

Lessons from the Ashes of Srebrenica

by Derek Ingram

We Oppose the 72-hour Strike

It is not our intention to take an anti-trade union, or an anti-labour position. But it is far less our intention to remain silent when national interest is threatened by a powerful group trying to realise its sectarian demands through force and coercion. We are, therefore, opposed to the 72-hour strike programme. At the outset we would like to clearly distinguish two issues — first, the demands of the trade unions and associations grouped under SKOP (Sramik Karmachari Oikya Parishad), and second, the method of realising those demands.

As we have commented on several earlier occasions, the legitimate demands of the workers must be looked into, and positively responded to whenever possible. The fundamental question of wage hike has to be judged from the point of view of the interest of both the workers and the employers. The foremost consideration is the capacity to pay. If an industry is running well, and is making due profit, then of course the employer is morally and ethically bound to share it with the employees. The question of capacity to pay must be judged not only from the point of view of each industrial unit, but also of the specific sector. It is quite possible that certain types of production units will make profit at some stage, and others at another time. Therefore, it is not feasible to have the same wage-level for all the workers at any given time. Thus the argument about a national minimum wage cannot be accepted. In the same vein, workers will have to accept a linkage between productivity and wage, between labour output and labour cost.

Under the umbrella of SKOP, there are workers belonging to various industries, each of whose problems are different. To say this, is not to try to divide the workers, but only to say the obvious. Much has been written about the problems of the jute and textile sectors. It is well-known that any further burden of wage hike on them will force the closure of many units making thousands of workers unemployed. Then there are hundreds of other production units that are precariously balanced between profit and loss, and these would at once become economically non-viable if the cost of production, through wage hike, is further pushed up.

The fundamental point to remember about fixation of wages is that it cannot be done through administrative fiat, or through political horse-trading. It has to be arrived at through negotiations and understanding. In this regard we think the formation of a National Tripartite Consultation Committee on Labour (TCC) to be a step in the right direction. We think that SKOP representatives should take the TCC seriously and forcefully argue its case there.

On the second issue of the SKOP's method of a 72-hour strike to force the government to concede to its demand, it is outrageous and against the greater interest of the country. Nowhere in the world is a whole nation made to suffer because the workers want a better deal. It was very clear from the failure of the last SKOP action that people are not behind it. Having realised the public mood, it should have taken the path of negotiation.

It is our hope that political parties will see the negative implication on the national economy of the SKOP programme and hence desist from joining them. The recent actions of the government against the opposition parties and the Nirmul Committee may give rise to a feeling among the latter to side with SKOP just to get even with the government. Such calculations are neither patriotic, nor wise in the long run, and runs counter to the image of a responsible and matured opposition. We urge the government to enter into a serious dialogue with the workers and the employers within the format of the TCC, and reach a negotiated settlement with our unions.

Periodic strike programmes, and the government going into a panic and signing all sorts of agreements have created the present confusing situation. Let us bring out the whole issue into the open, and settle the wage question in the best interest of the nation. But for that to happen SKOP should call off the 72-hour strike.

China-Taiwan Accord

In a significant turn in history, China and Taiwan signed four epoch-making agreements in Singapore on Thursday, thus opening a new chapter of relations after four decades of hostility, often threatening armed clashes.

The most important agreement provides for the highest level contacts between the two countries. Other accords, more specific, charted directions for future economic and cultural relations, and specified ways to verify each other's documents and deliver registered mail from each side.

There were of course differences, relating to such issues as the introduction of new measures to protect the investment of Taiwan in China and air travel between the two countries. One can be sure that these issues will be discussed and probably resolved through the highest level channel between the two countries set up in Singapore on Thursday.

What is important is the mood of conciliation that has been generated between the two countries as a result of the Singapore accord. It is essentially based on pragmatism which, in turn, is linked to the economic needs of both China and Taiwan. Although enjoying a hefty trade balance with a number of industrialised countries, including the United States, China carries a heavy foreign debt. It certainly needs more joint ventures and an increased flow of foreign capital. Taiwan which has one of the highest foreign exchange reserves in Asia is in an ideal position of stepping up its participation in China's economy in all different fields, with the added advantage of the two sides speaking the same language and sharing the same way of life.

