

Both Shocking and Promising

The HSC results of four Boards — Rajshahi excluded — may have come as a shock for many. The figures are, to say the least and quite doubtlessly, radical. The overall percentage of pass has been 27.23 — and only last year it was 46.62. Jessoro Board has been, their examinees would say, the stingiest letting only 19.35 in a hundred pass. The highest was chalked up by Chittagong — a newly established Board which perhaps thought it better to start off a little graciously. As a result of these showings 295 thousand have failed out of 393 thousand examinees.

The first impression of disbelief passing within hours, one would realise there are much more in these results than merely producing a shock. First, the Boards people this time must be a very gutsy lot to have dared come up with such figures. And it is evident that the results have not been politically tampered with or tempered down with an eye to social reaction as has been the practice for decades. Thanks to the Boards people and the education minister and his boss who must have joined in deciding that, for the first time, percentages of pass would be decided strictly on the merit of the showing by the individual examinee.

Now comes another commendable first. No grace marks were awarded this year to make the results palatable. These grace marks were a dole most unbecoming of any system of educational evaluation.

Another big reason for the dismal showing by about three lakh examinees is a general departure of this year's questions from the pattern so much conforming to the system of 'suggestions' — a corruption resorted to by teachers forcing the pupil to forego the texts and commit a handful of supplied answers to memory. This made, at one stroke, the guide books ineffectual and the universal practice of copying largely unpaying.

Alongside the results came out an interesting piece of report on a national daily. The government feels most of these huge cases of failure are due to atrocious English answer scripts. As such, the government has decided to fill up quickly the vacancies of English language teachers in schools and colleges, both private and public, and to extend the retirement age of these teachers. In-service training and refresher courses are also being considered to tone up their skills.

The shocking results are indeed full of promises of a diverse kind. The tragic part of it is for all this to take a toll of 295 thousand boys and girls. We sincerely sympathise with them.

Stampede

The death of 83 soccer fans, most of them children, in a stampede at a stadium in the Guatemala City before a World Cup qualifying match on last Thursday, has left its stamp as not only the swan song of 1996 in football tragedy but also probably as a poignantly haunting one in many years to come. It is not clear what exactly led to this monumental tragedy. The early, mournful reports from the Latin American country have held overcrowding from the sale of forged tickets as the main reason behind the catastrophe. This may be or may not be the lone cause. Further probe in this regard will boost the chroniclers' cause in the sense that there will be more precise attributive allusion to the origin of this accident but nothing by way of consolation for the huge loss of lives.

Are the stadia here good enough to stand the pressure of capacity crowds? Given our herd instinct and the poor infra-structural management record, it can be observed now and here without any further corroboration that we are skating on thin ice. According to a recently published report, Dhaka Stadium, the seemingly one and only ground for major outdoor sports in Bangladesh, has been found badly wanting in renovation. Engineers were reported to have tipped off a tragedy anyday if the stadium is allowed to be used after 1998 in its present condition. Then, scalpers are as much of a conceivable nuisance here as they are in any other part of the world. The counters that are there to supply tickets at real price are so few in number and so badly managed that most football fans rely on the black marketeers for a quick and hassle-free passage to the ground and thus contribute to the life of scalping culture. We may not have known incidents like that in Guatemala as we do not know what number of people filled the stands and came out unscathed with obsolete and forged tickets in all these years, but we certainly know that we have every reason to consider those dark and dangerous possibilities.

Does Hardly Wash

It is yet to be confirmed whether Tuhin, a young man of 20 and reportedly an activist of a political party, died from police atrocities or as the police report says killed himself. Whatever may be the reason behind his death, personnel at Motijheel Police station have given birth to yet another incident of police incompetence, if not moral turpitude as seen in a spate of criminal activities across the country recently by the guardians of law. The particular pocket of law enforcing agency here cannot wash its hands of the mysterious and unfortunate death of Tuhin at police custody. Attempts to pass it as a case of suicide and that too of all things by shoe lace of the deceased, do not land them on any logically favourable ground. Why did not the station officials remove all the life threatening things before hustling Tuhin into the custody cell? The gathering clouds over the conscience and competence of our police are getting darker everyday. Strange, the fronts we are likely to hear from in times of such deterioration of values and standards, can afford to be so numb and quiet.

