ЮЖНОЙ КОРЕЕ И
 МАЛАЙЗИИ: СРАВНЕНИЕ ТЕОРИИ И ПРАКТИКИ**

В статье исследованы и сравнены фискальные ответы на глобальный кризис трех быстроразвивающихся экономик – Китая, Южной Кореи и Малайзии. Южная Корея – небольшая, но экономически развитая демократия; Китай – большая развивающаяся экономика при коммунистическом режиме; Малайзия – наименьшая из трех, развивающаяся демократическая экономика. Из-за существенной разницы между странами их сравнение вызывает интерес. Несмотря на разницу в политиках, все три страны предпочли фискальные траты, а не уменьшение налогов или монетарные методы борьбы с кризисом. Правительства выбрали также определенные отрасли для приоритетного развития и стимулирования трудоустройства. Данные меры были

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возможны в связи с неплохими показателями бюджета, что, в свою очередь, было предопределено активным балансом текущих счетов и делевереджингом после Азиатского финансового кризиса.

Ключевые слова: Китай, Южная Корея, Малайзия, Восточная Азия, фискальная политика, мировой финансовый кризис, дефицит бюджета.

Introduction. The recent global and financial turmoil has prompted many governments worldwide to introduce stimulus packages, as a temporary measure to rebuild, boost up or prevent economies from further hemorrhaging. Essentially, the term "stimulus package" or "economic stimulus" is synonymous to a situation when the government changes its fiscal policies of spending and taxation to revive the economy.

Many economists believe that the 2008 financial crisis resembles the Great Contraction of the 1930s while some others view that the problem can be resolved without much difficulty. Some are rather optimistic that the mistakes from past history would not be repeated and would instead be valuable in helping statesmen make clearer policy choices.

On the other front, the degree of effectiveness of fiscal stimulation has been disputed by various schools of thoughts, most prominently by the Chicago School, the Keynesian, and the conventional view. Most debates have centered over the question of what makes an effective stimulus package and how it can stimulate the economy by relieving unemployment and social discontents. Ideally, stimulation increases demand in the short run, promotes capital investment, and consequently sustainable growth in the long run.

Whilst scholarly works comparing theory and practice in advanced countries are many, comparatively few have focused on the emerging parts of East Asia. In the light of this, this work reviews and compares the fiscal responses to the global crisis of China, Korea, and Malaysia, with those prescribed by the literature. It is appealing to compare these countries because China represents a large, emerging, and communistic economy; Korea, a smaller, advanced, and democratic economy; and Malaysia an even smaller, emerging, and democratic economy.

The remainder of the paper is structured as follows. The second section discusses the theoretical underpinnings, concentrating on the factors of the effectiveness of fiscal expansions.

The third section describes the methodology. The fourth section presents the findings, that is the consolidated reviews on fiscal measures in China, Korea, and Malaysia. Section five discusses the findings. Finally, section six concludes.

Literature Review. In modern economics (the 20th century), in broad, there are 3 views on fiscal response to recessions, the 1930's Chicago school, the Keynesian view, and the non-Keynesian approach. The early Chicago school believed that fiscal policy plays a more important role in the offsetting effects of depression in times of recession than that of the monetary policy. Notable evidence in support of this proposition includes Kolluri, Panik, and Wanab (2000).

In the same vein, the Keynesian school predicts that an expansionary fiscal policy such as increased government expenditure or decreased tax would raise private disposable income and hence consumption. Grounded in this viewpoint, Fatas and

Mihov (2001), for instance, have demonstrated the desirable effects of government spending and revenue policies on consumption and output.

On another front, based on the much celebrated permanent-income hypothesis of Milton Friedman, the Non-Keynesian view popularized by Feldstein (1982) proposes that a permanent reduction in government taxation and spending might be more convincing in the eyes of public and hence more effective since any tax cuts today will not entail more tax increases in the future. People will be more inclined to spend, as they expect their future income to "increase" from the reduced taxation today. Giavazzi and Pagano (1990) have offered the empirical evidence bolstering this proposition.

In light of the above, various suggestions have been put forward on the architects of stimulus spending. Amongst others, Drazen (1990) showed that effectiveness of fiscal reconstruction depends on size and duration of a policy. Similarly, Romer and Romer (1994) echoed that most stimulus efforts have been fruitless partly because they were too small. According to them, the Keynesian effect will occur if the size is small and the time is short, while the non-Keynesian effect will occur when the size is large and the time is long. If duration of a policy is long and continues in the future, consumers will expect a positive return to an expansionary policy.

