

Saving the Railway

At a time the country's railway is gasping for breath, it tries to prove it is not in a terminal condition. One common method to show that it is kicking and very much alive is to observe railway weeks from time to time. Yesterday began one such week and predictably there will be no dearth of fanfare and rituals in the exercise. Whether it will infuse some much-needed fresh blood into the system is however a different issue. Even if the flurry of activity organised specially on the occasion records some improvement somewhere, it may not take long to disappear once the week has been observed.

We would rather like to raise a few fundamental questions about the whole service. Railway as an enterprise is returning with a bang almost all over the world. But ours is a case in the reverse. What is even more surprising is that the authorities hardly betray any sign of recognising the almost dying state of this once profitable concern. It is not for nothing that demands are being made to give it to private hands. Already a private company has been handed over the responsibility to sell tickets through a computer system. This alone can hardly prove effective in restoring the railway's health.

So many things have gone wrong with the Bangladesh Railway, and over the years the wear and tear has been so pronounced that many now consider it to be a lost case. But it does not have to be so, given its unrealised potential for the most part, let alone mulling over whatever has been pressed into service. The fact that the railway has become a losing concern owes to mismanagement, malpractices and lack of any forward-looking plan for the service. The precariously perched lines with insufficient gravel to hold the iron rails together and bear the load are themselves a proof of neglect and lack of awareness of the possible accidents.

Such an indifference runs through the entire system so much so that maintenance has become the first casualty and a section of corrupt employees, as reported from time to time, is involved in a whole range of racketeering, starting with black marketing of ticket to smuggling out of furniture from the coaches and diesel from the engines. The inter-city train service is not doing very badly but at a cost. The cost is in the shape of denying the local passengers of the facility, a policy that runs counter to attracting as many passengers as possible. This move was taken to stop the ticketless travelling by passengers. But neither has the move been successful in curbing this illegal practice nor has it been able to serve a larger number of people.

Today, the situation is so hopeless that the road transport, bus to be precise, has lured the passengers out of its reach — not least because travelling by bus is less time-consuming and cheaper. But is it not inexplicable why the railway is a poor competitor pitted against the bus service. A journey by train is neither comfortable nor less risky. Even so, the deciding factor seems to be economic. A train journey is more costly and time-consuming.

For the railway to have any future here, the whole system must go through an overhaul. For example, a few countries in the world now retain the metre gauge but we have not yet put in a serious effort to go broad gauge. Another important point is that the railway cannot solely depend on passengers for profit; it must carry goods. But as things stand today its share of freight has fallen by as much as 50 per cent over the past 20 years. So these are the areas where things must undergo changes for the railway to be brought at par with the new status being enjoyed by it, worldwide, today.

A Unique Accord

Seldom has any pact between two countries united so many knots and opened up such a wide range of possibilities as the one that Washington and Pyongyang signed in Geneva on Friday. The consequences of their nuclear accord may be felt beyond the preserves of US-North Korea or North Korea-South Korea relations, reaching out to the region and, thence, perhaps to the international arena. The sweep of its impact can be that broad indeed.

After the *detente* we have seen established atomic powers like the USA and Russia initiating SALT-I and-II in a bid to curtail the size of their nuclear arsenals. What, however, the US-DPRK nuclear pact comes forth to mean is altogether a novelty in the otherwise barren history of nuclear non-proliferation. Pyongyang has agreed to apply freeze on its nuclear programme suspected to have had a reactor capable of producing plutonium in adequate measure for making a bomb. So, here is a maiden instance of a nuclear-aspirant Third World country, among quite a few of the same category, that is abandoning its option to go nuclear.

Even assuming that North Korea had already realised its atomic ambition before entering upon the contractual obligation with the USA to be entirely pacific with her future nuclear pursuit, the very declaration of an intent in this behalf is tantamount to a retraction. Threatening somebody with the bomb will be difficult for her. Secondly, Pyongyang is doing this in exchange for certain tangible benefits in kind which are to accrue from the United States, like supply of light water reactors and oil. Could Pyongyang risk such things by an intemperate breach?

