

FT BIG READ

Japan - Credibility on the line

By Robin Harding in Tokyo

Haruhiko Kuroda showed no mercy on arriving at the Bank of Japan in April 2013. Repudiating what he called the “gradualism” of his predecessor, the new governor signaled that 15 years of deflation meant Japan’s central bank had failed. There would be no half measures now.

After just a few days on the job, Mr Kuroda fired his big bazooka: a pledge to push inflation to two per cent within two years, backed up by buying ¥50tn-a-year of government bonds. Suddenly, the world’s most static central bank had launched the world’s most aggressive program of bond buying.

“I have felt strongly that we should make all-out efforts (...) rather than to adopt an incremental approach,” Mr Kuroda told a skeptical business audience in his first speech as governor. “We should do whatever is necessary to overcome deflation.”

BoJ stimulus was the rocket engine for newly elected Prime Minister Shinzo Abe’s attempt to persuade consumers, investors, its own corporations and the world that they should again have confidence in Japan. The yen plunged from ¥80 to ¥120 against the dollar. The long-ignored stock market doubled.

Yet consumption is lower than in 2012 and the economy is flirting with a technical recession. The BoJ board is set to slash this year’s inflation forecast to less than 0.5 per cent, and admit its price goal is out of reach until nearly 2017. Most analysts think even that is optimistic.

Mr Kuroda now faces a defining choice: either double up on his policy and further increase easing or take a more gradualist approach. Accepting that the BoJ must simply wait and hope for 2 per cent inflation would be tantamount to a concession of defeat. People who have met the governor recently say he is sticking to his story: the BoJ’s policy is working, and a virtuous cycle between prices and wages is taking hold.



Haruhiko Kuroda, governor of the Bank of Japan (BoJ)

But if he chooses not to ease further, despite such a weak economic outlook, he risks signaling that a timely escape from deflation is beyond the BoJ’s power, triggering a collapse in his credibility and undoing any good that his policy may have done.

“I do feel some sense of crisis,” says Masazumi Wakatabe, an economics professor at Waseda University with links to the “reflationists” who inspired Abenomics. “I think it would be safer to add a bit more easing.”

Officials at the BoJ, including several members of the nine-person policy board and much of the staff, were deeply reluctant to act last week. Not only is their outlook upbeat - ignoring oil prices, they think domestic inflation has turned for the better - but they have tactical

concerns on timing, with the Abe government set to unveil a stimulus package of as much as ¥4tn and the US Federal Reserve on the verge of its first rate rise in

public debt - the highest in the world at a 246 per cent of gross domestic product - and the bank’s ultimate exit strategy.

Insiders say Mr Kuroda

“ We have actually managed to reach a stage where we are no longer experiencing deflation. ”

SHINZO ABE

a decade.

“If the cost is high and the merit is low then it does not make sense to ease further,” says Ryutaro Kono, chief economist at BNP Paribas in Tokyo. He is a long-time skeptic of the BoJ’s easing policy, expressing concerns about

commands a majority of the board, with tight control over policy and the ability to act. But politics are also at play: neither government nor business is enthusiastic about more easing, which would likely weaken the yen, raising the price of imported staples.

Mr Abe has seemingly lost interest in deflation, preferring to claim the problem is solved. “We have actually managed to reach a stage where we are no longer experiencing deflation,” the prime minister said in September, promising a new approach which made no mention of monetary policy.

As a result he and Mr Kuroda, seen as partners at the birth of Abenomics, have become uneasy allies in recent months.

The prime minister’s advisers, such as Etsuro Honda, are emphasizing a modest fiscal package aimed at helping the poor. In a recent FT interview, Sadayuki Sakakibara, head of the Keidanren business association, described the situation as a “do-or-die moment” for Japan’s economy. But he accepted Mr Kuroda’s argument about

the virtuous cycle.

If there is one reason why the initial promise of Abenomics was not fulfilled, it is the decision in the spring of 2014 to raise consumption tax, critics say. “If we hadn’t had the consumption tax rise I think we’d be getting inflation to target,” says Mr Wakatabe.

