

## Market jitters

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### K.A.S. MURSHID

I love what's going on -- every bit of it. Bangladesh is certainly the most exciting place in the world right now. Not a day goes by without producing a (vicarious) thrill or two in the form of demolition of illegal constructions, confiscation of relief tin or nabbing of a well-placed crook or two. Great stuff!

Unfortunately, however, the market doesn't find all this very humorous. I sometimes truly wonder about the nature of market morality. There surely must be some way to inculcate a deep sense of high moral principles into the "invisible hand" -- provided, of course, that you are able to find it. And that may prove elusive. As Joe Stiglitz points out: you don't see the invisible hand largely because it isn't there in the first place!

So why should we worry? Markets dislike uncertainty and risk, just like human beings. Unlike ourselves, however, it can usually do something

about it by reacting up.

It is relatively easy to spook the market, and I believe that is exactly what seems to be happening right now. Let me take this opportunity to do a quick review of Bangladesh Markets 101 for the benefit of those who never took this course:

First, there is the question of supply. You of course know that if supplies are interrupted or reduced, prices will rise. Supply means supply to the market for sale. It doesn't include, for example, stuff sitting in godowns or warehouses (which it may well be perfectly entitled to do) awaiting a future disposal decision.

So if you are worried about prices rising, please take a look at supply-chains, i.e. from farmer to market, or importer to retailer, and watch out for weak links or even a chicken-neck. The last refers to a narrow link in the chain involving relatively few players -- a tell-tale sign of potential trouble.

Second, there is the question of demand. This relates to how much money people are willing to spend in

the market place (and does not reflect your psychological or physiological need)! If demand goes up prices will rise.

What are the chances that, all of a sudden, there will be a huge urge on the part of the population to binge on say edible oil, vegetables, or onions? Or for that matter, have we witnessed a sudden increase in (real) incomes?

As far as I know, wages have not gone up, while bribe-related earnings are likely to have slumped. So, if anything, demand is down, not up.

Transactions costs -- a popular phrase these days -- refers essentially to all costs that are entailed between the supply point and the retail point (e.g. from the port to Agora). This includes handling, transport, storage costs, official and unofficial fees, commissions, interest rates, and so on. Have any of these components been misbehaving? It shouldn't take an astrophysicist to figure that out.

Speculation and hoarding: Ah, this is the really sexy bit -- much

beloved of the media and politicians! Who better than the hoarder/aratar/jotdar to hang rising prices on? If memory serves me right, this "hang the hoarder" refrain has been heard often-times, albeit with varying degrees of intensity, ever since I can remember!

Age and pedigree, however, are no guarantees of truth. As we contemplate bringing in new laws to curb hoarding we should pause for a moment and recollect that not too long ago (possibly in the 1990s) there used to be a anti-hoarding law for

seasonal market supplies and prices. Years of painstaking research and policy advocacy finally convinced policy makers that rice markets were highly competitive, and that hoarding was often just a bad name for stocks that are essential to smooth out seasonal market supplies and prices.

And further, if prices do not fluctuate seasonally, there would be no incentive for traders to stock, speculate, or engage in trade. The alternative would be for the state to engage in trading -- a very bad (and inefficient) idea indeed!

**Syndicates**  
This is even more alluring a suggestion, the idea being that a few big traders are able to control a critical supply point (strangle-hold over the chicken-neck) and prevent all others from independent access to (im-

ported) supplies, thereby hiking up prices at will. For the past year or more, we have heard how such syndicates have been up and about, doing their dirty deed with impunity as we common folk suffered.

Now, theoretically, such a scenario is plausible. However, how likely is it? Not very, and here are some reasons:

- No one has come up with any proof, and all that we have to go by is speculation and dark hints. Not even a single decent anecdote has been presented by our highly efficient media.

- It is not easy to collude. For Bengalis, collusion (or collective action) is even more difficult, and the problem compounds itself with the number of parties involved (for this reason I do not believe in conspiracy theories!).

- For a syndicate to work, it would have to erect strong entry barriers, i.e. prevent other traders from entering the business. It is difficult to see how this can succeed. Are there entry barriers created by the government through awarding of licenses, or permission to import, to a few selected traders? No, that cannot be correct -- can someone please check that out?

As we contemplate bringing in new laws to handle an old problem, we should bear in mind that anti-hoarding laws never worked, and



merely degenerated into a tool for rent extraction (read bribery). There are two things that need to be done:

(a) proper analysis of market conditions, e.g. answer the question of the existence of syndicates with data and evidence, and (b) calming those markets.

I noted earlier that markets aren't pleased with all these shenanigans. You need to show greater respect to

the market, and for that your rewards would be great too. The market needs calming, and this can only be done through strong signaling.

Please stop talking about hoarders and black-marketeers and recognize the vital role of traders' stocks in smoothing markets, for a start. Action against all kinds of wrong-doing is welcome, but let us recognize that

there are no short-cuts to achieving efficient, well-performing markets. And this can only be achieved through superior market institutions in which information, and grades and standards play a crucial role.