Let the probe body, promptly formed after the incident, come out with the truth at the soonest and make it public.

Interest Rates: To Keep Low or High?

"Substitution effect" as it is called, goes to imply that the economic agent values present consumption (ice-cream today) more than the future consumption (ice-cream tomorrow). Saving thus becomes less attractive than consuming in the event of a rise in interest rates.

Interest rate, the price of capital, assumes the most important agenda in macroeconomic policy tinkering of a country. It directly affects both savings and investment. High interest rates are reported to please savers but hurt investors while the opposite is true in the case of low interest rates. In common judgements, a rise in the central bank's interest rates always seem to get quick reception while a cut is embraced with warmth. A closer look at the issue clearly foretells the notion that a low interest rate may not be always as good as it is deemed to be.

Who benefits from a low interest rate? It is, in fact, the bunch of borrowers who advocate a low interest rate: households, business circles etc. But borrowers' love is lost in the ocean of hatred by the lenders who find it less economic to put money in banks' vaults. In the event of a fall in interest rates, the borrowers emerge as the winners at the cost of the lenders. This may not trouble the arm chair economist, who perceives, lenders as a pack of greedy usurers. Unfortunately, however, lenders also go by another name: savers. And low interest rates mean that savers — those modern economic heroes — earn smaller rewards for their sacrifices. One should, therefore, be cautious enough in calculating the costs

and benefits of a low interest rate. Quite obviously, the gains should outweigh the losses to argue for the persuasion of a low interest rates.

The Economist (December 2nd-8th 1995) published an analysis on this popular but heart burning issue. Some of those from the thought provoking analysis are presented here for the consumption of the general readers to arouse their awareness about the concept.

Which interest rate should matter really? It is the real one — the nominal minus the expected rate of inflation. In fact, the real rate of interest measures the true cost of capital. News media usually report the changes in the nominal interest rates which can occur even though the real interest rates stand constant. Besides, one needs to be apt in distinguishing between short-term interest rates (which the central bank can affect directly) and long-term interest rates (e.g. bond yields) which they cannot. The overall effect of the falling interest rate could be assessed by comparing the investment and economic growth performance for two periods i.e. before and after the fall.

rate would have two potentially offsetting effects on this trade-off of the individuals or the households. The rise in interest rate could encourage savers to go for spending and borrowing rather than saving. "Substitution effect" as it is called, goes to imply that the economic agent values present consumption (ice-cream today) more than the future consumption (ice-cream tomorrow). Saving thus becomes less attractive than consuming

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Theoretically, a rise in interest rates also tend push up the value of a household's existing savings. The same amount of saving now fetches a higher rate of return than before. For those households who are net savers. A rise in the interest

economists believe that the income effects of higher interest rates on net borrowers and net savers should roughly cancel each other out, leaving the substitution effect to dominate. This means then that aggregate savings would rise, *par passu* a rise in the interest rates.

As to the effect on demand for capital by investors, demand theory suggests that, other things being equal, the demand for capital should fall with a rise in the interest rate and a fall in the interest rate would ignite positive changes in demand. Falling interest rates also provide other benefits.

It should be borne in mind

that interest rate is not only a reflection of the trade-off between current and future consumption but also reflects two other components: transaction costs and risks. Transaction costs are the cost of the intermediaries (e.g. banks) who draw savings from savers and supply them to investors. It is more or less a price for services. If the intermediaries can reduce their transaction costs to impact upon interest rate, a lower rate of interest unequivocally improves economic welfare. But

interest rate also acts as a premium in risks like inflation. If proper monetary policy can assure a lower expected rate of inflation, the switch-over from present to future consumption or vice versa may be less. This means that a lower interest rate in the event of a stable price level may benefit both borrower and lenders.

The message is that lower interest rate may not hurt the lenders if economy-wide policies are consistent so that a rational saver does not have to worry with the value of postponement of consumption. Government should avoid fiddling with interest rates directly in a misguided attempt to appease borrower or boost growth. Not only will they do real harm to the economy, but they are likely to be booted out of office by a swarm of angry savers.

By and large, the effectiveness of interest rates in augmenting savings and disposing of investment funds, hinges on the sensitivity of interest rate with respect to saving or investment decisions. It also depends on the monetization of the economy. We have to take into account other factors that seemingly affect decisions to save or invest. A government should look after those more carefully rather than tinkering with interest rates.