One hopes that pragmatism that both China and Taiwan have displayed in reaching their agreements in Singapore will eventually come to be reflected in discussions between Beijing and Hongkong, which remain in a state of deadlock. One should perhaps welcome the participation of Singapore whose role in China-Taiwan accord must be praised, in a new round of talks between Hongkong and Beijing. After all, being a predominantly Chinese state, the Republic of Singapore probably understands the complexities of the two Chinese neighbours, Hongkong and Beijing, better than the bureaucrats and politicians in London. Besides, it does have a stake in the continued economic stability in East Asia.

THE dreams of European unity lie shattered among the bodies of Bosnia. Thousands of speeches uttered down the years since 1945 by the great men and women of an ancient continent are but so many sheets of waste paper. Brave talk of a federal Europe had been silenced.

For months Europe has been stunned by its own helplessness as the unthinkable happens in its midst, shocked that the longed-for end of communism has been followed by a return to medieval bestiality that was believed to have gone for ever.

What to do? Not for a long time have world leaders looked so impotent. Usually they are good at making it seem as if they have the answers even if they do not. This time they have failed even to do that.

Yet, to be fair, no one else seemed to know what to do. No mass movements for action have emerged. Calls for immediate military intervention, such as those made by former British prime minister Lady Thatcher, have been emotional rather than practical. Someone pointed out that Bosnia is not the Falklands. The diplomatic route so patiently pursued by Lord Owen and Cyrus Vance had to be tried, but this particular effort has never looked to have more than a small chance of success. In any case, it is difficult to see the division of a small country into ten parts — as per the Owen-Vance map — as anything more than a

Rarely have world leaders appeared so impotent as in recent months over the war in the Balkans. European states have been divided and the new American President has found himself at loggerheads with them as well as with his advisers. Meantime, Bosnia burns. The outcome of all this is likely to be profound — notably, a considerable slowing down of moves to make the European Community a tighter entity. Federalism has gone with the wind.

very temporary arrangement. It is difficult not to sympathise with the plight of Bill Clinton, who found himself confronted with the worst of international conundrums within his first 100 days as President. Having set itself up as world policeman, the United States is now having to learn the consequences, and Clinton is in the driving seat. Thatcher's outburst for action found open ears in the US, where she still has an ex-

traordinary following from the right, from among those who are always ready to plunge in anywhere with aircraft carriers and guns, and from those who blame Europe for inaction. Europeans squirm when they hear Congressmen saying, as one did, that Europe always drags its feet and is never decisive. Have the Americans forgotten that it was not till 1917 that they came into World War One, which ended a year later, and not till 1942 that they

were forced into World War Two by the Japanese attack on Pearl Harbor? Nevertheless, the war in Bosnia is a European problem and the hopes of the post-World War Two visionaries that such matters could be tackled by a common foreign policy that would emerge from an ever more coherent European Community have been dashed. National expediency still counts for more than multilateral cooperation. Thus Germany went ahead on December 23 1991 and recognised the independence of Croatia and Slovenia. In an attempt to show unity the European Community, against the instincts of most member countries, recognised the two countries three weeks later. It set the stage for the disaster in Bosnia-Herzegovina.

It also showed the implications of a federal Europe, for which in recent years the Germans and French have purported to be the most enthusiastic supporters. The Maastricht Treaty was a step in this direction, although British Prime Minister John Major has tried to argue otherwise, but

last days in France. Chancellor Helmut Kohl seems to have lost the confidence of the German people. Italy is at the start of a political revolution. A question mark still hangs over the future of John Major. The war in the former Yugoslavia may yet be contained, but ironically under the aegis not of the European Community but of the North Atlantic Treaty Organisation which came into being for a totally different purpose.

After that, the motivation for further European unity will have to be economic, where it works best. Europe will need to look pretty smartly to the powerful challenge building up in the Far East, where growth rates are being achieved which Europe can look at only with envy.

