

Power Unto Itself: IMF Needs Reassessment

by Prof Jeffery Sachs

However useful the IMF may be to the world community, it defies logic to believe that the small group of 1,000 economists on 19th Street in Washington should dictate the economic conditions of life to 75 developing countries with around 1.4bn people.

IT is time for the world to take a serious look at the International Monetary Fund. In the past three months, this small, secretive institution has dictated economic conditions to 350m people in Indonesia, South Korea, the Philippines and Thailand. It has put on the line more than \$100bn of taxpayers' money in loans.

These bailout operations, if handled incorrectly, could end up helping a few dozen international banks to escape losses for risky loans by forcing Asian governments to cover the losses on private transactions that have gone bad. Yet the IMF decisions have been taken without any public debate, comment or scrutiny.

While it pays lip service to "transparency", the IMF offers virtually no substantive public documentation of its decisions, except for a few pages in press releases that are short of the technical details needed for a serious professional evaluation of its programmes. Remarkably, the international community accepts its state of affairs as normal.

The world wants to see what the Fund will demand of a country, assuming that the IMF has chosen the best course of action. The world accepts as normal the idea that crucial details of IMF programmes should remain confidential, even though these "details" affect the well-

being of millions. Staff at the Fund, meanwhile, are unaccountable for their decisions. The people most affected by these policies have little knowledge or input. In Korea, the IMF insisted that all presidential candidates immediately "endorse" an agreement they had no part in drafting or negotiating — and no time to understand.

The situation is out of hand. However useful the IMF may be to the world community, it defies logic to believe that the small group of 1,000 economists on 19th Street in Washington should dictate the economic conditions of life to 75 developing countries with around 1.4bn people. These people constitute 57 per cent of the developing world outside China and India (which are not under IMF programmes). Since perhaps half of the IMF's professional time is devoted to these countries — with the rest tied up in surveillance of advanced countries, management, research and other tasks — about 500 staff cover the 75 countries. That is an average of about seven economists per country.

One might suspect that seven staffers would not be enough to get a very sophisticated view of what is happening. That suspicion would be right. The IMF threw together a draconian programme for Korea in just a few

days, without deep knowledge of the country's financial system and without any subtlety as to how to approach the problems.

Consider what the Fund said about Korea just three months ago in its 1997 annual report: "Directors welcomed Korea's continued impressive macro-economic performance (and) praised the authorities for their enviable fiscal record." Three months ago there was not a hint of alarm, only a call for further financial sector reform — incidentally without mentioning the *cheebol* (conglomerates), or the issue of foreign ownership of banks, or banking supervision that now figure so prominently in the IMF's Korea programme.

In the same report, the IMF had this to say about Thailand, at that moment on the edge of the financial abyss: "Directors strongly praised Thailand's remarkable economic performance and the authorities' consistent record of sound macro-economic policies."

With a straight face, Michel Camdessus, the IMF managing director, now blames Asian governments for the deep failures of macroeconomic and financial policies that the IMF

has discovered. It would have been more useful instead, for the IMF to ponder why the situation looked so much better three months ago, for therein lies a basic truth about the situation in Asia.

There is no "fundamental" reason for Asia's financial calamity except financial panic itself. Asia's need for significant financial sector reform is real, but not a sufficient cause for the panic, and not a justification for harsh macroeconomic policy adjustments. Asia's fundamentals are adequate to forestall an economic contraction; budgets are in balance or surplus, inflation is low, private saving rates are high, economies are poised for export growth.

Asia is reeling not from a crisis of fundamentals but from a self-fulfilling withdrawal of short-term loans, one that is fuelled by each investor's recognition that all other investors are withdrawing their claims. Since short-term debts exceed foreign exchange reserves, it is "rational" for each investor to join in the panic.

