This was observed by noted economist Professor Salim Rashid of the University of Illinois, USA in an exclusive interview with The Daily Star.

His observation came in reply to a question how the poor will survive without government's intervention in a free market economy in Bangladesh with the bulk of the population below the poverty line and without any purchasing power.

Prof Salim Rashid is the youngest Bangladeshi Economics Professor in one of the largest and finest universities in the USA - the University of Illinois, Urbana-Champaign.

Born in 1949, he became a Professor in that University in 1985 after holding various positions in other colleges in the USA. He specializes in mathematical economics, theories of economic development and history of economic thought.

Prof Rashid recently came to Dhaka on a specific assignment by the Planning Commission to do some work for the monetary sector of Bangladesh.

The Daily Star interviewed him regarding his views about the operations of "free-market economy" in Bangladesh and other related issues. The excerpts from the interview are as follows:

Question: Prof Rashid, we would, at the outset request you to narrate for us what does a free-market economy imply from the point of view of political economy.

Answer: In the past, the fundamental question facing any developing economy was the choice between socialism or capitalism. With the collapse of the socialist

### Growth strategy under a free-market economy

## Dhaka should focus on the poor's productivity

Star Economic Report

economies of Eastern Europe the only realistic choice facing Bangladesh is the extent to which it will adopt a free-mayket economy

in terms of the political economy of the issue one central question must be answered: "Shall we be equal in poverty or unequal in wealth?" Without answering this question it is futile to think of laying a satisfactory ground work for a free-market. There is no way by which we can both reward successful enterprise and maintain equality — it is a contradiction, in terms.

Question: Given the above exposition, would you please tell us when a free-market has the best chance to flourish and when it has nt?

Answer : A free-market has the best chance of success when a legal system which is perceived to be fair and is amenable to democratic change is established. This legal system must be internationalised by the majority of the people in the following sense. No institutional framework can avoid certain inherited inequalities, such as, those of ability and wealth. We must accept the fact that some people will succeed more than others. This inequality has to be not only accepted but also appreciated.

At present, we have a 'double standard.' If someone sings well because of an inherited voice and family background, we are never sparing in our praise. Lowever, wee are generally envious of someone who makes money because

of their inheritance and family background.

There is no law as effective as social opinion. Bangladeshi society must adopt a positive attitude towards those who succeed. It goes without saying that the whole reason for setting up an equitable legal sys tem is to ensure that such success was fairly achieved.

Question: In your opinion, for today's Bangladesh economy, what are the necessary conditions for beginning to opt for a complete free market economy and what are the sufficient conditions?

Answer: The term 'Complete Free-Market Economy' is highly misleading. The first pre-requisite for a successful market is the Rule of Law. By definition, the legal system must be above the market. This, if you like, is a seeming contradiction whose importance must be grasped if a fully established.

For example, if the market is used but the right to set-up a business is obtained through political influence, then this is not a free market. Rather it should be called 'Patronage Capitalism.' It may be asked why we should expect the legal system and the bureaucracy to be immune from the very greed that we are encouraging everywhere else in the 'free' economy. This goes back to the seeming contradiction mentioned earlier; capitalism cannot exist if everyone believes only in money.

One necessary condition for

places. Now that they are told

that the plots will cost higher,

they have no alternative left.

"We did not look for any other

plots because of RAJUK," said

Md Chunnu Mia. "Now there

are no other plots left for us as

lamented that if they had used

the security deposit of Taka

20,000 with RAJUK in any

productive ventures, it would

have yielded some profits for

The small scale en-

trepreneurs in Dholaikhal in-

dustrial belt are innovative.

Many indigenous devices have

been developed by the opera-

tors in the area. They have

converted a lathe machine into

a shaper machine also. The

procurement of a separate

shaper machine would be

costlier. Besides, it would not

be used to its full capacity be-

Dholaikhal also use simple drill

machines as honing machines.

However, such substituting

sometimes affect the quality of

the products. Using a drill ma-

chine for both boring and

honing may cause defects in

the products reducing their

in Dholaikhai that most ma-

chinery used by the units were

very old and without proper

maintenance. The bearings of

the lathe machines can be

cited here. These need re-

placement. Due to use of old

machines, quality of the prod-

ucts sometimes fall below

not have any formal training.

They learn the trade from ex-

perience. This also impairs the

quality of products. The own-

ers of the units observed that

some institutions should be set

BANKOK Aug 10: Civil ser-

up to train up the personnel.

The technicians at work do

This correspondent found

longevity.

standard.