That's it from Markets 101. We will discuss 102 next semester.

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## Democracy within the political parties

With a series of bloody coups and counter-coups following Bangabandhu's assassination, and with Gen Ziaur Rahman at the helm of affairs of the country later on, the Bangladesh Nationalist Party (BNP) was formed, and the AL revived with the Baksal system scrapped. After Gen Zia's unfortunate assassination, and Gen Ershad's assumption of charge as the president, in due course, Ershad's Jatiya Party (JP) was floated.

### MAHBUBAR RAHMAN

POLITICAL parties, publicly ever-vocal about democracy and democratic rights, may be questioned about the practice of democracy within their own parties. To understand their (currently three -- AL, BNP and JP) style of practice, we need to look at the history of their rise in the region.

Following partition in 1947, top leaders of All-India Muslim League migrated to Pakistan and formed the Pakistan Muslim League, operating it in Jinnah's authoritarian style. Shortly after, the Awami League was formed in Dhaka in 1948, with giants like H.S. Suhrawardy and Maulana Bhashani, in reaction to Muslim League's anti-East and pro-West Pakistan policy.

Leaders moving in from the Muslim League molded the new party to its authoritarian pattern. With the word "Muslim" dropped, the Awami League grew from strength to strength in East Pakistan, and practically wiped out the Muslim League in the 1954 provincial elections, by joining

hands with the Krishak Sramik Party (of pre-partition days). With the advent of Bangladesh, the Awami League, under the leadership of Bangabandhu Mujib, emerged as practically the only political party to be reckoned with.

With the authoritarian style rooted in the party, run by heavyweight leadership at the top, AL party members in the lower hierarchy, instead of cultivating an open culture or grooming themselves for leadership, were complacent with hero worship, awaiting commands from the top.

So, at a later stage, when Bangabandhu introduced his one-party Baksal system, no one except Gen Osmany dared to oppose it. This step caused the party heavily, with its opponents constantly using it as leverage for mud-slinging even today.

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assassination, and Gen Ershad's assumption of charge as the president, in due course, Ershad's Jatiya Party (JP) was floated.

Thus, in Bangladesh politics there have been three main parties AL, BNP and JP, all with top-heavy leaderships, following the traditional top-down style. Jamaat and a few others poised in the wings are also there. We are yet to see what sort of party culture Prof Yunus' much-vaunted Nagorik Shokti will breed.

A number of circumstances hampered, to a great extent, the growth of democratic culture within the AL and the BNP, both claiming to be champions of democracy. The daughter and the wife, respectively, of assassinated towering personalities Bangabandhu Mujib and Gen Zia, succeeded them as presidents of AL and BNP. Sparing the successors with benefit of doubt, we may comment that the rank and file in the parties, out of blind reverence for the departed illuminaries and the inherent 'hero worship' habit, turned them into authoritarian leaders.

Autocracy deepened, with the same person continuing as the party boss for indefinite terms, even when holding charge of the government. Although a "unanimous consent" may technically recognize this arrangement as democratic, it has only turned party members into mute yes-men.

If compulsory registration of political parties is enforced, the required information will make the parties transparent and, consequently, stronger and more credible.

These should relate to sources of funds, audited account statements, details of organizational structure and the party constitution, election of office bearers, number, nature and district-wise distribution of their members, etc.

In this way, the mushroom growth of signboard political parties formed by adventurists with only a few henchmen (and musclemen) could be checked. There has been talk of barring public servants from seeking election for a specified period of time after retirement.

This, then, justifies a similar restriction on office-bearers of trade organizations and various chambers of commerce and industries holding positions in the immediate past term, or in the current term.

A few more measures are necessary, perhaps through strong public opinion rather than by government regulations. These are:

- For making party conferences meaningful and effective: the present practice of day-long eulogies to top leaders, past and present, faced with volleys of abuse for rival parties, should

yield place to speeches on specific topics on health, education, trade, labour, agriculture, foreign relations etc, avoiding duplication and repetition.

- Instead of rushing through a panel" of office-bearers kept handy with prior invisible blessings of the chief/influential party bosses for quick approval, preferably unanimous, with "disputed" cases (occasions are rare) left for the hief's decision, there should be a proper election through secret ballot, a day before the speech session, so that the result can be announced before the conference concludes.

- An office-bearer holding a post (including those of president, general secretary, and organizing secretary) for two consecutive terms should not be eligible for election to any post unless two terms, or four years, whichever is more, have elapsed.

- Instead of enhancing the limit of election expenditures, it should be decreased, with:

- The state undertaking to arrange a fixed number of meeting venues in every constituency, which may be available to all contestants according to a pre-arranged schedule.
- Circulation of candidates' bio-data (with their photographs) and promises through pamphlets, and display of festoons and banners.
- Candidates' meeting the people with a limited number of

workers rather than in a big procession.