Without wider professional debate, the IMF has decided to impose a severe macroeconomic

contraction on top of the market panic that is already foiling these economies. Consider the Korea programme (for at least those parts that have been announced to the public). The won has depreciated by around 80 per cent in the past 12 months, from around 840 to the dollar to a record low of 1,565 (Dec 10, 97); this currency depreciation will force up the prices of traded goods. Yet despite that, the IMF insists that Korea aim for an essentially unchanged inflation rate (5.2 per cent in 1998, in comparison with 4.2 per cent in 1997). To achieve unchanged low inflation in the face of a huge currency depreciation, Korea will need a brutal monetary squeeze. And indeed this is just what the Fund has ordered. Short-term interest rates jumped from 12 1/2 per cent to 21 per cent on the signing of the programme, and have since risen further.

The Fund argues that these draconian monetary measures are "to restore and sustain claim in the markets" and "to demonstrate to markets the government's resolve to confront the present crisis". It is hard to see how recessionary monetary policy will restore

calm. Indeed the panic has so intensified since the signing of the agreement that Korean banks may now be on the verge of outright default. Just one day after the measures were unveiled, the 11th largest conglomerate declared bankruptcy when Korean banks abruptly refused to roll over its short-term debts. In recent days more well-known local companies have gone under.

In addition to the rise in interest rates, the IMF is insisting that fiscal policy be tightened by 1-1 1/2 per cent of gross domestic product. On top of this, the IMF required that nine out of 30 merchant banks suspend operations. The IMF is aiming for Korean growth to fall to 2.5 per cent in 1998 from 6 per cent in 1997. But the projected slowdown may turn out to be the least of Korea's worries by next year, since the underlying macroeconomic measures could easily push the economy into outright contraction. None of this overkill makes sense for an economy (rightly) judged to be pursuing sound macroeconomic policies months earlier.

A better approach would have been for the IMF to stress the strengths, not the weak-

nesses, of the Korean economy, thereby calming the market rather than further convincing them of the need to flee the country. Months ago, when the financial crisis began, the Fund could have quietly encouraged Japan, the US and Europe to provide some credit support to the Bank of Korea. It might well have worked with the leading banks to encourage them to roll over their short-term debts without inflaming the panic. With appropriate confidence-building measures, Korea could probably have got by with a modest slowdown in growth, no credit crunch, and a realistic time horizon of a few years to complete its needed financial reforms.

In more than six dozen developing countries, the IMF is in a position to choose make-or-buy financial policies. While its instincts are often correct, they can sometimes be wrong, with serious consequences.

In recent years, the IMF mishandled the Russian reforms (for example, by insisting for more than a year that all 15 successor states to the Soviet Union share a common currency, thereby delaying stabilisation and undermining the political support for reforms). In Bulgaria, the IMF signed a programme in July 1996 based on 2.5 per cent growth and 20 per cent inflation in 1997. Instead, Bulgaria has suffered an

outright collapse of GDP of more than 10 per cent, and inflation in the hundreds of per cent. The IMF (and others) failed to foresee the Mexico crisis in 1994, and the Asian crises in 1997.

Three general conclusions can be reached. First, the IMF is invested with too much power, no single agency should have responsibility for economic policy in half the developing world.

Second, the IMF's executive board should do its job of overseeing the staff, rather than simply rubber-stamp the staff's proposals. It is high time the board consulted outside expertise in the exploratory stages of IMF operations. It should also canvass international opinion about the origins and policy implications of the Asian crisis.

Third, IMF operations should be made public, so that professional debate and review can help ensure the highest possible professionalism of the institution, especially since (for all its faults) the Fund will surely continue to play an important role for many years in the future.

Courtesy: The Financial Times

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Knowledge is Power: Do We Learn What We Need to?

by Kushal Ibrahim

We have to figure out what our students really need in their life, and try to provide that along with education in the core subject. If the students are joining the banks, government services, or NGOs, then why not equip them with some skill that might help them get, and excel in, those jobs?

WHEN Deng Xiao Ping, the deceased Chinese leader, was asked if he had ever received any university education, he answered, "I have learned from the university of life". Perhaps that is what all real universities should be: places where we can learn things to understand and live our life a bit better. But unfortunately, that does not seem to be happening in our bastions of higher education. In some cases, these revered institutions have become, to put it bluntly, places where students enrol to get a degree, and not knowledge or particular skills. And not always can one blame the students, because they actually do not find anything worth learning as far as their future job prospects are concerned.