The enterprises in

cause the works are limited.

Some of the entrepreneurs

alternative.

achieving a legal system, and bureaucracy that is beyond the reach of the profit motive is the payment of satisfactory salaries to the entire bureaucracy. As Lee Kuan Yew of Singapore said, "A good government does not come cheaply." I have long felt that we should quadruple the salaries of Class-I and Class-II officers and double the salaries of Class-III and Class-IV offi-



**Prof Salim Rashid** 

project Aid, if necessary. Then we can expect and enforce competence and honesty from those who are entrusted with making the free-market work.

Question: We are aware that a free- market by-passes those who do not possess any purchasing power. Given the widespread poverty in Bangladesh how do you think the poor will survive without government intervention ? Answer : It is not at all

clear to me that the poor have survived in Bangladesh because of government intervention. If

there is such demonstrate the evidence, I will be glad to change my views. As a general rule, people create wealth and government re-distributes wealth. Therefore, if the government is intervening, it is doing so using someone else's wealth. This can be a

very good and necessary thing.

afterall the government

represents the entire people. However, we must keep the proper orders of magnitude in mind. Whenever the government thinks its primary responsibility is to redistributed wealth it has a good change of failure. First things first. The wealth must be created before it can be redistributed. Therefore, while I am fully in support of a growth strategy which depends on the productivity of the poor, I do so because I see the most wealth being created by this strategy and not because I think that we can by-pass the inherent logic of capitalism by government intervention.

What the people of Bangladesh should think hard about is the definition of "what is a good life in Bangladesh ?" Do we want every Bangladeshi to own a care? Do we have the room for it? Will the country sink under the weight of so many cars and so many roads?

As we try to accumulate wealth there must be some socially acceptable norm of what constitutes a balanced life-style that leaves room for leisure. culture and religion, even while are encourage the hardwork which will make such leisure pleasant.

Question: We would like to

know, in a historical context. how laissez faire does actually fare in crisis-ridden economies ? We see in the list of your work an article on this subject published in the early 1980s in the much revered Economic Journal of London.

Answer : In a historical context, particularly during famines, the market mechanism has worked very badly. However, we live from day to day and we hopefully face famines very rarely. Thus we can not reject the general use of the market because it has performed badly in particular circumstances. I have repeatedly mentioned the importance of a legal system and bureaucracy for the happy functioning of capitalism. Those at the top must possess the ability and confidence to violate ordinary rules in extraordinary circumstances, e.g., famines.

Question: Now we would like to ask you a question about the Bangladesh community living in North America. How does this community view the problems of the Bangladesh economy? What are the major issues to be tackled with and does this community think that they can be of help in the process of solution to those problems ?

Answer : If I were to divide the Bangladeshi immigrant community in North America into three equal parts I would say that only one-third are concerned about the plight of Bangladesh. Another one-third are willing to help, if properly approached. However, it is a sad thing to note that almost

one-third of Bangladeshis abroad are entirely indifferent about Bangladesh. This is párticularly poignant because some of the richest Bangladeshis, such as, doctors, being to this category.

The first requirement for activating the great potential of these Bangladesh expatriates is to emphasise to them the real help that can be give. Too many expatriates think that Bangladesh does not contain selfless and dedicated people. By showering information about such organisations as BRAC, Swanirvar and the Bank, Grameen government of Bangladesh should make it impossible for these misguided expatriates to continue with their cynicism.

One specific measure that would be extremely helpful in encouraging close ties is the growth of first-rate boarding schools in Bangladesh which cater to the expatriate as well as the local population. Such schools will enable expatriates to give their children an education that is at once international, yet developed within Bangladeshi culture. I will maintain close contact with 'Bangla' as a language and with Bangladeshi culture. norms and religion. By these means expatriates will gradually feel increasingly involved in the economic and social development of Bangladesh.

Question: What is your view about the 'immigration craze' from out of Bangladesh as we see It to-day ?

Answer: From the social point of view, the 'immigration

craze' is some-thing of a disease. The highest estimate of Bangladeshis abroad is about one million. How can such immigration ever provide a lasting solution to a nation of 110 million people ? This craze distracts attention from the more fundamental issues: how shall we define a good life in Bangladesh and how do we plan to achieve it?

Question: What is your general opinion about the Bangladeshi students you know of in the US universities ? Are they doing well academically?

Answer: Those Bangladeshi students I am personally familiar with are doing very well and have considerably forward the cause of Bangladesh. However, I hear of many undergraduates who have gone abroad before they have had the maturity to withstand the temptations of American life. I am afraid, many of them will end up as second class citizens abroad.