Other than size and duration, the way the money is expended is critical too. In this respect, Lucas (1988) argued that to promote growth, a stimulus should focus on more productive elements, namely investment in education and human capital. Meanwhile, Romer (1990) preferred investments in research and development (R&D) while Barro (1990) stressed public infrastructure.

Though fiscal expansions are often undertaken in times of distress, governments are nevertheless held back by budget constraints and buildup of debt (Hur, Mallick, and Park, 2010). Moreover, as found out by Blanchard (1990), the initial debt level has important influence on fiscal policy effects because high government debt level means that the probability of government carrying out contractionary fiscal policy in the future becomes higher.

Different from those who favor greater spending, in the spirit of supply-side economics, Jha et al. (2010) empirically showed that the fiscal tool of tax cuts is more effective than public spending. Perotti (2005) and Christiansen (2008) detected that for some countries fiscal multipliers from spending had actually declined over time and might have been even negative.

In short, there is always a large pool of literature in which one can draw support or opposition to this or that kind of fiscal interventions.

Methodology. This is an archival research based on the secondary data obtained from journal articles, reviews, and published works by Asian Development Bank (ADB), International Monetary Fund (IMF), central banks, and so forth. The online search was performed electronically using the keywords: "fiscal policy and stimulus package" combined with "financial crisis/economic crisis". The analysis reviews the measures taken by the governments of China, Korea, and Malaysia and compares what has been done by the governments to the suggestions found in the literature. It also tries to understand the differences in policy implementation that might have been influenced by such factors as economic size, level of development, and political setting.

The Findings:

The Chinese Reaction. Consistent with its economic prowess, China launched a gigantic stimulus in the wake of the 2008 crisis, an amount which is not only huge in absolute terms but also very high in relation to GDP. It began in November 2008 when Chinese government announced a 4 trillion yuan (588 bln. USD) package, equivalent to 13% of GDP which would run through 2010. The components, the release dates, and the amounts in billions of yuan are shown in Table 1.

Table 1. RMB values of the stimulus components, China

Major Stimulus Measures	Total Amount (Yuan billion)
4 Trillion Renminbi Stimulus Program (November 2008)	
- Low-income housing	280
- Improving rural living standards	370
- Health care and education	40
- Ecological and environment protection	350
- Postdisaster reconstruction	1000
- Technological innovation	160
- Infrastructure construction	1800
Additional Expenditures (12 January 2009)	
- Expedited investment spending on scientific and technical innovation/upgrades	600
- Healthcare reforms to provide basic medical security to everyone; improve the quality of medical services; and make medical services more accessible	850
Employment Creation (March 2009)	
- Provide employment to high school graduates, farmers and agricultural workers, residents with employment difficulties, and families with no employed household members and to support establishment of independent businesses	42

Source: Asian Development Outlook, ADB.

On the whole, the stimulus has put heavier weights on the infrastructure and the post-disaster reconstruction especially for the 2008 Szechuan earthquake, followed by healthcare and R&D (for renewable energy). Lesser emphasis was given to environment protection and rural living standards. Yet, even smaller weights were given to education and boosting employment.

Though this package was large, the fiscal deficit of the central government had remained relatively low in relation to other economies in the region, rose from 0.4% in 2008 to a mere 3.2% in 2009. Through the first 10 months of 2009, the cumulative fiscal expenditures surged by 23% on the year-on-year basis and the fiscal stimulus continued well into 2010 but the revenues also increased. The fiscal revenues increased from the total of 5.1 trillion yuan (US\$ 750 bln.) in 2007 to 6.13 trillion yuan (US\$ 900 bln.) in 2008. A core supporting factor for this is China's rising current account surplus, as shown in Figure 1.

Hur, Jha, Park and Quising (2010) noted that the fiscal expansion provided strong support for SME through reduction of business processing fees, trade facilitation measures, tax cuts, and support for technological innovations and industrial restructuring, hence contributing to reversal of recession.

Specifically, in 2009 the domestic consumption increased with total retail sales of consumer goods amounting to 12.53 trillion yuan, up by 15.5% from 2008. The annual GDP growth registered an 8% in the same year, with its quarterly growth in the 4th quarter as high as 10.7%. On a year-on-year basis, the GDP was raised by

8.7% from 2008 at comparable prices and its growth rate down by 0.9% points. Besides, as reported in Jia and Liu (2010), the 2009 per capita disposable income of urban residents rose by 8.8% while the per capita income of rural residents increased by 8.2%, with its real growth rate at 8.5%, after discounting for inflation.