The brightest of our youth spend (at least) four years studying in the universities, and the education here is supposed to mould their views and thoughts, and train them in certain skills, in such a way that they can find a place of their own in the long road in life that lays ahead, and simultaneously can constructively contribute to the development of our country. But is this really happening at

the universities? May be the more technical and focused institutions, like BUET and Agricultural University can boast that they are equipping their students with really necessary skills and knowledge to work with. But can the other universities, the more general ones, claim it?

Take Dhaka University, for example, which is still the leading centre of higher education in our country. The range of disciplines that can be studied here is admirable by any standards anywhere in the world. But considering the requirements of our country and the prevailing job market, perhaps the time has come to rethink what should or should not be taught, and to what degree.

In the Science faculty of Dhaka University, the most sought after subjects that have job prospects are: Pharmacy, Computer Science, Biochemistry, Microbiology and Applied Physics. It should not be a surprise to anyone, considering the employment situation. The students have to face the reality since they need jobs when they pass out, and our country needs efficient manpower, not uni-

versity graduates with skills that cannot be used here. One notable fact is our students' reluctance to opt for the more basic sciences: Physics, Chemistry, Zoology, Botany, Geography, to name a few. Interesting they might be to study, but the hard truth is that they offer few job opportunities. Apart from a few posts in the faculty itself, and some other well-paying jobs for the really lucky ones, the only real job opportunity is teaching in various colleges.

But what will happen to those who do not want to go into teaching, or those whose result is simply not good enough? We generally find them working in the banks, government offices, NGOs, or trying for the BCS exam. And arguably in most cases, what they do in their later life bears no relation to what they learned while studying Physics or Chemistry. So what good did it do for them?

And will it be an overstatement to say that their years at the university have been a waste? I mean, one really does not need to learn thermodynamics or relativity to balance the ledger books of a bank or be a magistrate.

The same can be said for the Arts and Social Science faculties. How much of the knowledge learned from studying subjects like Bangla, Philosophy or Sociology — can the students implement knowledge in their later life? With all due respect to the disciplines and everyone involved with it, are Philosophy students providing us with new philosophies? Political Science students joining the ranks of political theorists? International Relations students breaking new grounds in diplomacy? The probable answer is very few, if any. We could have ignored it if it happened only among a few students, but this is the case for

most students, and this gross wastage of resources of students, teachers and the country as a whole, is benefiting no one.

So now comes the question, do we just discard all these apparently "impractical" disciplines? Of course not. Whatever happens, we need them and will continue to need them. No nation can do away with learning the basics of pure Physics, and that goes for other subjects as well, however impractical they might seem to be in relation to our job market. But we also have to be realistic. We have to figure out what our students really need in their life, and try to provide that along with education in the core subject. If the students are joining the banks, government services, or NGOs, why not equip them with some skill that might help them to get and excel in those jobs?

Now, what skills are required in the modern job mar-

ket? Communication, management, computer, language, organising, to name a few. And in almost all jobs, a grasp of finance and accounts seems to be needed some way or other. So why not integrate these along with the core courses?

Computer skills are no longer an extra qualification, but a compulsory one in the job market. Will it be too difficult to include computer courses with all subjects in the universities? Many departments, especially those in the science faculties, have such courses already. But almost everyone can benefit from some general courses on computers. This is one skill that always comes handy, and with the information revolution and such, computer literacy may well be one of our foremost skills in the development process. So the more people learn to use computers, the better.

There is also the question of

linguistic and communication abilities. In the face of allegations that students do not have a good grasp on either Bangla or English, it may not be too much to suggest that every student of Dhaka University, or any university, be arranged to go through one or two basic business communication courses.

A fair understanding of financial matters is also required in almost any job, and even more so if a student eventually decides to be self-employed. So it might not be such a bad idea to introduce some basic accounting and finance courses for everyone, or at least those who are interested in it. And with it, some management skills can be taught in one or two separate courses.

One might argue that there are the Business or Commerce Faculty, and also the IBA, whose sole function is to teach these skills. But in those places, the students learn these in detail with the intention of specialising in those. What is being suggested here is that some basic courses for everyone that will eventually help our university graduates in the job market and not render all the years in

the campus almost totally useless.

