

Commentary

Does a pre-determined growth rate fit a market economy?

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Guest Columnist

It has become customary in many least developed countries (LDCs) to set a pre-determined growth rate and then try to achieve it through annual budgetary provisions. This is done regardless of whether or not it is achievable, on the basis of the market forces—the very forces on which many of them are now relying. In fact, the LDCs forget to change their course of action by keeping away from public sector-based initiative to achieve a target, when they embark on a market-based economic framework. Having a pre-determined target makes sense when public sector initiative is heavily employed to achieve the same.

But when many LDCs including Bangladesh have now switched to market-oriented economies, it makes little sense to have anything pre-determined including a growth rate in annual national income. Can the government tame the market forces? It can not, at best it can influence them, though that is also not desirable. When market forces are interfered with, they do not offer, the best solutions to the economy and produce solutions—far from the one's best suited to the situation.

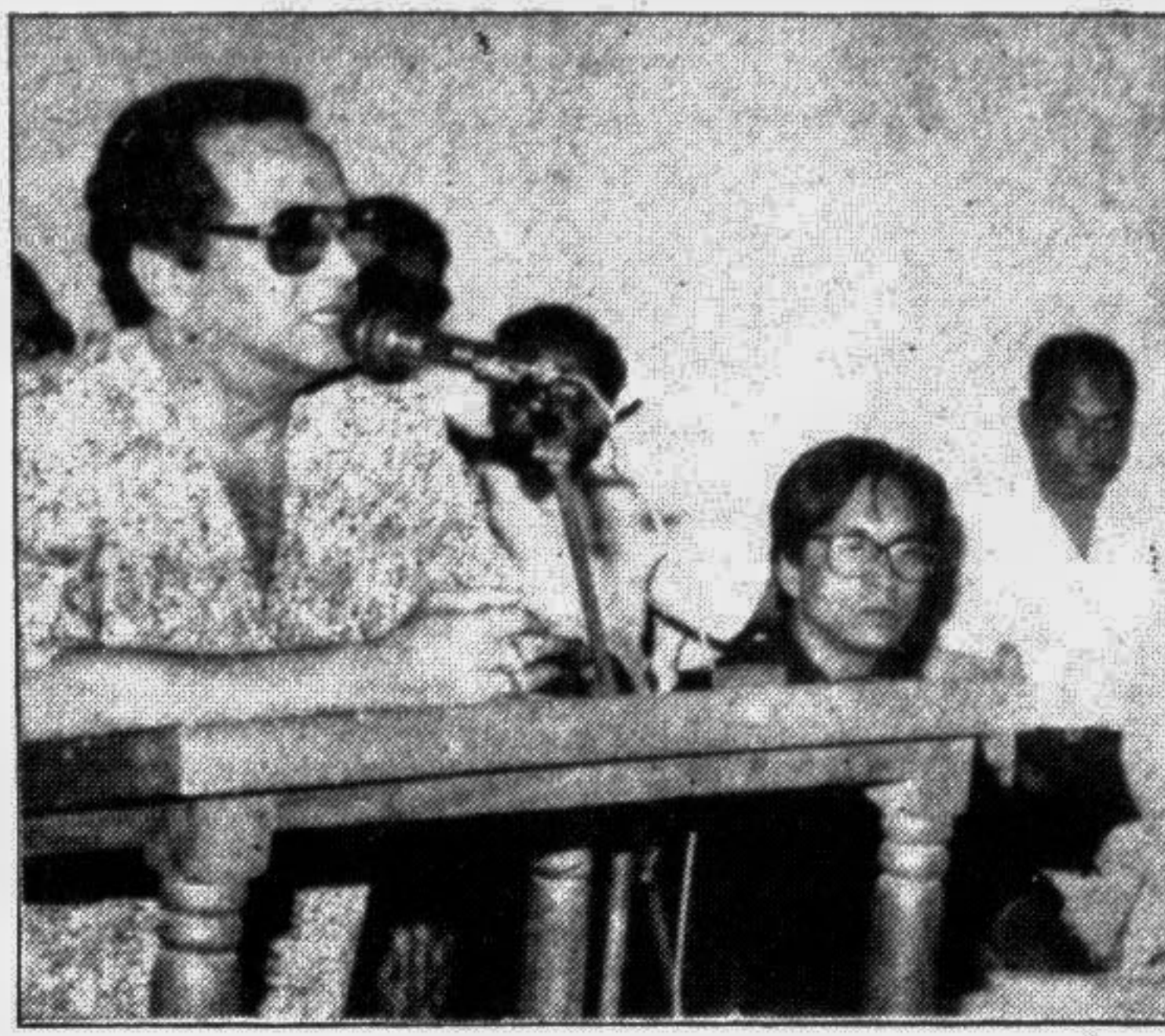
In a situation where government cannot and should not dictate the market forces, having a pre-determined target is nothing but a matter of LDCs' tradition which they find hard to discard.