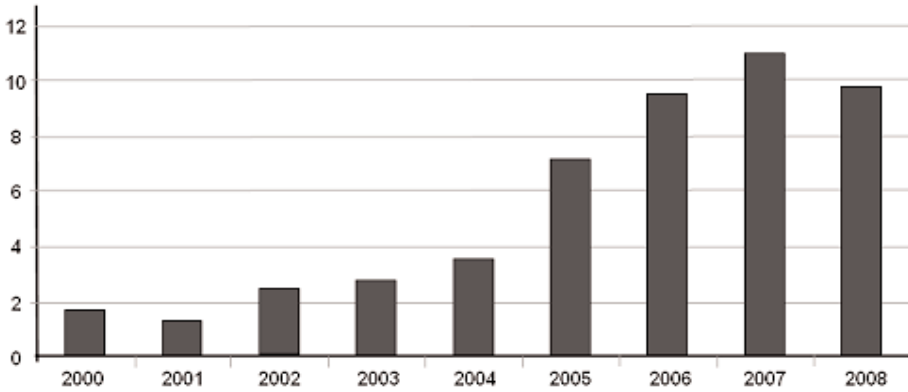


Figure 1. China's Current Account Surplus (% of GDP), 2000–2008

Source: Asian Development Outlook, ADB

The Response of Korea. Korea had carried out the main fiscal expansions in November, December 2008, and January, March, and August 2009 to counter the global recession. In sum, the 3.5% of GDP stimulus went to expenditure expansion and tax cuts. Table 2 provides the values of the stimulus components.

To summarize, the emphasis was on social overhead capital projects (public infrastructure), followed by employment initiatives, financing small businesses, and so forth. There were also expenditures on green transportation networks, carbon reduction, and new industrial and information technology development. In addition, there were also substantive supports for distressed companies and bank recapitalization.

Figures 2 and 3 show respectively the budget balance for 1988–2008 and government debt for 1992–2009 in Korea, both as % of GDP. As displayed by Figure 2, 1998 and 1999 were exceptional years in terms of budget deficit; the consolidated budget balance (% of GDP) was -4% in 1998 and -2.5% in 1999 whereas the debt ratio had been rising rapidly since 1998.

As explained by Kim (2003), public funds rose dramatically as a consequence of the Asian crisis through the issuance of bonds by the Korea Asset Management Corporation to private sector, and from 2003, the assets of the Korea Deposit Insurance Corporation gradually turned into government debt. Korean government ran into major deficits again in 2009, equivalent to 4.1% of GDP. Government expenditure skyrocketed whilst tax revenues remained almost unchanged. This prompted an increase in debt-to-GDP to 33.8% in 2009.

The Malaysian Experience. Akin to many East Asian governments, Malaysia also introduced stimulus packages in 2008. Table 3 reviews the stimulus packages of Malaysia. Malaysia's first stimulus package, 1.9 bln. USD (RM 7 bln. or 0.86% of GDP), was introduced in November 2008, followed by another one of 16.2 bln. USD or RM 60 bln. in March 2009.