Question: Have you any specific suggestions for those economics students from Bangladesh who want to study in the USA in the near future ?

Answer: The primary talent that is rewarded by the Economics Profession today is analytical ability. This means the capacity to conceptualise precisely an economic problem, to formulate in mathematically and to solve the models thus formulate The best training that I cum think of consists of doing elementary but abstract mathematics. An excellent score on the quantitative **Graduate Record Examination** is the most important single criterion for graduate admission. I must add that, strongly resent this modern change in economics. But we have to recognise the reality what it is.

#### Focus on Dholaikhal-III

# Small units facing operational problems

By Inam Ahmed

able for industrial growth. The

land was not developed com-

munication system is still bad,

disrupting supplies. The small

Dholaikhal said that RAJUK,

after the first phase of allot-

ment, told other applicants

that they would have to pay a

higher rate for the plots. This

time RAJUK demanded Taka

16 lakh per bigha which, if

paid in instalment, would with

interest, cost Taka 32 lakh per

bigha most of the en-

trepreneurs were shocked at

units told this correspondent

that they waited for four years

in the hope of getting plots

from RAJUK. They did not

look for plots in any other

declined Taka 10.00 to Taka

ICB Mutual Fund lost Taka 1.71

and Taka 1.97 to Taka 173.29

and Taka 102.03 respectively.

Chittagong Cement and 5th

National Bank, 6th ICB

Mutual Fund, Bangladesh

Autocars, Eagle Box, Dulamia

Cotton and Quasem Silk de-

clined within the range be-

tween Taka 0.10 and Taka

The 2nd ICB Mutual Fund

and 3rd ICB Mutual Fund

moved up Taka 5.00 and Taka

13.00 to Taka 165.00 and Taka

Green Delta Insurance

BGIC Insurance, Oxygen,

Usmania Glass and Eastern

Cables advanced within the

range between Taka 0.10 and

145.00.

Taka 1.00.

The owners of industrial

this decision of RAJUK.

Marked fall in DSE trading

Star Economic Report

industrial operators in

The small industrial units in Dholaikhal face operational problems because of non-availability of adequate land for factories.

Raidhant Unnayan Katripakkha (RAJUK) invited applications from the operations in Dholaikhal for allotment of some plots as factory Two hundred applicants

submitted applications with Taka 20,000 as security money. RAJUK announced that the plots would be alloted at the rate of Taka eight lakh each bigha.

But RAJUK later distributed land among 50 applicants in Shyampur area.

The allottees said the plots they were given are not suit-

The week began at Dhaka

In volume terms 4,450

with Wednesday's

Stock Exchange (DSE) with a

marked decline in trading

shares changed hands com-

10,091. Traded issues valued

Taka 3,53,405.00 compared

with Wednesday's Taka

actions. And the DSE All Share

Price Index, which is the

broad indicator of price

movements of all the listed

stocks, declined to 301.9722

points from Wednesday's

Transactions involved twen-

tyfour stocks. Of them nine

lost, seven gained and eight

remained unchanged at their

The lst ICB Mutual Fund

previous quoted prices.

Decliners dominated trans-

Saturday.

6,97,424.00.

302.0292.

HONG KONG, Aug 10:

besieged Standard Chartered Bank for a second day today despite firm denials of rumours the bank was in trouble, reports Reuter.

government claim they might have started the run by spreading malicious rumours. "I believe it's a totally irrel

Standard Chartered, the fourth bank in Hong Kong to be hit by a run since the government closed the scandalhit BCCHK in July, handed out cash to thousands of deposi-

day, after hundreds still waitcome back the next day.

Standard Chartered's Hong Kong Chief Executive, lan Wilson, said the bank was ready for a second day of heavy cash withdrawals.

#### Depositors besiege Standard Chartered in HK for 2nd day

Jittery Hong Kong depositors

Local depositors of the closed Bank of Credit and Commerce Hong Kong (BCCIIK) angrily rejected a

evant, ruthless and senseless statement. There's no way we, BCC depositors, could make such a thing work," said spokesman Danny Tang.

tors until midnight on Friday.

Long queues had formed outside the bank's head office well before opening time toing for their money late on Friday evening were told to

### Kaifu denies collusion with brokerages

TOKYO, Aug 10: Japanese Prime Minister Toshiki Kaifu brushed aside charges Friday that cosy ties between government and business were behind the financial scandals that are threatening the position of his finance minister, reports AFP.

