

Unpardonable Callousness

News of accidental death pervaded yesterday's morning press with a vengeance. Fourteen deaths were confirmed in one case where a bus broke the guardrails of a bridge and plunged into the river below. No less poignant was the other that saw a truck ram a car from behind to kill a young actress and her relatives inside it.

Uthuli's tragedy is actually a study in recurrence. Thirty-four people died when a bus lost control and fell into the Ichhamati river in 1989. Four years later at the same spot, eight people died in a similar accident.

We do not know exactly what led to last Friday's fatal plunge. It could have been a mechanical fault or it could have very well been the sheer carelessness of the driver. The fact that the driver and his aide made their escape good lends credence to the second possibility. But the question one is left to ponder over is that how the case-hardened authorities could allow buses to ply on a bridge that was declared unfit and unsafe for traffic movement some ten years ago? It seems people whose wishes and decisions matter have no concern for human lives.

Not only the plying of heavy vehicles on the bridges but the movement of trucks within the city calls for some sort of monitoring also. The provision of nocturnal movement for the trucks definitely ruled out the terrible possibility of piling fruther on the city's notorious traffic congestion, but at the same time it has given rise to the number of fatal accidents at night. It is about time government thought of deploying mobile cops to keep vigil over these rumbling killers in motion. Not just human lives, loaded trucks are taking heavy toll on the city roads as well, as a report translates the damage done annually in the staggering order of Taka 1.2 billion.

Remedy is House-cleaning

Unrealised bills of the Dhaka Electric Supply Authorities (DESA) have mounted to Tk 800 crore. On the other hand, Tk 730 crore is payable to the Power Development Board (PDB) by the DESA. Such a huge amount of outstanding bills however has not accumulated over a year or two. The gross collection ratio is known to have hovered around 80 per cent since 1992. The 1996-97 unrealised bills alone amount to Tk 166 crore — collection being Tk 708 crore against a billing of Tk 874 crore.

This is rather surprising. Clearly, the default culture in the payment of electricity bills has been widely prevalent. Private consumers, semi-government, autonomous and government agencies — all are to blame. Although the biggest defaulters are the private consumers with a total outstanding bills of Tk 600 crore, different government bodies too have substantial amounts to pay. What prevents the different government, semi-government agencies or corporations to settle dues between and among them is not understandable. Had they kept their accounts upto date, at least morally they would have been in a better position to leave a positive influence on the private consumers.

In a perennially problematic system of power generation and supply, an 80 per cent bill collection is a great disservice. Clearly the DESA is not doing its job. The whole system of bill collection is thought to be more of a manipulative exercise than a sincere performance. That explains why the bill collection and even preparation are so poor. This explanation also gives a clue to the systems loss, one of the highest in the world. Thankfully, the lowest recorded system loss has been in the year 1996-97 at 27.29 per cent. Clearly, there is a need for cleaning the house of DESA. A vicious circle has developed centering around the meter readers. If the billing-related fracas and other ailments troubling the DESA have to be cured once for all, that vicious circle has to be dismantled.

Then we must ask yet another direct question: what happens with the much publicised disconnection drives of power lines of the defaulted consumers? If that drive is punctiliously carried out, how come the private consumers owe such a staggering amount to the DESA? The fact is, what is preached is not practised. When people notice the discrepancy between words and acts, they feel encouraged to tamper the rule or to default.

Tirade against English

Mulayam Singh Yadav has come down hard. The Indian defence minister, according to an agency report, burst into a general tirade against English during a parliamentary session recently.

Leaving no one under illusion on this occasion about any softness that his name may suggest, Mr Mulayam Singh, a champion of the Hindi language, asserted that the corrupt percentage of the Indian society comprises people who have anything to do with English. It was one of the most amusing expressions of condemnatory passion: "It is those who speak in English, who abuse in English, who drink English liquor who dance in English and who abuse me in English." Apparently, Mr Singh's outrage is not an entirely impersonal one choosing the aftermath of India's 50 years of Independence celebrations as an occasion to break out.

A deep-rooted personal prejudice seems to have stoned into a pet hate in Mr. Singh. And that is unfortunate and dangerous characteristic in a public person. Because a politician or a leader is not an end in himself or herself. He or she holds sway over many a head and heart with his or her personal conviction, likes and dislikes. An obscurantist stance of a leader can help put the society on a disastrous journey back in time.