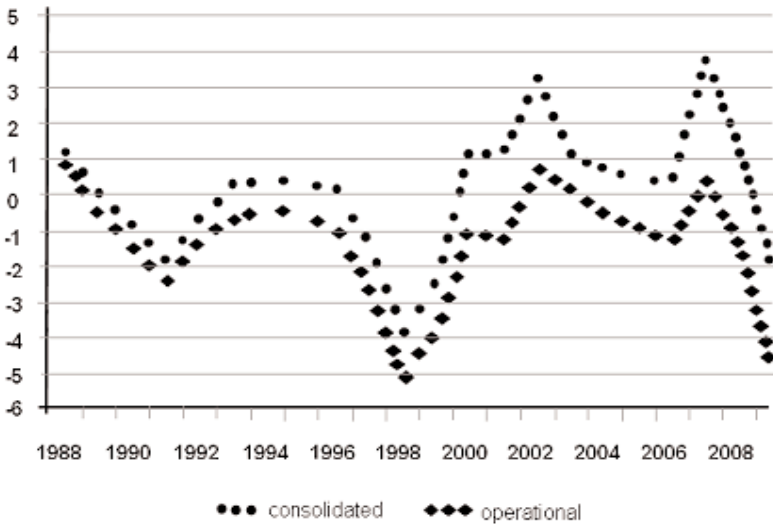
Table 2. Stimulus Measures in Korea

Major Stimulus Measures	Total Amount (Won trillion)
3 November 2008	
- Spending on infrastructure and other government projects	4.6
- Assistance to small businesses	3.4
- Social transfers to low-income households	1.0
- Local government expenditures	1.1
- Tackle unemployment problems and support small business start-ups	0.3
- Tax cuts	3.0
3 December 2008	
- Expansion of internship system and increasing job positions for underprivileged	4.9
- Increase of social overhead capital projects	24.7
- Stabilization of SMEs	3.9
- Support in regional finances	1.9
January 2009	
- Investing in projects concerning energy conservation, recycling, carbon reduction, and waste management	
- Improved information and energy infrastructure	
- Prevent floods, secure water resources, create green spaces, and develop areas around 4 rivers	
- Increased investment in low carbon transportation	
- Investment in environment-friendly light-emitting diode lights	
March 2009	
- Job creation and maintenance	3.5
- Assist SMEs and self-employed through expanded credit guarantees and increased government financing	4.5
- Revitalize provincial economies	3.0
- Nurture future growth engines	2.5
- Assistance to low income households	4.2
March 2009	
- Tax incentives for self-employed business owners and SMEs	
- Tax incentives on money used for microcredit loans, educational, art, cultural, and social welfare purposes	
- Tax deduction on R&D investment expanded to 20%-25% for large enterprises and 30%-35% for SMEs	
- Tax deduction and exemption to green industry related financial products	

Source: Asian Development Outlook, ADB.

The concentration of the first package was on infrastructure and armed forces, followed by low-cost housing, public transport, and broadband Internet access. The second stimulus package concentrated on assistance to the private sector, targeted at food, toll, and fuel subsidies, low-cost housing, retrenched workers, and increasing job and training opportunities.

On its fiscal position, Figure 4 shows that since independence in 1957, Malaysia has always had fiscal deficit. For instance, in 1982, the deficit was about 16% of GDP but since then, the fiscal deficit had been progressively reduced. From 1993 to 1997, the rapid economic growth even brought the balance to a surplus. Unfortunately, positive path was short-lived and deficit reappeared and even deepened in 2008 due to the global crisis. Amongst neighbouring economies, Table 4 shows that Malaysia has recorded the highest deficits, at 4.8% of GDP. The situation could be worse with the steady depletion in oil reserves, which make up roughly 40% of the tax revenues.



Note: Operational budget balance = Consolidated budget balance – Social security balance + Redemption of public funds

Figure 2. **Central government fiscal balance (% of GDP), Korea, 1988–2008**

Source: Ministry of Strategy and Finance, Korea

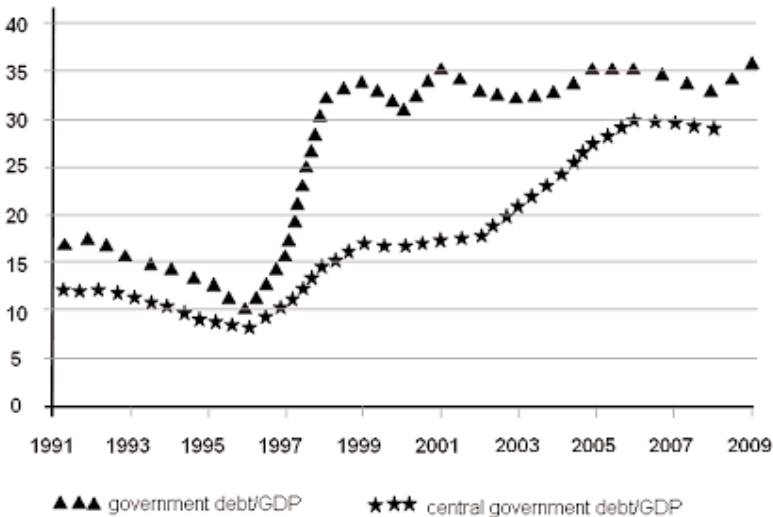


Figure 3. **Government Debt (% of GDP), Korea, 1992–2009**

Source: Ministry of Strategy and Finance, Korea

The silver lining is that a major part of deficit financing came from internal sources without external borrowings. The government ensured there was no excessive build-up of short-term debts and attempted to attract foreign direct investments.