What determines the annual income growth rate in an economy? The investment rate and capital-output ratio. The former i.e. capital is an outcome of decisions by the economic agents that prefer future consumption to present consumption. It also constitutes saving, which is an outcome of relationship between inputs, specially man and machine. The government can not dictate how much an economic agent, say a household, should have, and hence cannot determine private investment. So how does it fix the total investment to be needed to achieve a pre-determined growth rate? Practically there is no apparatus, excepting trying to fill up the gap left by the lack of private investment through additional budgetary provisions.

That also seems to be not desirable, and even not possible. When there will be extra budgetary provisions in the public sector through raising of additional tax money, the supply of investment fund to the private sector will fall, and in the end there will be no positive result in income change due to crowding-out effect. What planning means in a market economy? At best it can mean measures to be taken to help out the operations or clear out the distortions in the markets. Beyond this, if planning interferes, it will amount to interfering with the workings of the market and as we said certain will produce results for less than the best solution.

The setting up of targets by the government has been the practice

in the sixties when the donor agencies like the World Bank also encouraged it, in order to break away from the shackles of inertia in the economic activities. But when economic activities are in progress, and the markets start functioning, the setting up of pre-determined targets become unnecessary and even counterproductive. Markets can attain more than pre-determined targets, and again can perform much below that. In Bangladesh, roughly half of the present investment is coming from the private sector. This sector moves when it sees returns for it. But the government can move even without seeing returns. If the economy does not move in the desired way, the expected tax collection is bound to fall. That is, when economy underperforms, both government investment and private investment will be lacking. At that point, having a pre-determined target growth rate becomes meaningless. Again, what about capital-output ratio? Employing capital is not enough to achieve a set target. We must take into consideration how much capital is needed to produce an unit of output. When this ratio is high, more investment is needed to achieve a target growth rate. Government can not change this ratio overnight. There is likelihood that this ratio will go up due to labour disturbance, and inappropriate technology. In that case, the gap is to be filled up through more investment—which normally is not to come when the above factors exist in the production system. In other words, what we are wanting to say is that neither the investment part, nor the capital-output ratio part is determined by the government. So government has no business to determine a pre-determined growth rate. If it does, it does that wrongly for self-gratification. This explains why we are not achieving so many of our pre-determined targets over the years in the national economy. Government actions should be aimed at clearing the market from distortions, and also trying to increase productivity, specially of labour through education and health-care. The business of attaining targets should be left to the market forces, because government cannot attain more even it wants. In a market economy, economic growth is forecast, and the difference between actual performance and the required one is closely observed. When the gap widens the government intervenes. That too became controversial with the classical economists. They say, government intervention never brings better results than when the economy is left on its own. Government or other organizations can at best calculate required growth rate consistent with the full employment level, but they can do nothing to attain the required rate. The economy on its own is capable enough to attain the required rate. For LDCs, time has come to see the attainment of goals from this point, which essentially means there should not be any pre-determined goal, the only goal should be goal to clear out the markets.



