

Central Bank's Image

The probe report on irregularities in Bangladesh Bank made public by the Finance Minister followed by the termination of the contractual appointment of Khorshed Alam as Governor just a few weeks before his term was to expire has raised more questions than answered. One wonders whether the dramatic effect produced by the whole episode has not been in the nature of sensationalisation in respect of something that should have been done with discretion. For, it involved not individuals but the image of the country's central bank as such.

The one-man probe by Finance Secretary Dr Akbar Ali Khan into alleged wrong-doing concerning the issuance of licences to some financial institutions yielded a report as early as on October 30. And now in a quick succession of a thick of events we have, in the third week of November, the bombshell revelations of the 'mysterious silence' of the Governor, 'an influential group' gaining by a certain rule relaxation, the central bank's whole administration being held hostage to 'a conspiracy' and the resultant unceremonious departure of the Governor.

The report in its essence has been of a fact probing-cum-recommendatory nature with the author himself not claiming to be conclusive with it when he suggests that Anti-corruption Department and Detective Branch should take up further investigation into the conduct of the officials concerned. That being so, we deserve to know what special circumstances impelled the authorities to ask Khorshed Alam to pack off and that too on a few hours' notice, when he had only until the 19th of December to continue as Governor. A simple reminder that his contract was approaching an end would have served the purpose while averting the 'gherao' complication demanding he sign certain papers before leaving. Quite apart from the unearthing of the serious irregularities that beset the BB administration for years it seemed without any timely intervention, the hot haste and the chaos surrounding the Governor's departure must have sent negative signals to the financial circles at home and abroad.

The government should now make a comprehensive public statement detailing the specific steps it is going to take to clear up the mess in the BB as well as the circumstances that forced their hand not to wait a few more days for Khorshed Alam to leave normally. When we are so vociferously projecting the macro-economic strength of our economy, we cannot countenance any shaken confidence in our central bank.

Too Big for One

That husbands are usual shirkers of responsibilities to their respective wives and children is an oft-told story. In a male-dominated society that is yet to free itself from the evil clutches of illiteracy, prejudice and religious superstitions, it could not possibly be any different. But the fact that Mirpur police station houses the lone investigation cell to deal with such cases is indeed capable of taking one aback.

The typical Third World syndrome of women and children being regular preys of the irresponsibility, greed and selfishness of their male relations has been strongly felt in Bangladesh for quite some time now. Poverty aside, the most potent contributor to this vicious and relentless cycle is the highly suspect pattern and tradition of wedlocks particularly in the rural areas. As the officer in charge of the cell revealed most of the complaints come from the lower tier of the society comprising mostly rural people who flock to the towns to keep their body and soul together.

Most of the wedlocks of these underprivileged people have been without registration. So, when a case of delinquency is reported, there is hardly anything the investigators can do and the culprit husband roams around comfortably hoodwinking the relevant law of the land.

An awareness campaign for registered or documented marriages should be begun right now with proper coordination between the local government agency and the various non-governmental organisations. Meanwhile, the traditional device like *saalish* (an arbitrating committee comprising village headmen or local influential people) should be encouraged to take interest in cases of male irresponsibility in conjugal relationships.

Besides, the number of such investigation cell for registering complaints should be increased on a priority basis. Bangladesh being one of the happy hunting grounds for trafficking in women and children, such cases can only go up.

Building on It

It is good to know that 130 Singaporean investors have shown interest to be associated with our industrialisation process. Their keenness to invest in Bangladesh is featured by four specifics: First, they are signalling a relocation of investment in Bangladesh away from set choices of countries. Secondly, they are willing to participate in infrastructure-building. Thirdly, they have evinced interest in the sophisticated software, computer and electronic sectors. Last but not least, in their one-to-one contact with our entrepreneurs in Singapore they have shown a readiness for collaborative projects.

The inducing factor seems to be the growing awareness among the Singaporean investors of the favourable geographical location of Bangladesh, low labour and land costs and the provision for 100 per cent foreign equity participation and ownership. The promotional seminar organised by the Singapore Trade Development Board and participated in by Bangladesh Commerce and Industries Minister, the BCI Chairman and important business personalities from the country proved successful.

