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Obama proposes new regulations on U.S. banks



President Barack Obama, with former Federal Reserve Chairman Paul Volcker looking on, proposed Thursday new rules designed to restrict the size and activities of the U.S.'s largest banks, the latest in a series of administration moves to curb Wall Street. **Page 7.**

Goldman profit surges as firm restrains pay

By JOE BEL BRUNO
AND JESSICA PAPINI

NEW YORK—Goldman Sachs Group Inc. on Thursday reported blowout fourth-quarter earnings, in part because it restrained compensation amid a public outcry about excessive pay.

The investment bank's record-high profit of \$4.95 billion for the fourth quarter far exceeded Wall Street estimates. The amount eclipsed the combined returns of rivals J.P. Morgan Chase & Co., Morgan Stanley, Citigroup Inc. and Bank of America Corp., and it highlights Goldman's revival from a financial crisis that toppled competitors.

But the earnings report also revealed that Goldman is being swayed by intense criticism about compensation packages so soon after the U.S. bailout of the banking industry. After the earnings were released, President Barack Obama proposed limits on the size and risk-taking of the nation's biggest banks.

The most-watched topic in the report, compensation, took many on Wall Street by surprise. The bank set aside \$16.2 billion for compensation

for its employees in 2009, well below the record many expected the firm would announce.

Goldman sought to deflect criticism by cutting back how much it put into its bonus pool and giving \$500 million to charity. That reduced amount helped lift profits and kept the investment bank from toppling the record \$20.2 billion in compensation it devoted to employees in 2007. The figure for 2009 represented 35.8% of revenues for the year, down from 48% a year earlier and the lowest level since the firm went public in 1999.

That said, Goldman's 32,500 employees, consultants and temporary staff will still receive compensation averaging about a half-million dollars for the year. It wasn't known how much Goldman Chief Executive Lloyd Blankfein would be paid for 2009, though the company's top 30 executives will receive their bonus in stock that can't be sold for at least five years.

Mr. Blankfein said the reduction in compensation, a "recognition of the broader environment, resulted in our lowest ever compensation to

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China growth data put pressure on Beijing

By TERENCE POON

BEIJING—The acceleration in China's economic growth toward the end of 2009 brought with it a sharp pickup in inflation, adding pressure on the government to roll back its stimulus policies.

Taking measure

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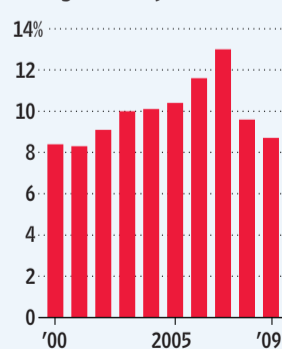
The economy expanded 10.7% in the fourth quarter from a year earlier, picking up from 9.1% in the third quarter and bringing full-year growth to 8.7%. China's stimulus program—focused on massive bank lending and public investments in infrastruc-

ture—helped avert a sharper economic downturn. But economists say the government needs to adjust its policies now that the economy is growing so rapidly.

National Bureau of Statistics Director Ma Jiantang said Thursday the government will work to "avoid excessively rapid price increases." In particular, he said, "asset-price increases pose a challenge for macroeconomic policy," highlighting the recent increase in concern among officials about inflation.

Underscoring the inflation risks posed by last year's credit surge, two key price gauges ticked up in December. Consumer prices in December rose 1.9% from a year earlier, accelerating sharply from the 0.6% rise in November, which followed nine months of declines. The producer price index in December rose 1.7%

China's GDP Change from a year earlier



Source: China's National Bureau of Statistics

from a year earlier, well above expectations for a 0.5% rise and reversing November's 2.1% drop.

And with real-estate prices surging beyond what most people can afford, the government has already begun to re-

move some of the measures it took to revive the property sector during the financial crisis, such as preferential tax policies. New spending on construction projects and infrastructure has started to slow: Growth in fixed-asset investment slowed to 25.5% in real terms in the fourth quarter, from 36.8% in the third quarter.

"Policy adjustments can only have a positive impact and no negative impact, because they'll prevent the economy from overheating too soon," said Li Huiyong, an analyst with SYWG Research & Consulting in Shanghai.

The central bank has also been adjusting policies to curb loan growth, after banks nearly doubled their new lending in 2009 to 9.59 trillion yuan (\$1.4 trillion). The People's Bank of China has been

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