The 2013 regime change in fiscal and monetary policy was clear and well-timed. “The Greek [eurozone] problem had settled down and Mr Kuroda was lucky in the Fed’s move towards tapering,” says Izuru Kato, chief economist of Totan Research. Mr Kuroda’s action sent the yen down sharply, pushed inflation up - and created a misleading sense that the economy was healthy enough to tackle Japan’s budget deficit.

But the sales tax rise from 5 to 8 per cent was a fate-



Japan - Credibility on the line (continued)

ful policy error - one that was supported by Mr Kuroda - that plunged the economy into a recession from which it has yet to recover, critics charge. The BoJ tried to restore momentum last autumn with a second “bazooka”, upping the pace of asset purchases to Y80tn a year, but the damage was already done.

Higher sales tax and a weak yen meant prices rose much faster than wages. Consumers responded, predictably, by cutting back. To make matters worse, the rise in the price level triggered automatic cuts to public pensions, exacerbating the hit to consumption in a country where there are seven pensioners for every 10 workers.

Abenomics is supposedly an all-out stimulus, but a recent paper for the Brookings Institution by Joshua Hausman and Johannes Wieland argues that “monetary policy had relatively little positive effect [on consumption] while contractionary fiscal policy had large negative effects”.

The result of Abenomics, therefore, has been to bring the economy to a position reminiscent of 2005-06,



A woman walks past the Bank of Japan headquarters in Tokyo

when the yen was also at Y120 to the dollar, unemployment was below 4 per cent, and inflation was heading upwards.

Today the labour market is becoming steadily tighter, with the unemployment rate down to 3.4 per cent and some stirrings of domestic inflationary pressure.

If the economy continues on its current path it

will eventually run out of unemployed workers. Demand will exceed supply; inflation should accelerate. But just as in 2005-06, the pace of progress is painfully slow, and surveys suggest little public belief that inflation will ever get to 2 per cent.

Such slow progress leaves time for things to go wrong. After 2006, it was the financial crisis. For Mr Kuroda, a particular risk is China’s slowdown, already weighing on exports and the willingness of Japanese business to invest.

It is the very image of the gradualism. But if Mr Kuroda and colleagues are to stimulate more, they must first wrestle with why their action has not worked as well as they hoped, and whether they are willing to be truly radical.

For all the aggressive talk, Mr Kuroda has stuck closely to the playbook pioneered by US Federal Reserve chairman Ben Bernanke between 2008 and 2012 - now so common it barely counts as unconventional - but he

confronted a unique problem in applying it.

Mr Bernanke used massive asset purchases to drive down long-term interest rates and protect the credibility of the Fed’s 2 per cent inflation goal. In Japan, however, interest rates were already too low

will rise, it makes sense to borrow and spend now, then pay back in a depreciated currency.

“If the bank could raise inflation expectations, real interest rates would fall, stimulating economic activity by firms and households,” said Mr Kuroda in

“Long-run inflation expectations become anchored at a particular level only after a central bank succeeds in keeping actual inflation near some target level for many years,” said Ms Yellen. Mr Kuroda has not been able to do that.

Even if markets believe the BoJ, recent research has raised questions about how an economy responds to central bank forward guidance.

If Mr Kuroda chooses to act, his simplest option is more of the same: BoJ officials see room to purchase bonds a little faster, and he could also accelerate the buying of stocks. Such a move might satisfy markets, for now, but the incremental benefits are probably small.

“If the BoJ moves at the end of October, the scope is limited,” says Mr Iwata. “The alternative implies the BoJ should reformulate its monetary policy very substantially.” Mr Iwata favours a move towards negative interest rates - lowering the cost of borrowing a little further - something Mr Kuroda has emphatically ruled out.

Part of the challenge for Mr Kuroda is that he has framed policy in terms of the monetary base: effectively the size of the BoJ’s balance sheet. Bigger changes, such as negative interest rates, stronger forward guidance or even capping interest rates, require expressing policy in a different way.

Any of these options would take time to organize, but they go beyond the Fed playbook and might shore up inflation expectations for a time, at least. A truly radical option would be what is known as “helicopter money”: in essence, a decision for the BoJ to print money and the government to spend it.

Officials at the BoJ rule this out completely, however, declining to discuss the idea even off-the-record. “The Japanese people would never stand for it,” says Mr Kato. Miyako Suda, a former member of the BoJ policy board, is similarly horrified by the prospect.