This preliminary Singaporean interest will be of little avail unless we can convert it into projects on the ground. Let them get the one-stop service we have been promising to foreign investors all the time and the maximum service from whatever infrastructure we have.

Should Government Interfere in the Free Market?

OFF and on one hears some business leaders expressing the view that in a free market economy government has no right to interfere in the affairs of a privately organised companies or corporations. This raises a fundamental question of whether a government can or cannot interfere in a free market economy. It would be useful to find the right answers to these questions. There are some standard answers to justify the government interference but one has to go beyond those answers to direct attention to the problems in the present stage of development of the economy. Four issues will be discussed: (a) Market imperfections, (b) market failures, (c) protection of public interests, and (d) individuals' choices in a free market.

Market Imperfections

Even if one takes an extreme case of a free market economy where there is no tariff and no taxes to distort the freely determined market prices, wages, interest rates and exchange rates etc, there could still be some imperfections in that market due to the emergence of monopoly or oligopolistic cartels. Since the main purpose of introducing the free market is to make it perfectly competitive so that efficiency-driven low prices prevail for the benefit of the common people, emergence of monopoly or oligopoly will distort the prices and wages and also lead to lesser amount of production of goods and services which will ultimately reduce the level of welfare in the society. The question now is how these monopoly or oligopoly type firms grow from within a competitive market.

One simple answer is that if an efficient firm is able to increase its size of operation to a substantial sum by either investing a vast sum of money or by introducing a new technology so that its costs of production go down substantially, then he will be able to undercut other suppliers who were not as efficient. Thus the inefficient firms will be wiped out while

the large-sized efficient one will capture the market. This is how one emerges as a monopolist. Further, if four or five giant firms develop in the market and they collude to capture about, let us say, 70 or 80 per cent of the market leaving another hundred or so small firms to supply in the rest of the market, then one finds an oligopolistic structure emerging.

It is not a hypothetical analysis of an academic dreamer, but it is a very practical matter that every government has to come to grapple with in the western developed economies. There are anti-monopoly and anti-cartel laws and regulations in every developed market economy. There is no escape from such direct government interference in the economy in such cases. In the United States, there is a huge market regulatory body. In Bangladesh, there are many sectors like pharmaceutical products, newsprint, cooking oil, petroleum products, car battery and banking etc, to mention only few, where oligopoly prevails but government doesn't seem to be very concerned about it.

Market Failures

There are situations where free market fails. Two cases will be touched upon. In the first case, proper market price of a product cannot be determined because of externality factor and because of the 'Public Goods' (which everybody consumes equally and hence consumers cannot be charged different prices based on their different marginal utilities) characteristics of certain products. In the second case, proper income distribution cannot be assured by the free market. These are classic failures of the market which have bothered the economic theorists for many decades now. Both these

call for government intervention in the market.

However, to give a simple intuitive explanation of the failure of price determination in the market, take the situation where externality prevails. The classic example of 'smoke nuisance' illustrates the case. An industry is located in a specific area and it emits smoke which dirty the clothes of the residents in the neighbourhood, increasing their laundry costs. But these increased laundry costs do not enter into the costs and

industry and transfer the revenues to the victims of this pollution, but also to take the right measures to control the pollution for the future generations of people of this area. Similar examples of water pollution due to the uses of chemical fertilisers and industrial wastes going into rivers and lakes in various areas of the country can be found in large numbers.

The second major failure of the market, as pointed out above, is in the area of income distribution. It is an age-old

problem that gives rise to a public disorder like lock-out, shooting and destruction of life and properties in a particular area. Then, before the corporation can reorganise its management team, and creates an environment for negotiation with its adversaries, the government has to step into restore public order in the area.

Dozens of examples can be cited from the history of industrial disputes in the countries of this subcontinent from the British period up to now. The essential point here is that whenever the consequences of activities or behaviour of private individuals or organisations in a free market invade the public arena, then they invite responsive action from the government. Such collective response from the government to protect public interests becomes natural in any organised society.