It will be too squinted a view taken of the possible impact of the accord if we are to merely say that it has normalised political and economic relations between Washington and Pyongyang. This by itself is a big leap forward, but what is even more important is that it presages a relaxation of tension not only between two Koreas, brightening the prospect for their merger in time, but also in the whole of East Asia, even up to Japan as the Far East outpost. Japan, an avowedly pacific country by her Constitution, not to be intimidated into changing that status of hers whatever be the circumstances, could feel relieved from Pyongyang's recast nuclear programme. Now, it falls on North and South Korea to implement a joint denuclearisation of the Korean peninsula.

Above all, North Korea comes to tread the highway of international relations as a fully liberated and greeted member of the world community poised to make its contributions to global peace and order.

THE subject of monetary policy can be analysed in a number of ways. It can be treated on a highly theoretical level as is usually done by monetary economists or one can have an institutional approach to the whole problem. In recent years, there has been a great revival of interest in monetary policy and monetary instruments. In this paper an effort has been made to look at monetary policy from an institutional point of view. The approach is to describe (1) institutions concerned in the application of monetary policy, (2) the aims of policy and (3) the instruments of policy.

The broad strategy of economic and monetary policy is decided by the Ministry of Finance. The authority of the Ministry may finally lie with the President in a presidential form of government and the Finance Minister in a parliamentary system of government. However, the formulation of the broad strategy is generally carried out by the Ministry under the chairmanship of the Finance Minister. The Bangladesh Bank is responsible for coordination and implementation of the Government's policy. The Bank clearly makes its influence felt on a wide range of policy decisions and is represented on many committees through which economic policy is formulated and co-ordinated. The Bank, therefore, has a special role to play at the formulation stage in advising the government on monetary and fiscal affairs.

It has sometimes been common to talk about autonomy or independence of central banks. The use of the word independence may, of course, be misleading to some people about the position of a central bank. The authority of the state over the central bank is invariably absolute. What is open to question is the extent to which

Monetary Policy: Institutional Aspects

by A M A Rahim

the government should detail its command to the central bank. The extent of government regulation of the central bank, however, varies from country to country depending upon the precise role that the central bank is assigned by statute or by tradition. Generally, the central bank is created as a corporate body whose powers are regulated by its charter, just as an ordinary bank's powers are regulated by its articles of Association.

Usually, the powers under the Charters are quite wide and in a country like England the operative restrictions on the activities of the Bank of England were imposed mainly by conventions. In Bangladesh, the central bank (Bangladesh Bank), like all other corporations and banks, has been created by Charter by order of the executive. There has been no constitutional authority of sanction like the Public Service Commission or the Office of the Auditor General. In that sense the Bank is no more independent than the Trading Corporation. In this context, the Bank's role can be analysed on the following categories: (a) The Bank's relationship with the Government; (b) its relationship with the banking and financial community; and (c) its relationship with the general public.

BB's Relationship with Govt

By Charter the Bangladesh Bank is the Government's Bank. The Government's consolidated account is maintained by the Bank free of interest. There are four accounts which the Government maintains with the Bank. Account No 1 is the General Consolidated Fund of the Government

where the revenues and expenditures are recorded. Account No 2 is the Food Account which relates to the accounts of the Food Ministry. The third account is the Railway Account where receipts and expenditures of the Bangladesh Railway are maintained separately. The fourth one records deposits of foreign cash grants, cash loans and sale proceeds of commodities received from abroad as loans, aid and grants. The government, like the customer of a commercial bank, has "ways and means" advance limit determined by mutual consultation. Whenever this limit is exceeded, the excess withdrawal is covered by ad hoc securities. This aspect of the Bank's relationship with the Ministry is more or less of a routine nature and is not very colourful.