Beneath the Surface

by Abdul Bayes



Why President Clinton will be Reelected

Dr Fakhruddin Ahmed writes from Princeton

Many of Clinton campaign's television election commercials feature pictures of Bob Dole, with a menacing Newt Gingrich by his side! Eventually, the Republican Revolution ran out of steam, Gingrich is under investigation for ethics violation, and President Clinton and the Democrats are smelling like roses.

There are still a few weeks to go before the US Presidential election. And President Bill Clinton is well advised to remember the late British Prime Minister Sir Harold Wilson's immortal words of wisdom: "a week is a long time in politics!" That should not provide much solace to the President's Republican challenger Bob Dole, trailing in the polls by double digit deficit, however. Sir Harold, Dole should remember, is also the author of one of the most preposterous statement ever uttered by a British Prime Minister. After the British pound was devalued in 1967, Wilson told a dumbfounded nation: "This does not mean that the pound in your pocket is devalued!" (Of course it was!)

At long last, the Democrats have found the perfect answer to Ronald Reagan. It appeared that nothing could touch Reagan. The ill-fated peace-keeping mission in Lebanon, where close to three hundred American soldiers perished at the hand of the suicide bombers, the illegal arms shipment to Nicaraguan "Contras" and several other misuses left Reagan unscathed and buoyant in the polls. The Democrats were so frustrated that they labelled him the "Teflon" President. ("Teflon" is a synthetic resin manufactured by the Du Pont Chemical company that is used to coat non-sticky cooking utensils.)

Having nailed down the women vote, President Clinton tackled the black-white divide. After their emancipation, African Americans used to vote Republican, the party of President Abraham Lincoln, who abolished slavery. This abolition of slavery, on the other hand, earned the Republicans undying enmity of the Southern whites, however. Thanks to Nixon, Reagan and Bush, the American South is now solidly Republican. President George Bush was so cynical that he replaced the only African American on the Supreme Court, liberal Justice Thurgood Marshall, with the most notorious, right wing, women-harassing, anti-black African American man he could find, Justice Clarence Thomas!

Ever since the election of John F Kennedy in 1960, it has been clear to the Democratic party that no northern liberal could win the Presidency of the United States. George McGovern (1972), Walter Mondale (1984) and Michael Dukakis (1988) all were routed by Republican candidates in landslides.

The only Democrats to get elected in the last thirty years have been conservative Southerners — Jimmy Carter in 1976, and Bill Clinton in 1992. Both Carter and Clinton knew that they had to pander to, and play the race card to placate the whites. And they were prepared ambivalent at best, and with Richard Nixon and Ronald Reagan, hostile at worst. Nixon and Reagan's downright hostility towards the blacks endeared them and the Republican party to the southern whites, however.

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for the first time in forty years — since the Eisenhower era — and elected several very right wing legislators to the Congress to enact harsh anti-black measures.

Here again, Clinton was lucky. With both the House and the Senate at the hands of the Republicans, Clinton was not required to pursue his party's liberal agenda. Forced to work with the Republicans, he made the best of it. Clinton signed into law a welfare reform bill that not only cuts the benefits of the out of work can have, they also have to work to get those benefits. (Although the whites constitute the majority of people on welfare, blacks are disproportionately so.) Clinton let the Republicans loosen Affirmative Action and cut Medicare benefits to the elderly. Finally, just before the Congress recessed in October, he signed a tough Immigration Bill, which curtails immigrant's rights and cuts benefits to even legal immigrants. President Clinton can take credit for satisfying the nation's nativist sentiments, while at the same time blame the Republicans for it, in front of immigrant groups — a perfect example of Clinton's belonging to both sides of an issue.

Mad at the Republicans for sponsoring the xenophobic legislation, most newly naturalized immigrants will crawl over glass to vote for the Democrats. While Ronald Reagan put a happy face on the harsh measures he enacted, the face of the so-called Republican Revolution was embodied in the harsh face of the Speaker of the House, Newt Gingrich. As he pushed the Republican party to radical extremes, he became the most unpopular politician in America, soiling the Republican party's reputation in the process. Many of Clinton campaign's television election commercials feature pictures of Bob Dole, with a menacing Newt Gingrich by his side!