To guard against the abuse of such interventions, one also has to say that it should never be a framed-up and pre-mediated attack on the institutions like Hitler's attack on various anti-Nazi organisations and societies.

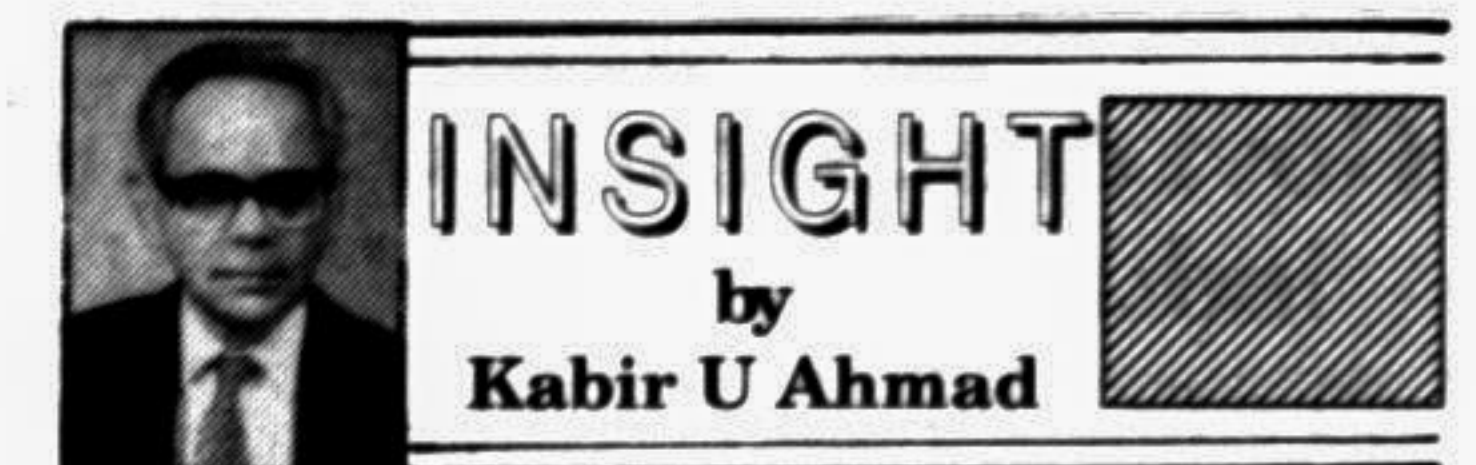
Free Market and Individuals' Choices

What choices do individuals or groups of individuals have in a free market environment? From the point of view of economics, one must understand first what functions a market performs. Market is a very specific type of institution in a society. It facilitates the transactions between buyers and sellers of various kinds of goods and services at the mutually agreed prices or wages. It is these market-clearing prices that give the signals for determining the levels of production, income generation, resource allocation and, what is more, employment of labour force in the society. A free market should ideally mean that there is no let or hindrance of any kind created by any agency of the government either at the level of firing labour, purchasing machinery and raw materials, and choosing the process of production, or at the level of fixing and negotiating market prices or in expanding or cutting down the scale of production etc. But in reality there is not so much of a free choice.

If one looks around the world today, one finds that there are unusual controls of government on the free market economies. For example, apart from tariffs on trade and varieties of internal regulatory controls (eg, fiscal and monetary measures, and other regulatory measures etc), there are strategic controls on purchases and sales of not only defence-related products but also of agricultural commodities. No one can sell a large bulk of wheat or rice, let us say, to any country without Federal Government's permission in the United States. In Europe, the European Commission fixes prices and subsidies on various goods produced in the member countries.

Therefore, a free market without any control whatsoever is almost like a myth. It simply doesn't exist in its purest form, nor it is possible. Although constitutions guarantee every individual in the western world the right of choice in all range of legally approved activities including market activities, it is limited by what capital asset — both financial and human, and enterprise one has. People who do not have these assets are dependent on the state of the labour market conditions. For those at the lowest end of the scale of asset ownership the choices are extremely limited.