But if there is a more serious shock to Japan - a hard landing in China, for example - then all bets will be off. Mr Kuroda has proclaimed he will do whatever is necessary. If he wants to avoid the tag of gradualist, he may soon have to prove it.

BOJ HOLDS OFF ON MORE STIMULUS

THE BANK of Japan declined to step up its monetary stimulus Friday even as it postponed its time-frame for reaching a 2 percent inflation target for the second time this year. Haruhiko Kuroda and his fellow board members said in a report detailing updated economic projections that the slide in oil prices was to blame for reduced consumer-price forecasts for the coming two years. The bank now sees the inflation target reached around the six-month period through March 2017. At the start of this year, the expectation was for the goal to be realized in the fiscal year through March 2016. Kuroda defended the decision to keep policy unchanged, saying that the central bank isn’t losing credibility and that its actions so far - implementing an unprecedentedly large monetary stimulus program - are having the intended effects. The timing of reaching the inflation target depends on oil, he told reporters in Tokyo. Kuroda, 71, reiterated that the BOJ won’t hesitate to adjust policy if necessary. **Bloomberg**

Higher sales tax and a weak yen meant prices rose much faster than wages. Consumers responded, predictably, by cutting back

to fall much further - and after so many years of deflation, the BoJ had little credibility to start with.

Its asset purchases had some direct effect on the yen and the stock market, but Mr Kuroda relied heavily on a different mechanism: raising public expectations of future inflation. If people believe prices

a speech this year, arguing that raising inflation expectations was not just his objective, but the mechanism through which his policy would work.

Mr Kuroda cited the risk to inflation expectations in explaining last year’s increase in purchases to Y80tn. An important reason to act now is that there are signs those expectations are once again fading.

But there are two big challenges to the mechanism itself. First, a promise of 2 per cent inflation only raises expectations if investors believe it.

“QQE [quantitative and qualitative easing] has somewhat raised inflation expectations but only by about 0.5 per cent, not 2 per cent,” says Kazumasa Iwata, president of the Japan Centre for Economic Research, and former deputy governor of the BoJ.

In a recent speech, Fed chair Janet Yellen struck a blow at the very foundations of Mr Kuroda’s policy, saying she doubted a policy based purely on shifting expectations could ever work.

The Future - Doubts over forward guidance

In April 2009, when the Great Recession was at its worst, then Bank of Canada governor Mark Carney launched an innovation. He pledged Canadian interest rates would stay at rock bottom for at least a year.

The era of forward guidance had begun. The Fed and others followed. This vogue for guidance had roots in an enormously influential 2003 paper by Gauti Eggertsson and Michael Woodford, partly inspired by Japan. Even with interest rates stuck at zero, they argued, a central bank could overcome deflation by committing to keep rates low in the future.

Mr Kuroda has specifically cited

the work of Eggertsson and Woodford as an inspiration for his policy. A number of recent papers, however, have cast doubt on the forward guidance mechanism at its heart. The so-called “forward guidance puzzle” is that economic models seem to grossly overestimate its impact. For example, Alisdair McKay of Boston University and colleagues Emi Nakamura and Jon Steinsson of Columbia say promising a rate cut five years in the future has eighteen times the effect on inflation of doing it now in standard models.

This seems implausible. Mr McKay and colleagues suggest the issue is credit limits faced by many

borrowers. That stops them shifting consumption around in response to signals about future interest rates, limiting the effects of forward guidance. Instead, the effect of guidance gets smaller the further it runs into the future.

That is a blow to the BoJ. Forward guidance from the Fed, and other central banks, tends to look at the next year or two; the BoJ is in a deeper hole, so its implicit pledge to keep rates low runs much further into the future. For now Mr Kuroda is sticking with his expectations argument - but would surely give much for a tool with more direct effects on the economy.

ANALYSIS | EDUCATION

When college students are afraid to speak up



By Stephen L Carter

MAYBE I'm a mite over concerned about the findings of the just-released survey by McLaughlin & Associates about the attitudes of college students toward free speech. The survey, conducted during September on behalf of Yale University's William F. Buckley Jr. Program, found some disturbing responses on basic questions about just how free students think their own campus speech is.