It will need to spend more time embracing the countries of eastern Europe and those which eventually emerge in the Balkans. A common foreign policy and federalism are not for now. To that extent those in Britain who have wanted to go slow on a tighter European Community have been proved right.

And other regional organisations around the world have also been shown that the road to unity cannot be rushed or it will be strained beyond endurance. These are the lessons from the ashes of Srebrenica, and Tuzla. — GEMINI NEWS

DEREK INGRAM is editor of Gemini News Service.

The divided and ruined land

June: Slovenia, Croatia secede from Yugoslavia. Civil war breaks out. Bosnia declares sovereignty. Germany recognises Slovenia, Croatia.

July: EC recognises Slovenia, Croatia. Referendum vote for independence in Bosnia.

August: Serbia proclaims Serbian Republic of Bosnia-Herzegovina. UN forces land.

April: International recognition for Bosnia, Croatia, Slovenia and Bosnia admitted to UN.

August: London conference on Yugoslavia fails.

Jan: Vance-Owen plan to divide Bosnia into 10 provinces.

April: Full UN operations against Serbia.

OPINION

Do Economists Wreck the Economy?

by Dr Kabir U Ahmad

However, business decisions in the private sector are not governed by microeconomic (or microeconomic) calculations alone, they are also influenced by all-pervasive fiscal, monetary and trade policies pursued by the government. These are the subject matters that belong to aggregate or macroeconomics.

How do economists influence macroeconomic policies of the government? Here economists at the highest government level are not recruited just on the basis of their technical competence and publication a records etc, but are also judged by their ideological affinity with the politicians, in power. In a democratic system, this ideological affinity brings the politicians and the economists together from the very beginning of the electoral campaign while in an undemocratic system it is discovered through informal political and personal network. In a democratic system, during the period of electoral campaign, a continuous dialogue between the economists and the politicians, on the one hand, and the politicians and the voters, on the other, takes place through which some common understanding is reached on the future shape of the fiscal, monetary, industrial and trade policies etc. Soon after the election, the President/Prime Minister appoints his economist allies, or their colleagues with similar beliefs, in the top echelon of his administration. Once they are in office and as the actual data on the economic and political situations in the country are revealed to them from the government files, they may have to modify their stance somewhat but they have to design policies which the politicians consider to be politically acceptable and economically feasible. So, if some economic policies succeed or fail, it is a particular brand of politically motivated macroeconomic policies that succeed or fail and not the whole subject of economics.

Let us now deal with some specific conceptual and analytical issues that Hazel Henderson has raised. She has said that "current economic theories and models assume: 1) domestic national economies still exist and can be managed, 2) these economies still tend toward equilibrium, 3) market can still allocate resources to satisfy the competing needs for consumer goods, movies, tanks, mass transit, research, retraining, maintaining and renewing infrastructure, 4) "free trade" is good for everyone, 5) "investment" will trickle down to create jobs, 6) advertising-hyped mass consumption can continue to drive GNP growth, 7) GNP is the best measure of progress although it short-changes other vital social goals, and 8) nature can continue indefinitely providing resources while absorbing human and industrial pollution. And then 9) "economic textbooks still hold that caring, sharing, cooperation, unpaid work is 'irrational'. Only individuals competing to maximise self-interest are rational, and 10) "the GNP still overvalues military production, goods and services and sets the value of educated citizens, children and the environment at zero."

1) Have the concepts of domestic national economies vanished and can they not be managed? Although the fast electronic transfer of short-term capital across the world gives the impression that national economies have vanished and that the whole world has become one single economy, it should be appreciated that these transfers take place because of the very nature of specific national economic policies which give rise to differences in the short-term income potentials in various countries. For a variety of reasons, the differential productivity rates, wage rates, interest rates, exchange rates and tax/subsidy rates on various goods and services prevail in various economies. And it is these differential rates that give rise to the flows of goods and services as well as capital

across the countries to the benefit of the owners of these goods and capital as well as the global economy. When an exodus of vast amount of capital takes place from a particular country it drives home the blunt truth to the policy makers of that country that their economic policies are wrong. It is worth adding to this neo-classical reasoning, the political dimension also. If the politics of the country is wrong, no matter how efficient economic policies are, similar outflows of capital will take place to the peril of that country. A hard look at the origins of these flows unmistakably demonstrates the existence of "domestic national economies". It is not possible to manage a domestic national economy? It surely can be managed provided the politician at the top is not a "madman in authority" and understands the complexities of the modern economic and political systems with their feasible limits. He can least afford to be a slave of some defunct, obsolete or incomprehensible ideas on economics and politics.