This is where the government's intervention to educate and retrain the unemployed labour force is of greatest significance in the western market economies. This is what Bangladesh should emulate on a vast scale to give real choices to the people.



INSIGHT
by
Kabir U Ahmad

prices of the products sold by the industry. Therefore, the product prices are not reflecting their proper social costs. Here the neighbourhood is bearing the extra cost which is not compensated by anybody and hence its welfare is reduced. There is a need for intervention of the government to tax the industry and transfer the revenues so collected to the residents of the locality.

Take the case of leather industry in Bangladesh. The tannery industry is located in Hazaribag which has totally polluted the water of the adjacent river. It is causing cancer and other diseases among the people of Hazaribag and other neighbouring areas. But the medical bills and the actuarial costs of life of these people are not entered into the costs and prices of tanned leather of the industry. There is a need for government intervention not only to tax the

well-established truth that in a free market economy, larger share of income accrues to the owners and users of capital assets — whether financial, physical or human capital, while smaller portion accrues to the unskilled labour force. Further, these days all the workers do not get regular and continuous jobs either. These factors give rise to inequitable income distribution in a free market economy. A correction of income distribution is needed which is possible only by the intervention of the government.

Protection of Public Interests

Situations do arise in a free market economy which calls for government interventions. To give an illustration, suppose the business behaviour of the managers and officials of a legally approved private corpo-

MORATORIUM ON STUDENT POLITICS

Ensuring Academic Pursuits on the Campus

Previously, all the connections student organisations had with political parties were ideological which only found expression in the course of general and greater movements. At present, the student organisations have been reduced into tools in the hands of political parties. On this itchy point, President Shahabuddin has rightly raised his objection, writes Muhammad Qamrul Islam.

Left Democratic Front, who hinge upon students, have misconstrued the Presidential expression of concern, by telling that the students had a fundamental right to carry on politics in the campus. Well, left politicians may cite instances from 1940s in matter of recruiting students, to stiffen class struggle in view of a relatively fewer participation from the workers and peasants in their movement. But that source could not supply professional revolutionaries, as envisaged. Most of them shunned politics, after completing their studies, to run after 'wealth and status'. The bulk of the remainder engaged in conflict with each other on various grounds. Fewer could keep themselves aloof from this frenzy and proceeded on their own. The left political parties, however, did not treat the student organisations as their sub-ordinate body or front, till PR 1976.

Actually, the so-called student politics cannot be a compartment of politics; it was never so. Any student, individually or a number of them collectively, can participate in national politics. It does not necessitate to open a separate brand of politics, namely student politics, in the campuses.

As in the past, students could from organisations of their own, elect representatives to their unions at college/varsity/hall levels, regularly, and initiate movements on relevant issues. Such activities cannot be termed as student politics, part of the political design of this particular political party or that. But political leaders now want to use students as 'weapon' in their own interest!

Previously, all the connections student organisations had with political parties were ideological which only found expression in the course of general and greater movements. At present, the student organisations have been reduced into tools in the hands of political parties. On this itchy point, President Shahabuddin has properly raised his objection: because violence, extortionism and armed cadres have become synonymous with student politics.

It started with the DUCSU election, 1974 when the student front of the party in power smelling a crushing defeat and consequent loss of image hijacked the ballot box. The main accused, who was serving jail term for alleged killing of seven students at Mohsin Hall in '74,

was subsequently set free by President Ziaur Rahman.

During the last two decades hundreds of students were killed, injured and went astray in the campus, which turned into the hot bed of power politics. Session Jam and closure of educational institutions, due to violence, all over the country, have caused untold misery to poor guardians and students. What a tragedy for an independent country?

It is also a plain truth that teachers could not stand united to resist the onslaught, perpetrated by political self seekers, on their students in campuses. No body can deny the primary responsibility of varsity administration and teachers to ensure security and safety of their students, who are under their care for academic attainment. Although most of the teachers are quite sensitive to these issues and want to do something positive for their students, but there are also a few, who allegedly find pleasure to act as hirelings of the political parties/leaders, causing rift among the teachers on party line up. Why so? Till the end of '60s our teachers did not meddle in party politics.