Before I begin, a word of caution. Young people nowadays are notoriously difficult to sample. The survey was conducted online, and the data were stratified "to reflect the actual demographic

composition of undergraduate students in the United States," as reported by the federal government. But this adjustment cannot account fully for selection bias. Nevertheless, the report brings not entirely happy news for those who care about the quality of campus debate.

I'll start with the good stuff. Most students surveyed (73 percent) don't want to scrap the First Amendment. True, a depressing 30 percent of self-described liberals think it's time to rewrite the amendment's guarantee of free speech. But I suspect the Constitution will survive their displeasure.

Second, only 10 percent think that their colleges should go further in regulating

speech, although there the question seems to me fairly loaded, I assume unintentionally, against regulation. (And I say this as one who thinks regulation of speech on campus, however well-intentioned, is a terrible thing, bound to end in disaster.) In addition, only 16 percent of students say debate should be more restricted at the college level than in the society at large. Some 38 percent say debate should be less limited, and 43 percent say there should be no difference.

The third happy result is that overwhelming majorities reported that their own professors tolerate diverse opinions in the classroom. In fact, the figure was over 80 percent in every demographic group ex-

cept part-time students, and even there the figure was 72 percent.

From there, however, things get worse.

The survey asked whether students felt intimidated about sharing their own views because they differed from either the views of their professors or the views of their classmates. On both questions, respondents split almost evenly. That roughly half of students feel that professors sometimes don't welcome their dissent is unwelcome news. But we learn more if we probe the data more deeply. Republicans were slightly more likely than Democrats to have experienced classroom intimidation, and men were slightly more likely than women. The outlier group, by a significant margin, is

It's depressing to learn how many students don't feel free to speak up when they disagree with faculty or peers.

Hispanic students, of whom some 56 percent report feeling intimidated, compared with 49 percent of black students and 45 percent of white students.

Recent research has indicated that peers play a more important role than professors in pressuring college students to change their views. So when the survey moves from intimidation in the classroom to intimidation by peers, we should see a shift. And we do. For example, there is suddenly a significant difference between reports of intimidation by students aged 22 and under (53 percent) as against older students (48 percent) - a distinction that might have more to do with maturity than politics. Interestingly, we also learn that although 54 percent of students at four-year colleges report peer intimidation, the figure at two-year colleges is only 42 percent.

More intriguing still is that students who self-identify as political independents are significantly less likely than those who self-identify as Republicans or Democrats to report intimidation by either professors or peers. Put otherwise, independents seem willing to speak up and take the flak. This phenomenon seems to me to have a

common sense explanation. A highly partisan student is more likely to spend large amounts of time in the company of other highly partisan students -- and partisans, especially nowadays, don't like to be disagreed with. Indeed, suppressing one's own urge to dissent is part of how one signals membership in a group. In other words, what might be causing Democrats and Republicans to feel intimidated is their tendency to hang around with fellow Democrats and Republicans.

Still, the intimidation findings are depressing. Essentially half of college students say they are afraid to speak up when their peers disagree with them. This may be a sign that young people are in some fundamental sense weaker than earlier generations, but we can't tell, because we have no reliable survey data from, say, 40 years ago. Or perhaps it's a sign that critics are correct, and things have changed fundamentally on campus.

The survey's most counterintuitive finding might be that although a plurality of students (37 percent) thinks their school is more tolerant of liberal than conservative beliefs, self-described liberals (at 51 percent) are far more likely than self-described conservatives (at 35 percent) to believe this. Could it really be, despite all the hype about political correctness, that conservatives are less intimidated on campus than liberals?

Maybe this result isn't so surprising. Let's look at two plausible explanations.

First, it may be that students at four-year colleges are more likely than students at two-year colleges to be liberal. Given that the study finds students at two-year colleges report less intimidation overall, the data might actually be picking up the difference in who's enrolled where.

Second, liberal and conservative students are unlikely to be equally represented in all majors or, within a major, in all courses. It's possible, then, that more liberal students self-select into exactly the sort of courses where dissent is less tolerated.

I'm not embracing either explanation. I'm just pointing them out as plausible candidates.