Film directors held a protest meet at FDC premises Monday against the rising trend of producing films under copyrights which they claim are harming the local film industry. —Star photo

Shipping Intelligence

CHITTAGONG PORT

Berth position and performance of vessels as on: 17th June, 1993

Berth No	Name of Vessels	Cargo	L Port	Local Agent	Date of Arrival	Leaving
J/1	Santa Margherita	GI	Sing	Prog	15/06	23/06
J/2	Vishva Umang	Cement	Visa	PSAL	23/05	22/06
J/3	Orsha	Cement	Sing	USTC	06/05	18/06
J/4	Eastern Mars	GI	Hong	Prog	12/06	18/06
J/5	Banglar Sampad	Repair	Mong	BSC	08/06	21/06
J/6	Banglar Kiron	Repair	Mong	BSC	16/06	19/06
J/7	Arktis Island	GI	Sing	BSL	15/06	20/06
J/8	I Yamburenko	Cont	Sing	CT	14/06	17/06
MPB/1	Fong Shin	Cont	Sing	BDSHIP	15/06	18/06
MPB/2	Kota Buana	Cont	Sing	RSL	16/06	19/06
CCJ	Akyonius	C Clink	Bukt	UMAL	30/05	14/06
GSJ	Elstratios-G	IDLE	Ant	BSL	20/05	10/06
TSP	Portaitissa	R Phos	Safa	SSST	14/06	22/06
RM/3	Petr Shmidt	CDSO	Kar	Seacom	15/06	19/06
RM/4	Global Jupiter	W/LD	P Kan	OTL	15/06	19/06
Doj	Banglar Jyoti	Repair	BSC	R/A	21/06	-
DD	Endurance Sea	Repair	Agaba	CLA	25/01	22/06
DDJ/1	Tug Y Success/Labroy-90	GI	Sing	ILA	31/01	07/08
DDJ/2	Banglar Asha	Repair	BSC	R/A	25/06	-
CUFJ	Sea Rhapsody	Urea	Visa	PSAL	04/05	19/06

VESSELS DUE AT OUTER ANCHORAGE

Name of Vessels	Date of Last Port Arrival	Local Agent	Cargo	Loading Port
Ocean Voyager	17/06	Pada	AML	Cement
Rafah	18/06	Niko	Dynamic	M Seeds
Al Salma	18/06	Rang	ASLL	GI
Banglar Kallol	18/06	Busa	BSC	GI
Bharatendu	18/06	Mong	SSL	GI
Shaplaeverit	18/06	Sing	EBPL	GI
Eponyma	19/06	Sing	CTS	Cont
Keban	18/06	Dubai	BSC	Steel
Banglar Robi	18/06	Sing	BSC	Cont
Safina-E-Ismael 02	29/06	Mong	ASLL	Bunkering
Trans Asia	20/06	Yang	Cross	GI
Tamudra Samrat	20/06	Mong	SSL	Dry Docking
Continent-1	20/06	Pena	CLA	GI
NGS Ranger	21/06	Sing	BDSHIP	Cont
Krud Jespersen	20/06	Sing	CT	Cont
Mary-M	20/06	-	USTC	M Seeds
Sam He	21/06	-	Seacoast	GI
Qing He Cheng	21/06	S Hai	BDSHIP	GI
Fong Yun	21/06	Sing	BDSHIP	Cont
Gold Future	22/06	-	AML	GI
Meng Lee	22/06	Sing	AML	Cont
Iyeveret	24/06	Sing	EBPL	GI
Banglar Moni	24/06	Sing	BSC	Cont
Samudra Rani	24/06	-	SSL	GI
Eagle Breeze	23/06	Sing	ULA	Cont
Optima	25/06	-	RSL	Cont
Thi Ghi Shan	25/06	-	Khanjans	Cement
Andrian	25/06	-	CT	Cont
Goncharov	25/06	-	RSL	Cont
Ingenuty	27/06	-	USTC	Cement
Nezabudka	27/06	-	BBA	Cement
Sound Royal	30/06	-	-	-