The Chief Adviser of the last Caretaker Government Justice

Muhammad Habibur Rahman, while addressing the meeting arranged by Dhaka University Alumni Association on the occasion of the 75th anniversary of Dhaka University, touched upon some boiling points and implored to make the campus free of violence, for maintaining normal academic atmosphere. He felt himself humble, for not being able to settle the case of murder of Prof. Noban Ahmed of Economics Deptt, Dhaka University. We do not know where the matter stands today. Education Minister ASHK Sadeque's attention may be drawn in this regard.

There was a time when prior approval of the authority was needed, say, for participating in a radio programme. These words may seem redundant in these days of 'consultancy'. It was a custom then to spend full time in the act of teaching or advising the students by the teachers. We hope the teachers have not forgotten the address of the former Chief Adviser.

A few teachers' direct involvement in party politics, as members and office bearers of party committees, or that in NGOs or other bodies need evaluation. The feelings of the general guardians, teachers and

students are not in favour of such involvements to the extent that if any one wants to do so, out may resign from the post held in the university. Perhaps that would be befitting and proper for a high level intellectual.

It goes without saying that students and teachers have contributed tremendously in the vibrant political history of Bangladesh. Language Movement, Mass Uprising of 1969, Liberation War of 1971, etc, are heroic instances of students' involvement well supported by their teachers, guardians, and the whole nation. In the post independence period, unfortunately, the negative aspects of political practice overtook the positive sides. In spite of such adversity, the country-wide popular upsurge for overthrowing the autocratic regime of Ershad, once again unfolded the glorious tradition of united students' movement in 1990. But soon it dwindled, due to intrigue of vested quarters. In the election '96, students had little role to play.

Of course, neither student politics could be stopped by an order, nor those few teachers could be refrained from taking part in activities outside the campuses unless the mainstream political parties arrive at a consensus on the burning issues of their involvement in partisan politics and violence.

The writer is an economist and advocate of Bangladesh Supreme Court.

To the Editor...

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

Newspaper holiday

Sir, I thank Mr OH Kabir of Wari (DS 15.11.96) for venting a genuine grievance of newspaper readers. We simply do not want to miss newspaper for a single day. In public holidays, we find that radio, TV, railways, airways, bus services, electricity, telephone, police, fire-brigade and many other alike services remain in operation, in spite of the facts that most of these services are run by the government. Then why the newspapers which are mostly in the private sector fail to come out in the mornings of holidays? Is it too difficult to make some sort of arrangement to bring out newspapers on holidays? I do not think so. I would request the BSP, the apex body of the owners of the newspapers to take proper and adequate steps so that in the future newspapers come out on holidays.

M R R Khan
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Poor choice of words

Sir, With reference to Star Photo on page 12 of The Daily Star (dated Nov-21, 1996), we feel that your depiction of Ustad Allah Rakha Khan as an 'eminent tabachi' was in poor taste and grossly inadequate. For someone who is regarded by the

world as a living legend, should, at least, have been characterized as the great maestro, Ustad, or Guru. The poor choice of words below the photograph only reflects how impoverished we are in understanding and appreciating a great art form.

Syed Saad Andaleeb
Syed Alamgir Firoze
Dhanmandi, Dhaka.

Vitamin A deficiency

Sir, Vitamin A deficiency is a major public health problem in Bangladesh. About 30,000 children under six years of age go blind each year. Ocular manifestations of vitamin A deficiency, particularly night blindness, have been recognised since antiquity all over the world.

Since 1982, new information has increasingly pointed to the importance of vitamin A in the broader realm of child health and survival. This was recognised by the 37th (1984) and 45th (1992) World Health Assemblies, which directed the World Health Organisation (WHO) to intensify its efforts to control the impact of vitamin A deficiency on child health, blindness and survival.