2) Do the national economies tend toward equilibrium? No sensible economist these days can be a follower of Say's Law of automatic adjustment towards an equilibrium (general equilibrium, in this case). Economic policies will have to be designed and implemented to get the economy moving towards an ex ante (general) equilibrium. In the ex post sense, it very rarely reaches an equilibrium. The recent examples of the American and the European economies will serve as an eye opener. They have not been in a state of general equilibrium for a long time. However, it does not matter much if the economy does not reach equilibrium but what matters is whether policies are put in place to move the economy towards it. The world has learnt to live with disequilibrium and a whole new school of "Disequilibrium Dynamics" is now developing.

3) Can the market still allo-

cate resources for consumer goods, tanks, mass transit etc? Market certainly can allocate resources for consumer goods because if there is a felt need, the producers, after doing some reliable market research and if found profitable, will supply the goods. What the market will most likely not supply is the bunch of goods like tanks and transit etc because in these cases the well-known process of market signalling breaks down. Some of these are "public goods" which is one of the clear cases of the conventional "market failures" due mainly to externality, uncertainty, indivisibility and the nonexistence of Dual Prices. These issues are well-discussed in the economic literature and, in some of these cases, incentive compatible mechanisms are being developed to correct these failures. All in all, market is efficient in what it does and attempts to replace it by other mechanisms seem to end in failure unless in a national crisis situations.

4) Is "free trade" good for every one? That it is good for every one among equals has been proved to be true time and time again by economists over the last hundred years or so. The important implication of "free trade" is that it promotes competition among equals which, in its turn, promotes efficiency with the consequent increase in welfare for all the participants in trade. It is the force of these simple truths that the socialist, semi-socialist and the non-socialist countries are discovering now which were analysed by the proponents of open and free economies from the days of Adam Smith. In the present day world, one can see very easily that closed economies like Myanmar and India have done poorly compared to the relatively more open and free-trading countries like Singapore, Taiwan, South Korea, Indonesia, Malaysia and Thailand etc. The economic history of the last hundred years or so is full of similar examples.

5) Do investments trickle down to create jobs? It certainly does. Instead of explaining it, one should ask Hazel Henderson to try to develop an industry and see for herself whether investment in her industry requires labour force of one kind or another. The essential point here is whether the trickle down effect is large enough to eliminate the existing unemployed labour force. If the investment is in a highly capital-intensive industry the labour requirement will necessarily be small while if the investment in a labour-intensive industry the labour requirement will be large.

6) Does advertising-hyped mass consumption lead to GNP growth? If certainly does in some cases. Advertising is a cost incurred by producers to spread information among the consumers about the existence of a good. If the good in question is a new one, then mass consumption of it obviously increases GNP. If, on the other hand, the advertisement is to promote a good in competitive supply it may attract customers away from their existing suppliers in which case it may or may not increase GNP. For example, assuming the same cost, same price and same quality, if an increase in the volume of advertising ex-

penditure by Apple Computers giving rise to additional sale of its computers is exactly offset by the decrease in the sale of IBM computers, then there is no net GNP growth. But if the former is larger than the latter, there is an increase in GNP while if the former is smaller than the latter there is a decrease in GNP.

7) Is GNP the best measure of progress although it short-changes other vital social goals? It is not true to say that GNP is the best measure of progress and very few economists would believe in that either. For example, very fast growing economies may also be the most crime-ridden, drug-addict and homicidal societies which may not be fit to live in. Social progress has to be measured by a multi-dimensional index in which GNP is only one indicator.