In the ardour of his passion what Mr. Singh seemed to have forgotten quite comfortably is that there is no relation between English language and culture with corruption. People seeped in Hindi language and culture for that matter can be very corrupt. Also, the practice of English can in no way undermine the growth of Hindi as a language.

Back home, the air is filled with the bizarre utterances of the forces of obscurantism. Like Mr. Singh in India, quite a few people here are currently indulging in advocacy of extremism. We need to watch out against those people.

Where is the Economy Heading for?

Bangladesh simply cannot afford to lose any export market for its own carelessness, shortsightedness of some greedy and irresponsible business people and lack of quality control.

HERE seems to be two opposing views on the present state of the economy. One is presented by the government side claiming that the economy is, by and large, on the right track with some difficulties having been brought under control, while the business community and some sections of the population have been complaining of the deteriorating state of the economy requiring corrective measures. It is important to examine these positions carefully.

The Basic Positions of the Two sides

On August 20th, almost all the important national dailies of the country carried with big headlines the statement by the representatives of some of the major chambers and trade bodies (e.g., MCCI, DCCI, FICCI, BGMEA, BCS, BTMC, etc.) made about the state of the economy. They have complained of tight monetary policy, banks' liquidity problem arising from large-scale borrowings by the government and the state-owned enterprises (SOEs), bank officials' reluctance to extend loans to finance new investments for fear of corruption charges, alarming fall of foreign exchange reserves, stalemate in the export sector, manifold increase in smuggling, stock market collapse, frequent load-shedding and energy shortage, deteriorating law and order situation and extortions of money by local 'mastans' (hoodlums). These, according to them, are threatening the country's macroeconomic fundamentals, investment climate and trade and industry. They have urged the government to take corrective measures on all these issues immediately in order to help the private sector grow. On the other side, the Finance Minister came out on August 22nd with a statement 'blasting' the business leaders for their 'wrong statement' on banks' liquidity position. Somewhat later, on August 27th and 30th, the Governor of Bangladesh Bank came out in support of the Finance Minister's position with some data on excess liquidity prevailing in various banks.

In addition to these problems, there were work stoppages in Chittagong port for about 7 days by two groups of port workers leading to piling up of imported goods, demurrage and eventually the imposition of 'congestion charges'. European countries'

ban on import of shrimps from Bangladesh and cancellation of the GSP facilities on knitwears and garments; and increasing number of occurrences of vandalism and violence in the universities and colleges as well as killings and robberies across the country. Combination of all these developments certainly presents a grim picture and raises the question whether the economy is on the right track for it to be able to grow at the stipulated rate of 6-7 per cent a year as envisaged in the budget and the national plan. Before answering this question, it is important to address the liquidity problem of the banking system which has become a hotly debated issue.

Is There a 'Liquidity Crisis' in the Banking Sector?

According to the Finance Minister and the Bangladesh Bank, there is no liquidity crisis in the banking sector. Bangladesh Bank's most recently published data show that there is excess liquidity in the banking sector (including NCBs, domestic and foreign private banks and the DFIs) to the tune of Tk 2238.99 crore on July 24, 1997, which has come down to Tk 2025.26 crore on August 7, 1997. The working capital disbursed in 1995-96 was Tk 3675.69 crore which increased to Tk 6659 crore in 1996-97. The term loan disbursed were Tk 1230.44 crore and Tk 1159.5 crore respectively in those two years. (Financial Express, August 30, 1997).

Some observations on these data would be useful. First, by excess liquidity is meant the amount of money the banks are holding over and above the required amounts needed for short-term lending to finance their clients' import and export transactions etc. The period of lending here is for only 3-6 months. Second, in order to dispel the doubts about liquidity shortage, which was faced about a few months ago, Bangladesh Bank should have supplied these data over the last 12 consecutive months. Thirdly, the data on working capital and medium- or long-term lending for industrial development have covered only the last two years, 1995-97. But what is happening now over the recent months of July and Au-

gust, 1997? Over all, the data supplied are very sketchy and spotty, as it were, which are not amenable to serious analysis. Finally, when one brings the above set of data face to face with other recently-published recovery data of the banking system, one is somewhat puzzled about the liquidity position. Over the period, 'January-July 1997, the amount of cash recovered by all banks (4 nationalised and 11 private commercial banks) is Tk 2,798.86 crore' out of the total outstanding loans of Tk 33,893.94 crore. (The Daily Star, August 27). There are some confused statements in this report. It says, 'The banks rescheduled Tk 1,160.94 crore out of the total overdue loan during the period'. As a result, '... the percentage of overdue loans against the total outstanding loans of Tk 33,893.94