Meanwhile. Finance Minister Ryutaro Hashimoto denied that the scandals implicating Japan's top 17 brokerages houses had involved any of their overseas sub-

Hashimoto, under pressure to resign after one of his aides admitted involvement in the granting of illegal loans, also told an upper house plenary session that his ministry should coordinate work in monitoring the activities of securities firms.

However, he remained noncommittal on a suggestion that Japan should create an independent watchdog along the lines of the US securities and exchange commission.

At the session, held just before the Japanese parliament goes into a nine-day summer

recess, Prime Minister Kaifu dismissed an allegation that large donations from the securities industry to his ruling Liberal Democratic Party (LDP) had left his government soft on brokerages.

Such donations are "not the concern of the government, as long as they do not contravene laws, said Kaifu, who is to use the parliamentary holiday to make a landmark five-day tour of China and Mongolia, starting

He will be the first leader of a major industrial power to visit Beijing since the bloody military crackdown on prodemocracy protests at Tiananmen Square in June 1989. He will also be the first Japanese Premier to visit Ulan

BCCI crisis to

prompt Arab

banks' merger

Bank of Credit and Commerce

International (BCCI) scandal

should prompt closer ties be-

tween Arab banks and encour-

age mergers, Arab banking

and economic officials have

The conspiracy against BCCI

was not the first of its kind

and certainly will not be the

last in the absence of Arab sol-

idarity in the banking sector,

said Hassan Al-Nouman,

Chairman of the Sharjah

Chamber of Commerce and

Chamber's magazine this week

were the strongest reaction

yet by a UAE official to BCCI's

closure in Britain and other

Central Bank said the BCCI

problem should motivate Arab

banks in the region and abroad

An official at the UAE

countries for alleged fraud.

Nouma's remarks in the

said, reports AFP.

Industry.

to merge.

ABU DIIABI, Aug 10: The

Bator.

The Prime Minister's re-

Ichikawa, who charged that donations worth 3.5 billion Yen (26 million Dollars) to the LDP over the past 10 years had been behind the governments' loose regulation of brokerage

The Premier also said his government would be more "strict" in examining cases of former finance ministry bureaucrats who were subsequently employed by brokerage houses.

#### Exchange Rates

August - 10

nerctale Burska, for Hank Cheques, (BCa) and Overseas Litafta (OUs) One Unit of Foreign Currenctes (FCs) for Take Selling

	-	Sching	INIVITY
marks came on the final day of	US Dollar	36.6226	36 1390
a three-day question-and-an-	UK Pound Sterling	62.7122	61 9648
swer forum on a policy speech	German Deutsche	21.4230	21 1277
	Mark		
he made Monday at the start of	French Franc	6.29H5	6.2121
a 61-day extraordinary session	Saudt Riyal	9.7974	9.6680
of parliament.	Dutch Guilders	19.0099	IM 7443
	Pakistan Rupee	1.4836	1.4695
Kattu maa saalutaa ta	(AMU*)		
Kaifu was replying to	Singapore Dollar	21.2564	20.9757
Communist MP Shoichi	UAE Dirham	10.0053	9.8752
Ichikawa, who charged that	Kuwait Dinar	Not available	
donations worth 3.5 billion Yen	Indian Rupee		
	AMU	1.4352	1 4215
(26 million Dollars) to the LDP	S. Kroner	5.9069	5.3242
over the past 10 years had	*AMU-Asian Monetary Union		
been behind the governmente'			

SECONDARY EXCHANGE MARKET Wage Earners Fund/ Export US Dollar **UK Pound** 63.71 63.76

Saudi Riya **UAE Dirham** The rates of Pound Sterling are decided every day, based on the crossrates of New York market

Source: Sonalt Bank

### Shipping Intelligence

#### **Chittagong Port**

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29/5			J/3	
08/7		11/8	J/4	
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04/8		1202 12 14 17 2 3 AUGUST	J/7	
28/7			J/8	
30/7			J/9	
(Sunk)	a/c.	1 TO		
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03/8		08/8	J/12	
26/7		10/8	J/13	
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		09/8	GSJ	
11/7		■ N. A	TSP	
03/8		07/8	RM/3	
28/7		08/8	RM/4	
15/7		13/8	RM/5	
			RM/6	
nstructi	on W.I	E.F 24/3/91	The control of the second control of	
01/8		15/8	DDJ/1	
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Vessels Due at Outer Anchorage.