TANKER DUE

Name of Vessels	Date of Last Port Arrival	Local Agent	Cargo	Loading Port
Pacific	18/06	Sing	MSPL	H&D/JP-1 (RM/6)
Dolores	21/06	Sing	Seacom	CDSO (RM/3)

VESSELS AT KUTUBDIA

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
Ussurytskr	Tallow	Brez	CT	16/06
* NGS Express	Cont	Sing	BDSHIP	16/06
* Lena	P Mat	Sing	Prog	17/06

VESSELS NOT READY

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
Ronjay Choomie	Cement	Sing	USTC	02/06
Agra	Cement	Long	PSAL	12/06

VESSELS AWAITING EMPLOYMENT/INSTRUCTION

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
Celpsam	Cement	Ttiz	PSAL	14/04
Banglar Shourabh	-	-	BSC	R/A

VESSELS NOT ENTERING

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
Stern	Scraping	Mong	NFT	09/04
Plomitheas	Scraping	Sing	ARL	05/06
T T Anax	Scraping	Fuja	OTBL	16/06

The above were the Thursday's shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by HRC Group, Dhaka.

Exchange Rates

The following are the Commercial Banks' BC selling and TT (C), OD transfer buying rates for some selected foreign currencies effective on June 20, 21 and 22.

Currency	Selling B.C.	T.T. (C)	Buying OD Transfers
US Dollar	39.9326	39.7087	39.4556
Pound Sterling	59.8058	59.4923	59.1338
DM	23.7623	23.6150	23.4645
FF	7.0765	7.0331	6.9882
S Riyal	10.6740	10.6142	10.5465
D Guilders	21.1956	21.0656	20.9313
S Kroner	5.2936	5.2605	5.2269
Singapore Dollar	24.6421	24.5040	24.3478
UAE Dirham	10.9096	10.8485	10.7793
Kuwait Dinar	133.2431	132.4960	131.6515
Indian Rupee (AMU)	1.2693	1.2636	1.2573
Pak Rupee (AMU)	1.4689	1.4623	1.4550

Authorized dealers will apply T. T. credit buying rate for purchase of remittances of Bangladeshis working abroad.

Note: AMU—Asian Monetary Union.

Dhaka Stock Prices

At the close of trading on June 21, 1993

Bearish trading

Trading on the floor of Dhaka Stock Exchange (DSE) was bearish on Monday. Both the turnovers suffered moderate falls. Volume declined to 7013 issues from 8300 showing a loss of 15.506 per cent. Value fell to Taka 544,790.50 from Taka 849,859.00, a decrease of 35.896 per cent.

The DSE Composite Index also dropped to 415.1289 from 416.2562 bringing a fall of 1.127 points.

Number of stocks transacted on the floor increased. It totalled 47 against Sunday's 36. Losers dominated the floor. They outnumbered gainers by 19 to 13 while 15 others were traded at previous rates.

DAY'S TRADING AT A GLANCE

Company's name	Previous price Tk	Closing price Tk	Change (absolute) Tk	Change (% over price)	Number of shares sold
DES Share Price Index	-	415.1289	-	-	-
Market Capitalisation (Tk)	-	11,871,654,295	-	-	-
Turnover in volume	-	7013	-	-	-
Turnover in Value (Tk)	-	544,790.50	-	-	-