Bangladesh Bank's relationship with the government has two distinct phases — advisory and operational. In a mixed economy where economic decisions are made by the household and productive and distributive activities adjust to those decisions, the division of responsibility between the central bank and the Ministry may partake the pattern of division of public and private sectors. In such a milieu the central bank and the Ministry should not have the same kind of orientation. Ministry officials who will have their ear to the political ground will be predominantly concerned to serve, advise and protest their Minister. A central bank, although conscious of the development in the political field, should not concern itself with them very much. It should concern itself with the general economic facts of life and should be able to approach

the problem in full knowledge and understanding of market trends and movements. As a result even if the government decision is motivated by political considerations, the central bank's advice based on objective analysis of economic realities may impart a good measure of moderation therein.

In terms of clause (1) of Article 9 of the Bangladesh Bank Order, 72, the government has the power to give directions to the Bank to cover any matter of policy. This provision locates clearly where the ultimate responsibility lies. It seems to me that there are clear circumstances where views may be divergent between the government and the Bank and such disagreements are aired in the best interest of the country. In such a situation, the central bank's position is vindicated as soon as the direction is given by the government to the bank, and it is made clear that the decision is that of the government. Clearly, one cannot visualize such situations often. One needs to underscore that the powers of direction by the government are exercised with care and caution.

The governor of Bangladesh Bank does not have any constitutional position. I personally feel that the governor of Central Bank should have a constitutional position like the Chief Election Commissioner or the judges of the High Court or the chairman of Public Service Commission. Once appointed he cannot be removed except on grounds provided in the constitution. This is particularly necessary in view of the bad tradition we have so far. The first governor of Bangladesh Bank was removed by the government, the second

one was indirectly forced to resign and the third and fourth toed the line of the Ministry avoiding all conflicts. If the governor enjoys a constitutional position it will embolden him to speak out the lapses in the economic management of the country. The report of the Bangladesh Bank should also be submitted to the parliament as is done by other constitutional bodies. This issue has assumed particular importance in view of our option for the market economy where the decisions are made by the households and planning is confined to the Public Sector expenditures only.

Relationship with FCs

The relationship between the central bank and other financial institutions are more or less straight forward in Bangladesh. This aspect of the central bank's relationship can be briefly summed up as — (a) Quantitative and qualitative control of credit through fixing of ceiling and laying down of guidelines. (b) Follow up inspections to ensure that the operation are consistent with the guidelines. (c) The prerogative to call for any information from banks for proper formulation of monetary policy.

The effect of the above enabling powers, is to give the central bank a predominant position to facilitate the due discharge of its obligations.

Relationship with Public

Traditionally, the central banks possess a passion for anonymity. To the public the central bank is a mystery that surrounds the so-called high finance. It has not been the practice for the central bank to explain or discuss economic issues openly with the aim of

informing or educating public opinion. In the past two decades, however, there has been a discernible shift reflecting central bank's effort to forecast and project the course of the economy ahead of time. This, of course, has been facilitated by the development of analytical techniques in projection and forecasting. At the present time almost all central banks bring out bulletins, periodicals and other publications which often educate the public mind. Clearly, no standard can be laid down in this matter. There, of course, will be variation in this role of the central bank from country to country depending upon the formal responsibilities allocated to the central bank and the government by statute or tradition.

The Annual Report of a central bank is an useful instrument through which it can air a good deal of its ideas to the public. The Annual Report not only records the economic events of the period under review but also analyses, focuses and pinpoints the factors which are responsible for the performance of the economy in a particular way. This function of the central bank like its relationship with the government, in the final analysis, depends on the availability of expertise and technical competence at the command of the central bank. If the Ministry of Finance is better organised in analysing issues, tracking out a course for the economy and establishing causal relationship among the various macro variables, the central bank will certainly fade into unimportance in this role. It is, therefore, important how well educated and able are the operational and technical staff of the central bank.