Overall, there's good news and bad. It's refreshing to learn how few students support restrictions on campus speech. At the same time, it's depressing to learn how many don't feel free to speak up when they disagree with faculty or peers. Those of us who dwell in the academy should celebrate the first and do what we can to remedy the second. **Bloomberg**

Attitudes of college students toward free speech

THE students were asked which of these three statements was closest to their own opinion: (1) "I support freedom of speech in all cases. Even though hate speech is harmful and hurtful, it is protected under the First Amendment and everyone is entitled to share his or her own opinions." (2) "Freedom of speech is important and protected under the First Amendment, but there are exceptions to every rule. Hateful speech should not be protected under the First Amendment, just like saying 'bomb' on an airplane or 'fire' in a movie theater is not protected as free speech." (3) "Too often, people are making hateful, racial, sexual and religious comments because they believe it is protected under the First Amendment. Colleges, universities

and government should regulate free speech more and we should be doing a better job punishing people who espouse these hateful and offensive views."

Not only is answer (3) the longest, but "regulate speech more" and "better job punishing" cannot help carrying strongly negative implications. I am not saying that the results are wrong; I'm only suggesting that the wording could have been more careful. The question was not felicitously worded. A student who was reluctant to point out a pompous and unforgiving professor's error in an equation on the blackboard would give the same answer as a student who hesitated to raise a point of political or ideological difference. **SLC**

Sumatran Rhino begins US-Asia trip to ancestral home

By Dan Sewell in Cincinnati

THE last Sumatran rhino in the Western Hemisphere began a journey Friday from Ohio to its ancestral southeast Asian homeland on a mission to help preserve the critically endangered species.

The 8-year-old male, Harapan, will make an air, land and sea trip of more than 10,000 miles. Including stops, the journey's expected to take some 50 hours before the rhino reaches an Indonesian sanctuary. A veteran Cincinnati Zoo animal keeper who was at the Sumatran rhino sanctuary when Harapan's older brother became a father there in 2012 is accompanying the rhino, along with a zoo veterinarian.

Conservationists hope Harapan can mate with one or more of the three females in the Su-



matran Rhino Sanctuary in Way Kambas National Park.

Zoo officials said the 1,800-pound rhino underwent medical checks and was trained to walk into and voluntarily re-

main in a specially made travel crate. Keeper Paul Reinhart and veterinarian Jenny Nollman will travel with Harapan, who will have six cases of ficus along with bananas, apples and

pears for his in-flight meals.

Numbers of the two-horned "hairy rhinos," descendants of Ice Age woolly rhinos, have fallen by some 90 percent since the mid-1980s as development

of their forest habitat and poachers seeking their horns took their toll. Including three Sumatran rhinos in a sanctuary in Malaysia, only nine are in captivity globally.

Harapan's brother Andalas lives in the sanctuary with three females and his one male offspring. Harapan's departure ends the Cincinnati Zoo's captive breeding program for the species that produced three rhinos.

Jim Young, 55, of Cincinnati said he saw all three of the rhinos that were born at the zoo. He was there Thursday for the zoo's last public viewing of Harapan.

"I think they're an amazing animal," Young said. "So we'll miss him, but I'm happy for him ... to be able to have him go to Sumatra and repopulate."

Zoo visitor Kristine Strange, 61, of Kohler, Wisconsin, agreed, and said more needs to be done to stop poachers who go after rhinos for the horns that in some parts of Asia are prized for supposed medicinal qualities.

"I think we should do everything to help all the endangered species," she said. "I feel strongly that we need to go after the main issue, which is people hurting the animals." AP

ASK THE VET

by Dr Ruan Du Toit Bester



CARING FOR YOUR PET BOA CONSTRICTOR

RECENTLY we started seeing an increase in the amount of pet snakes in Macau. Most of the ones that come to us show symptoms of either oral disease, inappetence or skin problems. Below you will find some basic info regarding the most common snake we see, the Colombian boa constrictor.

This boa constrictor is the most widely kept boa in the pet industry (there are nine accepted subspecies of boa constrictor, and many localities of some subspecies). Other common names include the common boa and red-tailed boa, although the true red-tailed boa is boa constrictor constrictor, which is larger and found in countries including Suriname, Guyana, Peru and Brazil. There may be B. c. constrictor in southeastern Colombia, but these are rarely seen in the reptile world. Colombian boas have become popular due to being docile and having more "personality," in that they seem to be more curious about their surroundings than some other snakes. Colombian boa constrictors make great pets, and they are available in a vast array of appealing colour and pattern morphs. Proper care can be provided even by beginner hobbyists, but due to their potentially large size and lengthy life span, boas are best suited for moderate- and advanced-level keepers.