Gains (13)					
Shares:					
Wata Chemical	118.17	123.79	5.62	4.755	560
B Lamps	250.00	258.00	8.00	3.200	5
Eagle Box	18.00	16.50	0.50	3.125	50
AB Bank	170.00	175.00	5.00	2.941	15
IFIC	185.00	190.22	5.22	2.821	36
Peoples Insurance	310.00	317.50	7.50	2.419	20
Savar Refractories	79.00	80.00	1.00	1.265	20
National Bank	93.00	94.00	1.00	1.075	285
Pharma Aids	176.78	178.00	1.22	0.690	10
Saltham Textile	73.00	73.31	0.31	0.424	210
BGIC	181.30	182.00	0.70	0.386	620
Monro Ceramic	289.33	290.00	0.67	0.231	170
Renwick Jajneswar	76.00	76.06	0.06	0.078	30

Losses (19)					
Shares:					
High Speed	80.00	56.67	23.33	29.162	15
Reckitt & Colman	110.00	95.00	15.00	13.636	125
National Oxygen	52.25	50.00	2.25	4.306	50
Dhaka Vegetables	83.52	81.00	2.52	3.017	50
B Autocars	62.18	60.67	1.51	2.428	15
United Insurance	197.50	192.50	4.50	2.284	20
Modern Dyeing	33.75	33.08	0.67	1.985	100
1st ICB M Fund	365.00	360.00	5.00	1.369	31
Quasem Drycells	9.50	9.37	0.13	1.368	750
Padma Textile	165.00	163.00	2.00	1.212	80
Zeal Bangla Sugar	6.70	6.62	0.08	1.194	600
Cig Cement	208.00	206.00	2.00	0.961	10
B Oxygen	68.00	67.50	0.50	0.735	100
4th ICB M Fund	152.00	151.00	1.00	0.657	50
Singer Bangladesh	1550.00	1540.00	10.00	0.645	20
Atlas Bangladesh	43.57	43.35	0.22	0.504	100
6th ICB M Fund	61.00	60.92	0.08	0.131	320
Aftab Automobiles	177.50	177.38	0.12	0.067	80
Beximco Pharma	425.02	425.00	0.02	0.003	10

Traded at previous rates (15)

Shares: Islami Bank (2), UCBL (1), 5th ICB M Fund (10), Monro Jute (2), Howlader PVC (110), Cig Vegetables (110), Tallu Spinning (100), Tamjuddin (50), Ambee Pharma (2000), Bangla Process (15), Progressive Plastic (4), Apex Tannery (40), Usmania Glass (5).

Debtenture: Beximco Pharma(1), Beximco(6).

DSE SHARES AND DEBENTURES

Company	FV/ML (Taka)	Closing Rate (Taka)	Mutual Jute	Northern Jute	Shamser Jute	Specialised Jute	Shine Pukur Jute	Sonali Anash
			100/5	105/00	10/50	100/5	100/5	115/00

BANKS (12)			TEXTILE (20)		
Al Baraka Bank	1000/1	900.00	Alhaj Textile	10/50	NT
A.B. Bank	100/5	175.00	Arbee Textile	100/10	112/00
City Bank	100/5	355.00	Ashraf Textile	10/50	29/00
Eastern Bank	100/20	110.00	Chand Textile	10/50	NT
IDLC Ltd	100/20	227.00	Chand Spinning	10/50	NT
IFIC	100/5	190.22	Deah Garments	100/10	50/00
Islami Bank	1000/1	1700.00	Dulamia Cotton	100/10	77/00
National Bank	100/5	94.00	Eagle Star Textile	10/50	15/30
Pabna Bank	100/5	100.00	GMG Ind. Corp.	10/50	10/00
Rappal Bank	100/10	70.00	Modern Dyeing	100/5	33/08
U.C.B.L.	100/5	95.00	Padma Textile	100/20	163/00
Utara Bank	100/5	88.00	Quasem Silk	10/100	2/50

INVESTMENT (06)			PHARMACEUTICALS & CHEMICALS (18)		
1st ICB M. Fund	100/5	100.00	Ambee Pharma	10/50	12/70
2nd ICB Fund	100/5	179.00	Bangla Process	100/5	60/00