And even in those more practical and job-oriented subjects like Marketing and Management, there are allegations of having not enough relevance to real-life situations in the teaching process. So there is room for improvement everywhere.

I know what I am suggesting will not be easy to implement, but I do not think it will be too difficult either. We must realise what the students need as future job seekers, and, even more importantly, what our country needs.

What good is university education if it cannot prepare a student for what he or she will face and will have to do when he or she passes out. There are constraints: like where do we find the teachers, the equipment, and, most of all, the money? And some restructuring of the system may be required. But whatever we do, there should be a balance. We have to be pragmatic. But we also have to ensure that sheer pragmatism does not override the quest for more subtle knowledge at the universities.

Tom and Jerry



Garfield®



by Jim Davis

People greet New Year with great enthusiasm

The first day of the New Year was greeted yesterday by the people with great enthusiasm, looking forward to a better and bright time during the 1998, reports BSS.

This year, the New Year synchronised with beginning of the auspicious month of Ramadan but the preparations for the fasting did not dampen much the celebrations of the new year Wednesday evening and midnight.

As the clock struck midnight, cheers greeted the new year in the midst of cacophony of blares of horns of vehicles, beating of drums and songs wellcoming the new year.

Jubilant people — mostly the youngsters — thronged the main thoroughfares in the capital and yelled "happy new year."

Unlike last year, the celebrations at midnight on the streets were less wild in nature and the police also kept a strict vigil to ensure law and order. Nevertheless, in some points of the city sections of small crowds turned unruly while greeting others.

Friends and relations exchanged "happy new year" greetings and many organised gatherings to mark the occasion.

The first day of 1998 began yesterday on a joyous note as people spoke positive things wishing others a good year.

The occasion also coincided with the weekend holiday and this made people feel the advent of a relaxed new year.

Political parties took stock of their activities in the preceding year and mapped out strategies for the new year. The business and financial circles hoped for a better performance

of the economy while others kept their fingers crossed about the share of things at individual and other capacities in the 1998, exuding optimism.

While "new year" brought cheers to many, the time is one of biting cold and the distressed felt the crunch of this condition due to lack of warm clothes.

Violence in UP polls condemned

Speakers at an anti-terrorism rally in Pirojpur on Tuesday strongly condemned violence in the Union Parishad elections and blamed the authorities for the deterioration of law and order, reports UNB.

The rally, organised by the anti-terrorism committee, was addressed, among others, by M A Mannan, Ali Ahmed, Faruque Sarder, Abdul Kalam Akhand, Hamid Sikder and Shahidul Islam Kismet with Advocate Shahidul Alam Miron in the chair.

The speakers said the district administration did not take any step to contain violence which erupted during and after the union parishad elections in Patahari union under Sadar Thana and several other centres.

They demanded exemplary punishment for those responsible for attacks and counter-attacks on the supporters of two chairman candidates of Patahari union.

After the completion of the polling, chairman-elect of the union Asadul Huq Swapan came under attack by the supporters of the defeated candidate on Dec 25, local people and police said.



The Jatityatabadi Chhatra Dal (JCD) brought out a procession on the Dhaka University campus yesterday marking the founding anniversary of the organisation. — Star photo

Motorcycle stolen

By Staff Correspondent

A motorcycle of a CID inspector was stolen from the premises of CID headquarters at Malibagh in the city yesterday morning.

Police said the motorcycle was stolen after its owner Inspector Habibur Rahman entered into the office parking the vehicle inside the CID compound.

Later he did not find the motorcycle when he came out of the office at about 10:30 am. Police could not trace the vehicle till filing of this report last night.

A case was lodged with Motiheel Thana in this regard.

Weather

Dry weather forecast

Dry weather is likely to prevail over the country in the next 12 hours till 6 pm today and night temperature may fall by 1-2 degree Celsius across the country, reports UNB.

Met Office predicted gradual fall of night temperature in the subsequent two days and little change for another five days.

Country's highest temperature yesterday was recorded 27.5 degree Celsius at Teknaf and the lowest 10.7 degrees at Rangpur.

The sun sets today at 5:23 pm and rises on Saturday at 6:42 am.