crude declined to 37.98 per cent on July 31, from 38.90 per cent in December.' Again, it says, 'But an amount of Tk 4,279.58 crore in overdue loans was created during the period pushing the total overdue portfolio to Tk 12,872.52 crore at the end of July from Tk 12,552.74 crore on December 31, 1996. Although the banks managed to shed a huge amount from the total overdue loan amount, new overdue made them more burdened'. How do these data on recovery over the last six months and 'creation of overdue loans' inflicting extra 'burdens' on the banks tally with the 'excess liquidity' shown in Bangladesh Bank's published data of August 30th? Further, government's revenue collection fell short by Tk 600 crore from its target of 1996-97 budget which it had borrowed from the banking system. Even over the last two months, Bangladesh Bank has been holding auctions on government's 30-day, 91-day and 180-day Treasury Bills to raise funds for the government. What effect have these had on the li-

quidity of the banking system and on the interest rate? Bangladesh Bank should explain these issues clearly.

However, according to the representatives of the business community, there still exists a liquidity shortage since it is not possible for them to get bank loans. The two sides seem to be talking at cross purposes. The crux of the problem is that banks may have enough money now to maintain their usual short-term lending but they may not have enough for, or are not willing to give, medium- or long-term loans for setting up new industries or expansion of the old ones, which the business community is wanting. This is what is perceived by the business community as 'liquidity crisis', which is hurting them and thereby the growth of the industrial sector. But that is not the perception of

Bangladeshis abroad. Otherwise, it will soon have to approach either IMF or other donor agencies for bailing itself out. It is not at all a healthy prospect for the country.

The stock market is in a shattered state. Unless the culprits of the 1996 collapse are brought to book, no amount of patchwork solution will restore the investors' confidence. If only a few large financial institutions come forward to revive the market leaving the small investors out in the cold, the same oligopolistic game will recur and the repetition of 1996 collapse will take place again in no time. Small investors' confidence will have to be revived by all possible means by establishing high standards with a strong hand and by introducing transparency and accountability. The country's energy supply situation is in a dismal state costing the industry and trade heavily. September is at the door now but the energy minister's promise of restoring normal energy supply seems to have remained elusive. More determined commitment and firmer measures are necessary to remove the supply bottlenecks.

Similarly, lawlessness and terrorism will have to be controlled with a firm hand otherwise a favourable economic climate for industrial enterprises will not prevail. If such a climate cannot be assured, one can just forget about increased domestic and foreign investments. Finally, the Taka-Dollar rate of exchange rate is appreciating (i.e., more Taka is needed to buy one Dollar). One must not think that devaluation is the only answer to stimulating exports. Items like garments which have elasticity of demand greater than one will gain no doubt, but items with elasticity less than one will lose by devaluation. As the demand grows for the latter type of goods (e.g., jute and jute goods or any raw material) due to devaluation, the revenue earned will be less. This is what is known as 'Immiserising Growth'. Besides, there are also the supply constraints in a country like Bangladesh. Policy makers, therefore, must not fool themselves thinking that the country's road to prosperity lies in heavy devaluations.

Unless the above measures are adopted, the economy's deteriorating trend will continue and far worse situations may develop which have to be cured with a much stronger and unpalatable dose of medicines.



INSIGHT
by
Kabir U Ahmad

the government on the liquidity question. There is a gap here between the perceptions of the two sides. However, it has also been mentioned that the banking sector may have enough liquidity but in the new environment of strong loan recovery drive since January 1997, bankers may feel uneasy about giving term-loans because they don't want to take new risks. This is a matter of bankers' constraining attitude which has been described as 'loan shyness'.

Other Macro Indicators of the Economy

As far as the other macro indicators like exports, foreign exchange reserves, stock market collapse, load shedding and energy shortage, law and order situation, extortion of money by hoodlums, killings and work stoppages are concerned, there is no doubt that the picture remains dismal and deteriorating. It seems, there is no open debate on these issues between the government and the busi-

Of Student Politics and Conscience of the People

by Kazi Alauddin Ahmed

All the hoodlums belonging to different student fora of the major political parties use their parent bodies as protective shields against interception from the law enforcing agencies. This has become an ominous tradition that, in turn, has kept the entire student community as helpless hostages.