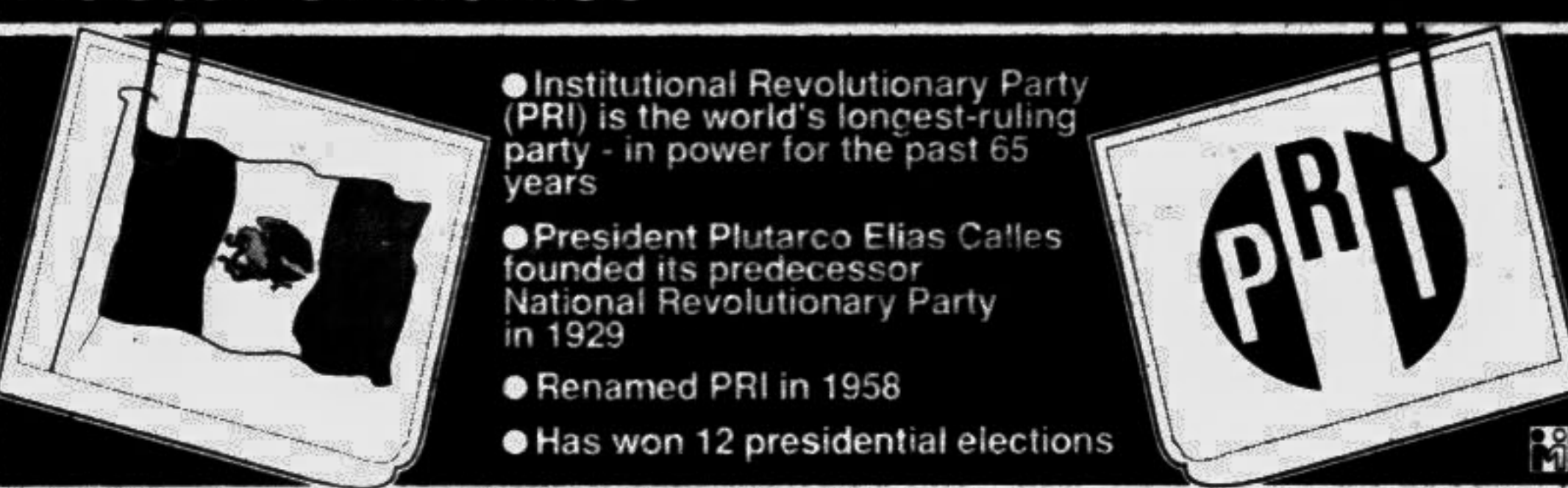
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Seeking Changes in the 'Perfect Dictatorship'

John Ross writes from Mexico City

Following a 12th straight election victory, it is understandable to expect Mexico's Institutional Revolutionary Party (PRI) to be enjoying a honeymoon. But the party is under increased pressure to separate itself from state apparatus and become truly democratic.

Master of Mexico



Salinas and the man charged with the "re-creation" of the PRI was assassinated in late September near party headquarters in Mexico City.

Attempted reforms in 1972 and 1988 also failed, making many sceptical of true change this time around.

"Bah, it's all just rhetoric!" is how eminent historian Lorenzo Meyer responds to the PRI's pledges of change. "After the traditional self-assignment of the vote, we get the traditional promise to reform. This has been going on since 1929."

Meyer doubts that the PRI knows how to change its relationship

with the government or alter its undemocratic, authoritarian approach to running Mexico, a style that has earned the Mexican ruling party the accolades of generations of Latin autocrats as "the perfect dictatorship."

"The only way to separate the PRI from the state is to remove it from power," Meyer says.

The separation of the PRI from the government to which it has been joined like a Siamese twin for 65 years, requires surgery, so generalised that party physicians do not seem to know where to begin

the operation. The possibility of a plural government in which members of the opposition might be included in the incoming cabinet was quickly nixed by Zedillo.

Modern Mexico has never had a cabinet secretary from an opposition party. Similarly, the PRI dominates the legislature, the judiciary, the security forces, the media, and the bureaucracy.

The resignation from the PRI of all government employees is one fanciful measure proposed to split the ruling party from the state. Another is the end of the *dedazo*, the

President's traditional designation of his successor as the PRI candidate and almost sure winner.

Instead, popular consultations similar to an American-style primary election, are promised by the year 2000 — the measure was first approved by the PRI's 14th Congress, headed by the late Colosio during his campaign to reform the party. Both Colosio and Zedillo were subsequently designated by Salinas.