Maximum and minimum temperatures and humidity recorded in some major cities and towns yesterday were:

City/Town	Temperature in Celsius		Humidity in percentage	
	Max	Min	Morning	Evening
Dhaka	24.8	15.6	72	69
Chittagong	26.0	15.0	76	59
Rajshahi	22.5	12.3	64	71
Khulna	24.0	14.4	76	79
Barisal	24.8	14.4	82	-

HERE and THERE

Edward College Old Students Assoc

A convention and reunion of Dhaka branch of Fabin Edward College Old Students' Association was held in the capital recently, reports BSS.

A 41-member new committee was formed with Dr M Anwar Hossain (Hashi) and Akbar Majid as president and general secretary respectively for the Dhaka branch of the association.

Telecommunications Minister Mohammad Nasim was the chief guest at reunion.

Discussion on Victory Day

Water Resources Minister Abdur Razzak has called upon all to keep a vigil against anti-liberation conspirators, reports BSS.

He was addressing a discussion as the chief guest marking the Victory Day at Zinzira Eidgaon Maidan in Keraniganj on Wednesday organised by Keraniganj Thana Awami League, the discussion was addressed, among others, by Marium Begum, MP, Dhaka District Awami League general secretary Benazir Ahmed, Keraniganj Thana Awami League general secretary Nazrul Hamid Bipul and leaders of district and thana units of the ruling party.

The Water Resources Minister said the pro-independence forces came to power after 21 years with the people's mandate. Those who brought independence would protect it," he stressed.

DMBA

Alhaj Fazlur Rahman (Lal Mia) and ANM Abed Raja have been elected president and general secretary respectively of Dhaka Metropolitan Bar Association (DMBA), reports UNB.

The election to the executive committee of the DMBA was held on Wednesday.

Other office-bearers are: VP — M Jamshed Khan and Narayan Chandra Das, AGS — M Selim Mia, Treasurer — M Majedul Haq, Library Secretary — M Shah Ilias Ratan and Cultural Secretary — M Shamsur Rahman.

The elected executive members are: Alhaj ANM Yusuf, M Moslehuddin, M Moinuddin Ahmad, Arfanuddin Khan, M Aminul Islam, Sultana Akter Ruby and Syed Sakawat Hossain.

Institute of Architects

The world renowned architect Stanley Tigerman of the USA yesterday stressed the need for revolutionary changes in architectural curriculum so that architects could take much more care of social needs, ecological balance and issues related to culture and heritage, reports BSS.

He was delivering a lecture at a seminar on "architecture, architectural education and the works of Stanley Tigerman and Eval Maddox" organised by the Institute of Architects, Bangladesh (IAB) at the auditorium complex of Bangladesh University of Engineering and Technology (BUET).

Noted architect Eval Maddox, architect Mazharul Islam and architect Shamsul Wares, president of the IAB, among others, spoke on the occasion.

Newly appointed ministers place wreaths at Nat'l Mausoleum

Newly appointed ministers, state ministers and deputy minister yesterday visited the Central Shaheed Minar, National Mausoleum at Savar, Intellectual Monument at Mirpur and the Banani graveyard, reports UNB.

They placed wreath at these places and prayed for the salvation of departed souls of those who embraced martyrdom in the Language Movement in 1952, War of Liberation in 1971 and the family member of father of the nation Bangabandhu Sheikh Mujibur Rahman, and four national leaders who were killed in the jail in 1975.

Labour and Manpower Minister M A Mannan, Civil Aviation and Tourism Minister Engr. Mosharraf Hossain, Kalpanarjan Chakma (without portfolio), State Minister for Power, Energy and Mineral Resources Prof Rafiqul Islam, State Minister for Primary and Mass Education Prof Zinatunnessa Talukder, State Minister for Textiles AKM Jahangir Hossain, State Minister for LGED and Cooperatives Mofazzal Hossain Choudhury Maya and Deputy Minister for Shipping, Sabar Hossain Choudhury and a number of party leaders and workers were present.

Painting exhibition

A solo painting exhibition of Reza Akhter Kachi was inaugurated on December 28 at Jamalpur public library, reports BSS.