SEXING AND CHARACTERISTICS:

There are several ways of sexing a snake but the main methods are popping and probing, both of these ways are reliable with probing being the most accurate.

If you need your snake sexed, make sure this gets done by a professional.

SIZE:

Generally Common Boas reach between 5-9 ft, females are typically larger than males reaching around 9ft. It is rare for Common

Boas to reach over 9ft but it has been documented that some have reached around 10-12 ft but this is rarely seen.

SUBSTRATE AND WATER NEEDS:

For bedding you can use a variety of things, pine and cedar are to be avoided as these are toxic to reptiles. Aspen, Aulose, Megazorb, Orchid bark or similar is your best bet, there fairly cheap and look good. You can use newspaper or paper towels which are cheap but not very appealing. I see a lot of blister disease of snakes on dirty news paper so remember to change it daily and make sure you wash the snakes at least once to twice per week. I like to soak them in water once a day, this keeps them hydrated and clean and they love it. You will need a fair sized water bowl, one the snake can submerge its body in, Cat litter trays work well for larger animals.

LIGHTING AND UVB:

Common Boas have no special lighting requirements but if you do use a basking bulb, please ensure the light has a bulb guard to avoid your snake from being burnt.

TEMPERATURES & HUMIDITY:

Your Boa should be provided with a basking spot between 28-30°C (82-86°F) in the hot end. To achieve these temperatures several heating devices can be used such as:

- Heatmats (Not advised for bigger snakes)
- Basking/Infrared bulbs
- AHS heaters
- Ceramic bulbs

These are down to personal preference & all should be used with the appropriate Thermostats to control the temperature & avoid overheating. BCI's humidity should be around 40-50% which can be increased whilst shedding. A moss box can be provided when they are shedding to help assist them but it

usually not needed. If help is needed choosing heating/thermostat options, please do not hesitate to contact us & we will guide you in the right direction.

HOUSING:

Neonate Boas are best kept in small tubs, with secure hides as they may go off feeding if they feel insecure. Juvenile/sub-adult Boas can be housed in 3/4ft x 2ft x 2ft vivarium if big enough. Adult boas can be housed in a 4/5ft x 2ft x 2ft vivarium although a bigger vivarium may be needed for the larger specimens. Provide them with 2 hides, one in the hot end and one in the cool end, an appropriately sized water bowl should also be provided.

DIET:

Carnivorous, this means they eat rats and mice

DESCRIPTION OF DIET:

Young Boas are able to take fuzzies on their first feed. You should be able to start feeding your snake on fuzzies but if they are on the smaller side then large pinkies would be ideal. You may feed them every 5 to 7 days at this point. As the snake grows it will need larger prey items. You will know when they need to go up a size once you can't see the food item in their belly anymore. Sub-adults can be fed small rats every 10-14 days. Adult snakes should be fed on an appropriately sized meal every 2-3 weeks to avoid becoming overweight.

SUPPLEMENTS, NUTRITION AND USAGE:

Generally supplements are not needed but I feel that calcium can benefit breeding females to replace the production of the babies and to replace the female's calcium levels.

MAINTENANCE:

They are easy snakes to keep and attractive to look at, this is why they make good pet snakes.



I would recommend changing their water every 1-2 days, spot clean every few days, and clean them out properly every 4-6 weeks, using an appropriate disinfectant, I use F10 or Vircon. Handling your boa should help keep them calm & easy to handle. Sometimes baby boas will hiss in order to scare a 'predator' this is often a warning but mainly a bluff. If you have a nippy one, don't let it put you off, they calm down easily with regular handling.

SOME WORDS ON THIS SPECIES:

They are a very pretty medium sized boa and are manageable if you can handle the bigger snake but as with most snakes can have long life spans, so be prepared to take care for an animal for the rest of its life. I would say they make great pets as they are calm and come in an amazing variety of colour mutations (known as morphs) making them attractive to look at and they are also becoming more affordable. They are typically slow moving snakes although they can be heavy bodied but are still manageable.

Hope this info helps a bit
Good luck to all the snake owners
Till next week
Dr Ruan

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