#### Name of Vessels \*\*\* ETA Bintang Harapan 8/8/91 Continent - 1 (E/L) 10/8/91 Banglar Sampad 8/8/91 Kota Buana (Combi) 9/8/91 Vishva Kaumudi (E/L) 11/8/91 **Dmitrly Furmanov** 9/8/91 New Genlord (Combi) 9/8/91 Peter Starostin (Combi) 10/8/91 Shaplaeverett 12/8/91 Swan Glory 11/8/91 Dchkhoda 16/8/91 Greenvallee 13/8/191 12/8/91 Paola Fong Shin (Combi) 13/8/91 Neustadt (Cont) 15/8/91 15/8/91 Anteos Banglar Kallol 19/8/91 28/8/91 Banglar Gourab Asian Venture 22/8/91 Gold Asia 25/8/91 Banglar Kakoli 15/8/91 Tanker Due: Thita Atlas 8/8/91 Product Splendor 11/8/91 \* Berthed = Vessel At Port Jetty.

= Expected Time of Departure.

= Expected Time of Arrival.

= Not Available.

Source : Aquamarine Limited.

· ETD

N.A

### Thai civil servants emerge as the new poor

from Bangladesh and further economic co-operation.

Albert Mehr, Charge d'Affaires of Switzerland in Dhaka,

called on Mahbubur Rahman, President, Dhaka Chamber

of Commerce and Industry (DCCI) on Wednesday. They

discussed various issues relating to balance of trade

between the two countries, promotion of increased import

MICO M. Par (-10.00) (-0.00) (-3.00) (-1.97) (-0.80) 10/60 100/10 10/100 100/5 2nd KD M. Pund Stel ICD M. Purel
Stel ICB M. Purel
Stel ICB M. Purel
Stel ICB M. Purel
Stel ICB M. Purel
Stelling
Ste April Turning Chillegery Co. C.Q. Shill Pen Unmark Char 119.00 100/5 100/5 100/10 \*FV= Face Value, ML= Market \*\* Changes: Plus signs mean gain and (-) signs losses.

Quoted Prices of Traded Stocks

August-10

Dhaka Stock Exchange Market Profile August - 10 134 Listed Stocks 7 Gains 9 losers 118 Unchanged 118 Unchanged stocks include eight traded on the day at

its previous quoted prices. DSE All Share Price Index = 301.9722 Issued Capital=Taka 5,439,680,590 Market Capitalisation = 8,628,933,403 Turnover = Taka 3,53,405.00(Value) 4,450 (Volume).

vants once one of Thai Society's most privileged groups are becoming part of the New Poor, people left behind by Thailand's booming economic growth, reports Reuter.

In the Seventh National Social Economic and Development Plan, coming into force on October 1, the government says civil servants, policemen and soldiers are among groups being excluded from the burgeoning middle

hate to be called a (member of the) new poor, but that's what we are said an official of the office of the Civil Service Commission, which governs the civil servants. In the old days civil ser-

vants formed one of the most

privileged groups in society,

along with the best educated workers and members of the Royal Family.

But in recent years the new poor, fixed salary workers have simply failed to keep up with most private-sector employees, economists says. The government is suffering

as its highly skilled employees quit to join private companies offering bigger salaries and better fringe benefits, fewer people are applying for work in the Public Service.

The Foreign Ministry, where recent reports of possible resignations by senior officials made headlines, is getting fewer applications for Diplomatic posts. In 1990, 1,300 Graduates

applied for 25 junior

Diplomatic openings, half the

number that applied for the

same job opportunities in

The ministry has this year received only 680 applications for the same number of posts. I'm looking for a job with private companies and will

certainly quit if I get an offer, said a junior Foreign Ministry Diplomat interviewed by Reuter.

Major government-owned enterprises that have been earning income for the nation are also being hit by the Brain-Drain. The Petroleum Authority of

Thailand (PTT) is facing a shortage of engineers, from October, 1990, to June this year, 23 engineers quit the State enterprise, most of them to work in the private sector. The authority, which employs 213 engineers, now has 42

engineering vacancies. PTT offers a starting five per cent.

two or three times that amount.

with the quality of the new recruits. They can hardly substitute for the people who have

Government salaries can only be increased with cabinet approval. Otherwise their wages move up by about five per cent a year, far below the level of other workers espe-

monthly salary of 4,660 Baht (186 Dollars ) for engineers while private companies pay

newspaper.

We are very concerned

cially in the capital.

Thatland's inflation rate in the last five years has averaged

We are facing a major Brain Drain especially at middle management level, "PTT governor Luen Krisnakri said in a recent interview with a local