As a whole, generally used to live in absolute peace and harmony. Ideological differences or debates on ideologies used to be more through battle of words and rhetorics than through exchange of bullets or spilling of bloods.

Till the end of fifties things went more or less in such a serene pattern but by then, the ominous erosion of the moral values both in central leadership and student leadership started coming in views. In early sixties, more precisely, consequent upon the imposition of Martial Law in October, 1958 by Ayub Khan sacking the popularly elected government of the then East Pakistan, a number of senior army officers, some bureaucrats and a number of dark horses having no political background swarmed around for a berth in the government.

This was the time when Ayub Khan was seen looking desperately for a sort of stooge who, besides being a positive 'yesman' would also be capable of ruthlessly suppressing any one coming on his way in protest. The ideal person Ayub Khan selected eventually was Abdul Monem Khan of Bhuaipur, Mymensingh! His selection had surprised many other front-rankers and many an eyebrow were raised. This man took over as the Governor of East Pakistan and ruled till he was replaced by Dr Abdul Malek in 1971 (or was it Admiral Khan?). Literally, Monem Khan reigned, not merely ruled, as a notorious tyrant but imitatively loyal and faithful to Ayub Khan.

Outwardly very simplistic and unbelievably unassuming, Abdul Monem Khan had in his sleeves some tricks as well. He knew for certain that around him there were many more strong contenders for the position of Governor, East Pakistan and it was imperative upon him to keep such potential bidders away from the race. So, he devoted much of his time in building his fort. At this hour, he observed that the student community, particularly in Dhaka University was more or less at the loose ends of the political fabric. Engaging his elder son as the gubernatorial emissary to some of the 'difficult' boys in the University he did ultimately see the rapid formation of NSF.

The rise of 'Panch Pattu' headed by Saiful and most viciously supported by 'Khoka-Mantu' duo, was thus the beginning of the end of the hitherto peaceful academic atmosphere in the campus. At the dictate of this invincible trio, the students of Dhaka Univer-

sity had to pursue their studies. These 'three musketeers' and Abdul Monem Khan, their formidable mentor, had to dearly pay for their heinous misdeeds. All of them died unnatural death — the ex-governor was gunned down by unknown freedom fighters in 1971 at his Banani residence.

Following the Liberation War, the parent political party Muslim League along with a few other pro-Pakistan, anti-liberation political parties were rendered defunct. Some of the most active and aggressive leaders either fled the country or goaled. The NSF had almost a natural death by its own name but many of its workers somehow managed to infiltrate into the student wings of the pro-liberation political parties. The taste of silver bullet power they used to enjoy during their hey days was all in green memory.

So, it was not surprising that the same faces would re-emerge in new garbs and guises as student leaders. There was a mad race for currying favour with the post-liberation governments in succession. Some of the old NSF boys turning overnight student leaguers, showed their gun-power with absolute impunity. The harrowing tale of seven students killed in gun-battle between two groups do even today haunt our memories. It was during the first half of seventies. The alleged killer-leader had to stay in prison for a brief period but was set at large after August 1975.

He has turned out to be a 'gentleman' now having a so-called political party and is occasionally appearing in news. After the 7 murders in the campus, he reportedly earned another feather in Baitul Mukarram jewellery looting case. You care for him or not he behaves himself a 'great leader'.

There is no dispute in the claim that Students League by its own goodwill, has been the oldest student wing of a political party. It is again the students' organisation which sustained splits on a number of occasions taking to new surnames after the names of their respective leaders. BNP's students wing and that of the Jatiya Party are comparatively newer ones.

In the guise of 'Bangladeshi nationalism' both might have in them many successors of NSF, musclemen of 'repute' and innumerable boys who thrive on booties allegedly dispensed by even anti-liberation elements at home and abroad. The so called fundamentalists Jamaat-e-Islami too has floated a student front which has earned the disrepute

and notoriety of being the composition of many a blood-thirsty criminal. At least their atrocities in Chittagong and Rajshahi University in recent years can remind anyone of the criminal vendetta of the Razakars and Al Badrs in 1971. At the Islamic University, Kushtia too the IS-S's militant activities continue unabated.