Amidst this, questions were raised as to whether the increased spending done by the government was really effective in reviving the economy. As noted by Nambiar (2009), in 2008 the fiscal deficits amounted to 7.6% of GDP, but only translated into a mere 1% increase in GDP growth.

Table 3. Malaysia stimulus package initiatives

Measures Taken	Date Announced
First Package : US\$ 1.9 bln. - Upgrade and repair of public amenities, rural roads, and quarters for police and armed forces (RM 1.5 mln.) - Build low- and medium-cost houses (RM 1.4 mln.) - Upgrade and maintain public transport (RM 0.5 mln.) - Implement broadband Internet access (RM 0.5 mln.) - Set up investment funds to attract private investments (RM 1.6 mln.) - Skills training and youth program (RM 0.6 mln.) - Pre-school education & grants to schools (RM 0.4 mln.)	4 November 2008
Second package: USD 16.2 bln. - Reduce unemployment and increase employment opportunities (RM 2 bln.) - Ease the financial burden of vulnerable groups (RM 10 bln.) - Assist the private sector in facing the crisis (RM 29 bln.) - Build capacity for the future (RM 19 bln.)	10 March 2009

Source: Asian Development Outlook, ADB.

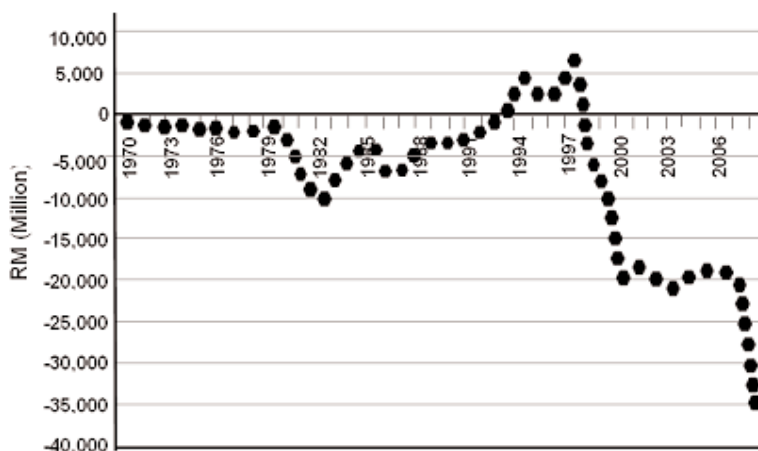


Figure 4. Malaysia's fiscal position in millions of ringgit, 1970–2008

Source: Bank Negara Malaysia

Discussion. Hitherto, we have explored the recovery efforts initiated in China, Korea, and Malaysia, and to different extents, their efforts can be compared to the prescriptions in the literature. Few common threads can be observed, whereas Table 5 summarizes and compares these 3 economies.

- By large, these countries have preferred fiscal to monetary policy, parallel with the philosophy led by the 1930's Chicago and the Keynesian school. They have also favoured increased spending rather than tax cuts proposed by the Non-Keynesian school and Jha et. al. (2010).

- Since expansions are not one-time but spanning several years and are carried out sequentially, this move seems to conform to Drazen (1990) who propounded that efficacy of fiscal policy depends on duration of the policy. Nonetheless, the measures are not permanent, hence divergent from the Neo-Keynesian view which prefers permanent cut in taxation and government spending.

- All of them have invested in infrastructure.