Zedillo's approach to the separation of party and state has been a lukewarm reiteration of Colosio's offer of radical change which came last January in the wake of the Zapatista uprising in southern Mexico.

The new president has limited himself to advocating that the PRI keep "a safe distance" from state and municipal governments, a traditional source of PRI hegemony, and also endorses a new reform that will finally make the electoral authority independent of government control.

But whether even so mild a round of reforms are acceptable to the party's old guard, represented by Secretary of

Agriculture Carlos Hank González, remains dubious. Zedillo is particularly indebted to Hank for his electoral victory.

Success of the party's efforts to right its wrongs are not given much credibility by Mexicans. According to a recent poll by the daily Reforma, 77 per cent of all Mexico City residents questioned were highly to moderately sceptical of the party's reform intentions. The figure was 60 per cent in Monterrey.

One long-standing symbol of the PRI's wedding to the Mexican state is its patent on the national colours — red, white, and green. No other party is allowed to use these hues, the colours of the nation's flag. The party's logo is displayed from one end of the country to the next.

On the eve of Mexico's Independence Day in September, several hundred urban activists marched to PRI's headquarters, produced a huge home-made party logo and systematically ripped the letters off each colour.

"We have taken the national colours back!" exclaimed Superbarrio Gomez, the protesters leader. They then sang the national anthem.

That's one way to strip the PRI from the state," Gomez later quipped to reporters.

— GEMINI NEWS
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To the Editor...

Population and development

Sir, The other day, representatives of 160 or more nations of the world met in Cairo for the UN International Conference on Population and Development. The UN estimates that the world population could double by the year of 2050, reaching the 10 billion mark — more dramatic predictions speak of as many as 19 billion by the end of the next century.

The forum, third in 20 years, addressed some vital issues like family planning, contraception, education and abortion. Despite threats from fundamentalist terrorists, religious objections from Muslim fundamentalists and orthodox church — the Pope, the meeting discussed the rights of the women especially the right to choose when to have children.

But the whole approach, as certain critics say, is flawed by and rested on five 'Great Myths': 1. Population size can be predicted and controlled; 2. Overpopulation has an adverse effect on human welfare; 3. There is a huge unmet demand for modern contraceptive services in the Third World; 4. Introducing contraceptives to lower fertility rates; and 5. Population size can be controlled without coercion.

The end of the world was predicted, right from the beginning of the past 2000 years, due to over-population. Doom merchants who have predicted enormous population growth leading to a 'hell' on the earth have repeatedly got it wrong. As early as in the 2nd century Tertullian, the Christian Philosopher, alarmed that the population of Britain was almost one million and

was predicting famine, war and earthquakes to reduce the number. Thomas Malthus, the great population projector, panicked his generation of politicians and leaders with his population theory 1798. In the 19th century, economist Stanley Jevons called for population controls after predicting that coal reserves would be exhausted resulting failure of industrial revolution. In 1969, Dr Paul Ehrlich, a respected biologist, said in his book, The Population Timebomb, "The battle to feed humanity is over. In the 1970s, the world will undergo famine — hundreds of millions of people are going to starve to death." As late as in 1972, the Club of Rome, a group of internationally respected economists predicted that by the year 1994 gas, petrol, silver, tin and mercury would be exhausted along with many food items.

None of these predictions has been realised. World population took its own course over time — predictions were made and adjusted in the way as if desired by some power from above. And human existence remained a reality. However, living conditions definitely deteriorated in a country where conditions are not conducive for uncontrolled/runaway growth of population — small in size, less resources, poor education, political turmoil, mental state of people etc. Whatever may be the thinking or planning in the developed nations, countries like Bangladesh would need to organise its own Action Plan to reverse the present situation — larger families with the poorer sections and birth-rate decrease with the well-to-do ones.

Considering voluntary family planning and state-determined population targets are intrinsically inconsistent. We in Bangladesh have to take a path by which the above situation could be reversed.

Col (Retd) Mirza Shafi Barani, Dhaka.