It is, however, not to suggest that the student wing of Bangladesh Awami League is entirely free from such unruly elements. Actually, all the hoodlums belonging to different student fora of the major political parties use their parent bodies as protective shields against interception from the

law enforcing agencies. This has become an ominous tradition that, in turn, has kept the entire student community as helpless hostages. On the other hand, their godfathers in different political parties have been engaged at dangerous gambles with the whole civil society.

Justice Shahabuddin Ahmed's personal entreaties with the students, vis-a-vis with the leaders of all the political parties are born of his great anxieties for the lives of our children. In the present malignant turmoil, the only redeeming feature has been the unequivocal declaration of the government to bring to books

all the arms-rattlers irrespective of their political affiliation including those belonging to the party in power. But such a stance does not have any positive effect on the entire gamut of the intriguing scenario on the student front. Therefore, the President's appeal to suspend student politics for at least five years at the first instance deserves a dispassionate consideration. Prime Minister Sheikh Hasina, in my considered opinion, can take the desired initiative in this direction immediately. She would not lose anything if she can display such boldness. It would, on the other hand, be a very welcome augury catering universal relief. In this, I foresee that a formal bill on this can be presented in the Jatiya Sangsad for unanimous adoption. Time is running fast. So, she must rise to the challenge now.

OPINION

Why Enhancement of Fuel Prices Make Sense

Tilal Khayer

The recent decision of the government to enhance the fuel price has sparked off protests from different quarters ranging from political parties to transport owners and workers. The rationale behind this price increase has not been unveiled due to the inadequacy of the reasoning provided by the government. The debate arose from the prevailing misconception regarding whether fuel prices are subsidised by the government or not. While the government claims to have paid a subsidy worth Tk 450 crore for the fiscal year '96-'97, in reality it has actually covered up for the losses incurred by the Bangladesh Petroleum Corporation (BPC).

On the other hand, those opposing the government position, base their arguments on an inappropriate comparison between the C&F price of crude petroleum and that of the retail price paid by consumers for refined petroleum. This does not take into account the cost of refinement and distribution. However, a large difference between the two prices would still exist.

In order to carry out a valid comparison, it is necessary to calculate the economic price of petroleum which would include both its internal and external costs. Consumption of petroleum creates an externality — petrol is one of the major contributors to air pollution and these pollutants are unpriced since the automobile users pay nothing for the privilege of polluting the environment. The only possible way of internalising this externality is by making the person responsi-

ble for externality, which in this case is the automobile user, directly face its cost. What better measures could possibly apply to inflict the automobile users than increasing the petroleum price?

Another justification for increasing the price of petrol is to cover up for the cost imposed by urban congestion which is a result of overcrowded traffic. In a country where the economic growth rate is almost stagnant, bearing the cost burden due to misuse of time is a great loss for the economy. Also, the government is obliged to construct and maintain the roads for facilitating transportation of goods and people. Due to the unavailability of benefits of the toll-system in this country, it makes perfect sense to target the road users to pay for construction and maintenance cost. Perhaps, the government should tell us how much of the additional revenues generated from the petroleum price increase will be used to build and maintain roads.

Finally, the argument that holds ground regardless of all the reasons stated above, results from the fact that the percentage of tax-paying population is disgustingly low in this country. Since the capability and the incentive for tax payers to cheat is comparatively high, the only measure left for the government to undertake is to tax the high income groups on commodities for which their demand is inelastic — petroleum is one such commodity.

Unfortunately, the government has failed to manage the situation well. The clarification

issued by the government was unable to dispel the confusion that persists in public minds. Instead of going for such sizable price increases all in one go, it would have been more expedient, both politically and economically, to implement the increases in several small steps.

Comparing the retail prices on an international basis, the current price of petroleum in Bangladesh is still considered to be one of the cheapest. The proportions by which government adjusted the price of different items, however, appear rather inappropriate. The petrol versus diesel/kerosene price differential has increased from 4.7 per cent to 62 per cent and octane versus diesel/kerosene price differential has increased from 12.2 per cent to 78 per cent. Since this is too high compared to the 11.5 per cent differential in C&F dollar prices between diesel and motor gasoline, it induces a strong incentive for adulteration of petrol and octane. If perceived to be long lasting, these price differentials might induce substitution in the form of conversion of automobile engines to diesel. Also, the incentive to smuggle diesel/kerosene remains.

In addition to this, the government is making it increasingly difficult for itself to consider future increases in the price of diesel. By making statements which indirectly promise a further increase in fuel prices, the government is doing everything except preparing the public to face the unpleasant truths.

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