Table 4. Government Budget Balances (% of GDP), 1990–2009

Year	Brunei	Cambodia	PRC	Hong Kong, China	Indonesia	Japan	Republic of Korea	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Taipei, China	Vietnam
1990	(0.3)	(4.5)	(2.8)	0.7	(0.8)	(0.5)	(0.6)	(9.7)	(2.9)	(2.8)	(3.5)	10.8	4.8	1.8	(7.2)
1991	(1.6)	(3.4)	(3.0)	3.3	(0.7)	(0.4)	(1.5)	(6.1)	(2.0)	(3.7)	(2.1)	-	4.3	(2.2)	(0.7)
1992	(3.9)	(3.6)	-	2.7	(1.1)	(2.4)	(0.5)	(5.2)	(0.8)	(2.1)	(1.2)	-	2.6	(5.3)	(0.8)
1993	(0.7)	(4.7)	-	2.1	(0.5)	(3.6)	0.6	(2.7)	0.2	(1.4)	(1.5)	-	1.9	(3.8)	(3.4)
1994	15.5	(5.7)	-	1.0	1.0	(4.5)	0.3	(11.1)	2.3	(2.5)	1.0	-	2.7	(1.7)	(2.2)
1995	15.1	(7.2)	-	(0.3)	2.2	(4.4)	0.3	(12.9)	0.8	(3.3)	0.6	14.5	3.0	(1.1)	(1.3)
1996	0.5	(6.2)	(1.8)	2.1	1.0	(4.0)	0.2	(5.7)	0.7	(2.2)	0.3	-	0.9	(1.4)	(0.9)
1997	1.7	(0.9)	(1.9)	6.4	0.5	(3.5)	(1.4)	(5.2)	2.4	(0.1)	0.1	-	(1.5)	(1.6)	(3.9)
1998	5.4	(2.4)	(2.4)	(1.8)	(1.7)	(10.7)	(3.9)	(6.6)	(1.8)	0.8	(1.9)	-	(2.8)	0.1	(1.6)
1999	(1.4)	(1.2)	(3.0)	0.8	(2.5)	(7.3)	(2.5)	(2.5)	(3.2)	(0.3)	(3.8)	-	(3.3)	(1.2)	(3.3)
2000	10.9	(2.1)	(2.8)	(0.6)	(1.1)	(6.4)	1.1	(4.3)	(5.5)	0.7	(4.0)	10.0	(2.2)	(4.6)	(4.3)
2001	0.4	(3.1)	(2.5)	(4.9)	(2.4)	(6.0)	1.2	(4.2)	(5.2)	-	(4.0)	-	(2.4)	(6.4)	(3.5)
2002	(9.9)	(3.4)	(2.6)	(4.8)	(1.5)	(6.8)	3.3	(3.2)	(5.3)	-	(5.3)	-	(1.4)	(2.9)	(2.3)
2003	(1.7)	(4.0)	(2.2)	(3.2)	(1.7)	(6.6)	1.1	(5.4)	(5.0)	-	(4.6)	3.1	0.4	(2.3)	(2.2)
2004	13.5	(2.0)	(1.3)	1.7	(1.0)	(5.2)	0.7	(2.4)	(4.1)	-	(3.8)	4.1	0.1	(2.5)	0.2
2005	25.2	(0.5)	(1.2)	1.0	(0.5)	(6.1)	0.4	(4.3)	(3.6)	-	(2.7)	6.8	(0.6)	(0.3)	(1.1)
2006	12.8	(0.8)	(0.8)	4.0	(0.9)	(1.1)	0.4	(3.2)	(3.3)	-	(1.1)	6.7	1.1	(0.2)	(1.8)
2007	-	(1.2)	0.7	7.2	(1.2)	-	3.8	(2.7)	(3.2)	-	(0.2)	-	(1.7)	-	(5.4)
2008	-	(2.2)	(0.4)	(0.3)	(0.1)	(1.4)	0.3	(1.8)	(4.8)	-	(0.9)	1.5	(1.1)	(1.3)	(1.6)
2009	-	(4.8)	(3.2)	(4.1)	(2.1)	(6.8)	(6.5)	(5.4)	(7.6)	-	(2.3)	(4.1)	(6.0)	(5.0)	(4.0)
(est)															

Est. - Estimated. PRC - People's Republic of China. Lao PDR - Lao People's Democratic Republic
Source: Asian Development Outlook ADE.

- Being exporting countries with current account surpluses and significant external debt reduction since the Asian crisis, their financing of the fiscal expansions virtually comes from internal sources.

- To different extents, the stimulus spending of the countries seems to have been effective in at least slowing down or cushioning the shocks of the recession. Nonetheless, one must be aware that these economies are high growth countries, as opposed to developed countries.