Recent data indicate that mortality rates are increased among children with mild vitamin A deficiency and that, in

many areas, improvement in vitamin A status can reduce the risk of mortality from childhood infections by as much as 19 to 54 per cent. It is estimated that at least one million child death would be prevented each year if vitamin A status were improved.

Three main intervention strategies are currently in use: increasing the dietary intake of foods rich in vitamin A and pro-vitamin A; periodic administration of large doses of vitamin A; and addition of vitamin A to one or more commonly consumed dietary items (fortification). The ultimate goal of any preventive programme must be the regular, adequate dietary intake of vitamin A and pro-vitamin A by vulnerable children and the elimination of all forms of vitamin A deficiency.

Dark-green leafy vegetables are after the least expensive and most widely and consistently available source of vitamin A. The same amount of vitamin A is obtained from a small portion of calf liver (63 gram), 4 medium-sized hen's eggs (227 gram), 1.7 litres of whole cow's milk or 6kg of beef or mutton. In areas where green leafy vegetables and other sources of vitamin A and pro-vitamin A are scarce or expensive, it may be essential to promote home-gardening or other horticultural activities such as the creation of local cooperatives to produce and sell vitamin A-rich foods to the rest of the community at affordable prices.

M Jahangir Alam
M PhD research fellow, DU
Mrs Khurshida Begum
RAJUK U M S College, Dhaka

Middle East peace process

Sir, The deliberate, calculated and naked display of brutal force by Israel has unleashed a reign of terror in the occupied Hebron and in other areas which are to be transferred to the Palestinian authority. It seems that USA has failed to convince Israel about the dire need to establish peace in the region. This attitude of the Zionist state may lead to another war between the Arab states and Israel.

The need of the hour is to contain the ambition of Israel and for which Clinton administration has a vital role to play.

AL-Haj S M Khalid Chowdhury
Dhaka

Tragic

Sir, Not too long ago, 2500 muntia birds died at the Dhaka Zoo. Again three priceless tigers have also died at the same place. There has been no further news of the birds, and like everything else, these deaths will also be forgotten mysteriously! All will be forgotten but the country will weep, as she is also bleeding to death. No modern gadget or quick-mix will replenish this natural loss at the twinkling of the eye. It takes humans years to grow in a proper environment to live in and like us, animals too require environment and time to grow. To destroy them is destroying ourselves and denying the posterity of and their right to know and see the natural heritage of this beautiful country and to love it. It is a pity that government MPs and other government

agencies (including law enforcing agencies) responsible for protecting the wildlife of the country are mute spectators to the elimination of wildlife resources of this country. We have yet to read in the newspapers about any actions by these agencies for protecting wildlife and our leaders too have little to say or do with wildlife-protecting. The world is awake and demanding environmental protection while we have yet to shake off our slumber.

Although late, yet there is still time for us to take up the challenge and help preserve our natural resources and to strengthen the hands of those who are already engaged in the cause.

LA Ahmed
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Dhaka.

Accountability and transparency

Sir, There is a correlation between accountability and transparency. For good governance, a meaningful interface between these two factors is essential. When people's accountability to a government, and likewise, government's to people in the affairs of a state, becomes a two-way traffic, then accountability finds its purposeful expression through the transparency of operating systems.

Initial conditions for accountability and transparency are largely met with the progressive decentralisation and devolution of power from a centralised structure (for example, a central government) to

the grassroots (eventually) and with the support of a compatible structure that ensures a wider participation of people in national activities. Policy adjustments and reforms emerge the system of governance that is predominantly based on assured accountability and transparency.

A country's budgeting process has an important role to play in this respect. Annual budgets based on a sharing of projected expenditures by and between district administrations (for example) and a central government could be a good option for the improvement of accountability. Under the arrangement, the budgeted resources needed for a district will be drawn partly from the national budget and partly from the internal revenue to be generated by the district. In other words, then a sharing of a district in the national budget would depend mainly on performances and needs of the district.

It is expected that with these and other pertinent measures, accountability would improve, efforts towards achieving self-reliance at the district level would be geared up and transparency in the system of governance would be enhanced with an increased and meaningful participation of people in national development dimensions.

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