Eventually, the Republican Revolution ran out of steam. Gingrich is under investigation for ethics violation, and President Clinton and the Democrats are smelling like roses. There is a realistic chance that President Clinton will be reelected in landslide, and that the Democrats will regain the House and the Senate in the November election.

A good debater, President Clinton clobbered Bob Dole in the head to head television debates, by a two to one margin according to the polls. Poor Bob Dole! To counter the allegation to the whites.

There are two very different ways in which American blacks and whites riot. Blacks burned down a section of the city of Los Angeles in 1992, after an all white jury acquitted all the four white policemen who mercilessly beat a black motorist, Rodney King. The beating was videotaped and shown, all around the world, in the aftermath of the black Los Angeles riot and the (probable) murder of two whites, by O J Simpson.

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Congressional election of 1994, they voted Republican en masse, handed both the Senate

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that he at seventy-two is out of touch with young people. Dole concluded the first debate by asking everyone to browse the home page of his web site on the Internet. When people did so, they were greeted by a message urging them to vote Clinton-Gore! The work of a Clinton prankster!

Ultimately, the Americans vote their pocket books. Here too, things are hunky-dory for Clinton. Inflation is low, interest rates are low and the unemployment is low. The economy is humming. The deficit has decreased for all the four years under Clinton, to half its value when he took over. All the leading economic indicators point to a healthier economy. Seems like there is no way Clinton can lose.

Who should an expatriate Bangladeshi vote for? Although

he is not above pandering to win favour with Jewish voters, Dole

legislated the move of the American embassy from Tel Aviv to Jerusalem. Senator Bob Dole on the whole is an honourable man, a man of principle — a vanishing breed among politicians. He was the lone voice in favour of arming the Bosnian Muslims unilaterally, for a long time. By passing a veto-proof bill in both the House to that effect, he forced President Clinton's hand. The writer communicated with Dole in those dark days for the Bosnians. In return, the Dole campaign requested the writer to join their campaign. President Clinton has since acted marvelously well in Bosnia. Another plus for President Clinton, as far as a Bangladeshi is concerned, is that his wife Hillary and daughter Chelsea Clinton visited Bangladesh!

And finally, how can one not vote for a fellow Rhodes Scholar?

The writer, a Rhodes Scholar from Bangladesh, lives in Princeton Junction, New Jersey, USA.

OPINION

ICB's Share-deal Service and Account-holders' Sufferings

Thanks to The Daily Star for publishing the guidelines (a modified form) of the Security and Exchange Commission (SEC) for the share market investors on 9-10-96. It states about the trading of equities in the Dhaka Stock Exchange (DSE) particularly cautioning one about shares, stockbrokers, share-deal process, etc. These have been published in details in other dailies too. Besides, it was shown on TV and broadcasted on 8/9/96 evening. Earlier SEC had warned about (nine) unworthy and/or non-existent companies, and persistently loss making 15 companies. Yet the innocent investors have been chasing the stockbrokers or footpath brokers to avail their share-deal service. Most unfortunate part is about our media that they are more or less keeping mum about cautioning the public.

However, one of the guidelines states that stockbrokers are bound to provide the confirmation note of the share-deal service within 24 hours.

Another item says that they must deliver the shares to the buyers and pay the sale proceeds to the sellers within 10 days of the share-deal service.

The question is, what about the Investment Corporation of Bangladesh (ICB)? ICB is the largest stockbroker of the DSE. Do the ICB account-holders (investors) get the same service what SEC has stated in its guidelines concerning the time limit? Certainly not. Now I tell my bitter experience as an investment account-holder of ICB.

When I opened my account in early 1995, I thought that ICB would provide better investment service. Unfortunately it is unable to provide timely service in spite of its increased work force. It takes weeks to get the latest balance, portfolio information (buy or sell, and its price), etc. I had discussed this several times with the ICB Managing Director. Each time he had mentioned of taking some new steps, and part of those were implemented too. Yet it is nowhere near to the desired level perhaps because of the absence of modern techniques.

Whatever technique they are using it is a very rudimentary.

With the same staff any organization using the modern techniques can provide much superior service.

I realize that so many people in such a short time are pouring so much money in the share market. As if each of the new or old investors are running in the race to receive the medal without looking into the racing track. Probably our investors have broken the record, if not the World, then certainly the Asian one. Therefore, the sudden upsurge in the equity markets had understandably caused severe constraints on the ICB