Table 5. Comparisons between China, Korea, and Malaysia

China	<ul style="list-style-type: none"> - China, the world's second largest but still emerging economy, has carried out remarkably large fiscal expansion (in terms of % of GDP), much greater than that of the advanced but smaller Korea, and emerging and smaller Malaysia. - China's relatively large expansion is in line with the prescription of Romer and Romer (1994) and Drazen (1990). - One facilitative factor could be the communistic polity of China which needs not go through a democratic process of budget approval. - Besides the size of the expansion, the emphasis of the Chinese programs has also been quite different from that of Korea and Malaysia. - As an emerging economy with exceptionally huge reserves but also pressing social and energy problems, China has emphasized investments on infrastructure, post-disaster reconstruction, healthcare, and R&D for renewable energy. - This is consistent with Barro (1990) who favours public infrastructure investments and with Romer (1990) who favours R&D investments. - The measure also implies a step towards increasing efficiency and reduced fuel imports of which prices have skyrocketed at world markets. In the absence of a substantial appreciation of the renminbi, this policy seems rational in reducing the costs of imports and hence inflation. - Nonetheless, China's response seems to have put less emphasis on investments in human capital and education, as stipulated by Lucas (1988). - China has also paid little attention to boosting employment. In fact, past growth has brought tremendous growth in employment to urban coastal areas. - On the issue of budget constraints, due to its huge current account surplus and the corresponding foreign reserves, China has virtually no external indebtedness problem. - Virtually none of the package is allocated for tax cuts, as proposed by the supply-side economics and Jha et al. (2010).
Korea	<ul style="list-style-type: none"> - Relative to its GDP, Korea's initial stimulus is smaller than China's. - Akin to China, Korea has focused on infrastructure (Barro, 1990) but not on investments in human capital and education (Lucas, 1988), and also not on R&D (Romer, 1990). - Unlike China, Korea has considered tax cuts and the financial sector but almost no spending on healthcare improvement. The tax cuts conform to supply-side economics but no indication on permanent cuts. - The initiatives taken by Korea appear consistent with its advanced economy status with high per capita income, high R&D, open and developed financial system, and accessible quality healthcare, when compared to China. - There were also more specifics on environmental care in relation to China.
Malaysia	<ul style="list-style-type: none"> - Relative to GDP, the initial stimulus is smaller than China's and Korea's. - Idiosyncratically, Malaysia, which does not face immediate external threats, has substantive allocation for relatively unproductive armed forces sector, and less emphasis on infrastructure. - Unlike China or Korea, Malaysia has effectively no spending on healthcare, environment, financial sector, research, and tax cuts. - Though still a developing country, unlike China, Malaysia has virtually not expended on healthcare in the packages whilst its support for armed forces seems not in tandem with conventional arguments in the literature. - Different from China and Korea, Malaysia has some measures to attract FDI. - Largest government budget deficit amongst neighbouring countries.

Conclusion. The objective of the paper is to compare what being prescribed in the literature in wake of recessions to what actually implemented by China, Korea, and Malaysia, 3 fastest growing economies in East Asia, but of different economic characteristic and political background.

Amidst differences in their policy prescriptions, there exist several commonalities between them. Worth-mentioning is that they have preferred fiscal spending to tax cuts or monetary measures in their attempt to revive the economy. This might have allowed the authorities to select the sectors deemed desirable for growth and employment. Of course this is made possible by their still manageable budget stance, a result from current account surpluses and deleveraging since the Asian crisis. Malaysia has an added advantage of being a net exporter of crude oil.

Above all, all have substantive investments in infrastructure, consistent with suggestions made by Barro (1990). Quite the opposite, none have made permanent cut in taxation or spending as put forward by the supply-side economies or the Non-Keynesian school.

Nonetheless, the discretionary powers enjoyed by the governments might also give rise to further malinvestments and, in the words of Milton Friedman, replacement of private projects with government projects, which could further distort the mechanics of free economy. As asserted by the Austrian school, targeted spending and investments by government could give wrong signals and incentives to private sector, to further engage in mal-investments that would create another (even greater) boom and bust in the future. For a case at hand, the recent inflationary pressures on real estate, food, and commodity in the emerging world today have been largely caused by excessive liquidity injection made by the US Federal Reserve, the manager of the international dollar.

In conclusion, though the implementation of selected prescriptions from the literature by these governments might have been perceived as being effective, the truth is that no one really knows what would happen if the measures had not been taken. Also, before embarking on any stimulus programs, the Asian governments should realize that, different from their Western advanced counterparts and Japan, the emerging East Asia are growing much faster and hence, any overdone in government spending and investment, together with inflows of hot capital from abroad and over-lending, might lead to over-heating of their economy in the future.

Acknowledgement. In addition to scholarly contributions, the co-authors would like to express greatest gratitude toward the second author, Quah, Chee Heong for his excellent editing work.

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Стаття надійшла до редакції 14.09.2011.