8) Can nature continue indefinitely providing resources while absorbing human and industrial pollution? Certainly not. The first lesson of economics text is the concept of resource constraint. No society, however, rich it might appear to be, can supply any resource indefinitely. Economics teaches constrained optimisation and not unconstrained optimisation.

9) Do economic textbooks consider caring, sharing and cooperative unpaid work irrational? Do they consider only individuals competing to maximise self-interests rational? If, let us say, Mr Smith spends eight hours of his time in earning his living, which has utility to him, and spends another four hours of his time every day without any remuneration in the "Soup Kitchen" organised in the neighbourhood to feed the poor and the disadvantaged people, which also gives him satisfaction, he will be considered a perfectly rational person. He could have spent this extra four hours in doing overtime work which would have fetched him some extra income but Mr Smith would have derived much less satisfaction from this additional income than he got from "caring, sharing and the cooperative unpaid work" in the "Soup Kitchen" for the poor people. The essential point here is the nature of the utility function of the individual which makes some activities rational to him which may be irrational to others.

10) Does "GNP still overvalue military productions, goods and services and set the value of educated citizen, children and the environmental zero"? One has to understand clearly what GNP measures. It measures the flows of goods and services generated in an economy at a given period of time either at market prices or at factor cost or by a combination of the two. While the "military productions, goods and services" are flows which enter into the calculations of GNP, the "educated citizen, children and the environment" etc are stocks like the number of buildings, bridges, missiles and bombers etc that a country may have at its disposal which do not enter into the calculations of GNP.

To conclude, it is not correct to say that "Economics is like Law", it is more like medicine whose ultimate purpose is to serve human beings but it has to be based on the results of dispassionate and objective scientific research which is provided by its positive branch.

The writer has taught economics in a number of British and American Universities and most recently he was a Professor in Bucknell University in Pennsylvania.

To the Editor...

Dhaka Board's mathematics question papers

Sir, The question papers of "A" and "B" sets mathematics of the Secondary School Certificate Examination under Dhaka Board held on Monday, 26th April, 1993 were suspected to be leaked out. To our great surprise, unfortunately, it was not as yet confirmed by the Education Deptt. nor noticed by the Press. Our daughters together with many other examinees at the Examination Hall were shown by other examinees of different school such two sets of questions. Of that "B" set question reportedly came in toto. After the examination was over many of the examinees complained to their guardians who were waiting outside the examination centre. And both examinees and guardians were shocked at it. It was brought to the notice of the Chairman, Dhaka Board over telephone by a few guardians. But he denied it and pleaded it to be a calculated move to create trouble, because before the examina-

tion nobody brought it to his notice. Also some examinees of the different centres in Dhaka city alleged that the questions of "B" set were completely the same as those of the original question papers disbursed at the examination halls that day.

In the context of it, to sustain confidence among the students and to give a good lesson to those who earn money by leaking questions, the examination on mathematics should be cancelled and fresh examination conducted, since the fate of good students at large should not be allowed to be gambled at the hands of some opportunists.

Guardians, Dhaka
"Ekatturer Jeeshu"
Sir, Why the film on the "Liberation War of 1971" could not have the title "Ekatturer Mukti Juddha" instead of "Ekatturer Jeeshu"? In 1971 we did not go with the slogan of "Ekatturer Jeeshu", on the contrary, we went with the slogan "Joy Bangla".
Certainly Jesus Christ, as described in the Holy Bible, is the name that invokes rever-

ence of the good works you shall attain salvation."
Our leaders, intelligentsia, journalists and all concerned should find the solution to the problems in the democratic tolerance and adjustments, because the problems cannot exist at the same time in the same place where democratic tolerance, adjustment, democratic rights, human rights and respects are attributed to all the citizens on the equal footing.

Andrew D Costa
Hemendra Das Road, Dhaka
Honesty
Sir, The honest and dedicated people are increasingly finding it difficult to work smoothly because of the tyranny of certain powerful vested quarters and criticism-mongers, in all sectors of our national life. If the society fails to provide genuine support and protection to the honest and dedicated people, this nation will never see real prosperity and development. Should we not care even then?
M Zahidul Haque
Asstt Prof, BAI, Dhaka