Dhaka Stock Exchange

Sir, Recently I went to visit Dhaka and stayed there for five days. The trip was so short that I could not even see friends of my days of Dacca University. But I made some time to go to see trading on the floor of Dhaka Stock Exchange. The trading on the floor is done, the way it was done 100 years ago in New York Stock Exchange. There is no liquidity in the market. But there must be enough buyers and sellers in the market. I also made some inquiry how to buy stocks in large quantities, to hold for long term, but nobody could help me not even an international bank in Dhaka.

One bank gave me information that it can handle Investment Account up to Taka one lakh whereas I was looking for opening account to buy stocks worth five lakh Taka very year for the next five to 10 years. That's how an institution buys stocks for its account. I had a feeling that the country was marching toward the path followed by all other countries in the region like Indonesia and Thailand. We can also prosper like all other countries in the region if we do things smartly. Let me give a few tips, as I feel how the market economy works:

- ★ Create an environment of competitiveness through private sector; government sector will control Arm Forces, Postal services and may be Police. The rest should be in the private sector.

- ★ Hire a consultant from USA or Europe who may advise how to repair the lousy image we have in the world. Everybody thinks, Bangladesh is asking donation not investment. Let all nations know we only accept capital for investment not donation.

- ★ Automate Dhaka Stock Exchange and create liquidity so that people will invest through stock market. We can seek help from one of south-east Asian countries which has done it.

- ★ Concentrate on improving image of the country, international marketing and in some cases lobbying. Advertise in financial newspapers of world to attract investment capital and use commercial section of all embassies in Dhaka.

- ★ Participate in all trade shows in all continents.

- ★ Increase the draft of Chittagong and Mongla ports.

- ★ Build another international airport, may be in Chittagong.

- ★ Free entry and issue visa at the airport and put no restriction on any item other than drugs.

they may also be fired and have to look for jobs in private sector where they will get pay according to only what they produce.

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What to plant now — tea or rubber?

Sir, Tea is one of the major export items of our country. Nearly one third of our annual production of tea is consumed locally and the rest is exported. Last year, our tea export, marketwise, was quite alright as we could sell it above the actual cost of production, but this year the price has dropped sharply. In 1993 our average tea price was Tk 49 per kg but now it is only Tk 38 per kg at our Chittagong auction market. There is possibly no tea estate in our country which can produce tea at a cost below Tk 40 per kg. Therefore, the situation appears grim to me, a tea planter.

By now, the world tea production has increased considerably. In some countries of Africa, tea is produced nearly 15000 kgs per hectre, while we, in Bangladesh are producing below 1000 kgs. The Africans are going for admirable and quick expansion of tea plantation and are planting high yielding and superior variety of tea saplings. As a result, tea production in that region will be further intensified and will ultimately meet a high percentage of the world tea demand. Till August 1994, Sri Lanka has produced more than 12 million kgs of tea, nearly 40% of the total annual export target of our country. Due to

the high quantity of production their cost will surely be lower than ours, and buyers will surely go to them to procure their requirement considering both competitive price and quality.

Considering the present situation we must give a serious thought to find out a suitable and long lasting crop which can support and subsidise our tea industry. Rubber may possibly be the best chosen items, as we can meet-only 30% of our present requirement from our own sources, and the balance has to be imported. If the areas presently under tea plantation which have a yield 500 to 600 kgs per hectre are replaced with rubber, the situation will hopefully be better, in course of time. In the process, our yield per hectre of tea, will go above 1500 kgs and will definitely minimise our present cost of production.

The demand of rubber as a raw material will increase day by day and it will be safe to plant rubber as we now import nearly 70% of our present requirement. After about seven years of planting a rubber plant begins giving latex and its cost of production is less than that of tea. Many tea estates have adapted rubber plantation schemes, which need to be extended as soon as possible.

Our Government and financial sectors should think over the matter seriously, and provide all possible assistance under a mandatory rubber plantation programme, with the help of bank loans for the greater interest of our economy and thousands of workers engaged in our tea industry.

Motius Samad Chowdhury
Phulitola Tea Estate, Sylhet