- Under such arrangements, election expenses of the party nominees are to be borne/shared by the parties. Thus, the candidates being spared of huge election expenses, and also other invisible expenses in the form of contributions to party fund and party bosses' fund.

- Will not need to treat this expenditure as "investment." Consequently, the propensity to "recover" this amount while in office, and also to "build up a reserve" for the next election will cease.

- Instead of a so-called selection through a 5-minute interview of dozens of candidates per constituency, or calling them all together just to direct them to support the one blessed by the high command, applications should be invited a year ahead, and nominations finalized at least six months before the likely date of election, on the basis of the high command's long period of observation of the aspirants' worth and acceptability in the area concerned.

- In order to facilitate a quick check on the financial statements of candidates by the election officials Tax Return Forms (for all) should be more elaborate, with provisions made for re-opening of candidates' assessed accounts.

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month late after fierce wrangling in the Shia-led cabinet, calls for expenditures of \$41 billion, a substantial increase over last year's budget of \$34 billion. Many of the ministers are struggling with budget allocations from 2006 that they haven't been able to spend, sometimes in the billions of dollars; they complained of excessive bureaucracy and security problems that prevented them from spending their allocations. "Be patient," said the planning minister, Ali Baban, "you should appreciate that if we relax our bureaucratic procedures, corruption will gain, and we are trying to control the corruption that has been in all of our offices."

The new budget is ambitious, not only for the capacity of Iraqi ministries to spend the funds, but also the capacity of the government to raise the funds; last year, the budget deficit was \$5 billion.

"We are ambitious," Salih said. "But it's not wishful thinking, and so far so good. We are fairly confident at the moment. We want 2007 to be a turning point in the Iraqi economy, Iraqis deserve a real change in the quality of life."

The biggest impediment to economic development, of course, is the deteriorating security situation. The Baghdad security plan is yet to give much solace there; sectarian killings are way down, but terrorist bombings have been keeping the body count high. With curfews and a proliferation of neighborhood checkpoints, economic activity in the city is severely hampered as long as the plan continues-and officials are talking about several months more.

"Without stabilization of security we cannot hope to deliver on economic promises. But we cannot just wait for the security situation to improve," said Salih. "Economic regeneration and security stabilization goes hand in hand. It's not a chicken or egg situation." Nor even a peacock and egg situation.

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## Of budgets and peacock eggs

### ROD NORDLAND

THIS never would have happened during Saddam's regime. At a meeting today convened by the office of the Deputy Prime Minister, Barham Salih, to present the Iraqi government budget for 2007, in a week when suicide bombers were ambushing Shia pilgrims, when the much-vaunted Baghdad Security Plan was ramping up, the administrator of the city of Baghdad stood up to lodge a complaint.

The Public Integrity Commission, said Sabir al-Essawi, had arrested one of his staff officials. "I asked what his offense was and in reply they sent me a note in almost illegible handwriting that said he stole the eggs of a peacock. And the dove doesn't even have any peacock eggs."

Amid general laughter, the finance minister, Bakir Jabr Salagh, said, "Well, they should at least have said chicken eggs then."

Judge Radhi al Radhi, head of the integrity commission, shot back:

"We make investigations and we give it to a judge and he decides who is arrested."

"We have big issues, not eggs."

Salagh said, "We did agree that the integrity commission should try to concentrate on big issues, not peacock eggs." "He was in fact tried and convicted," the judge added, a little defensively.

Deputy PM Salih, Iraq's economy czar, was his usual unflappable self about the sometimes uppity budget session. This is great; this is the most important statement you can make about the new Iraq.

Some people may want to portray this as chaos, I want to portray it as open government and transparency. We'll have differences, (but) my hope is we will always settle our differences through parliamentary means, instead of car bombs."

The presentation of the budget certainly was transparent. Nearly the entire executive leadership of the Iraqi government, from governors of provinces to ministers, were present at an open meeting, and many of their comments and criticisms were indeed more substantive, and often just as critical.

The new budget, delivered a

## Light more light

A goal without an abiding belief is deception, and belief without action is abandonment of responsibilities. The power sector of Bangladesh needs a good and well-defined goal, needs policies that perceive the need, and strive with urgency and a spirit that neither favours nor discriminates, and an entrepreneurial and negotiating skill that represents the country as best it can.

### SYED MAQSUD JAMIL

was out on the city roads in the evening. The traffic was heavy and clogged. Methinks everybody was rushing home. The streetlights were blinking. All the glitzy shops had closed down.

Oh! Yes! The shops are to close down by 7.00 in the evening. The scenario looked more like a piece out of the fifties. Is it back to the basics? Like returning home after a day's hard work in the field when darkness descends.

Our power sector is in dire straits. It was always a story of too much power and too little power. When the leadership abused power the country suffered from perennial shortage of power. Now it has become a matter of national crisis management.

The Bangladesh Power Development (BPDB) website says that it has an installed capacity of 3,603 megawatt of electricity. The observers say otherwise. The generation does not exceed 2160 megawatt. System loss, the scourge of the system, is still high at 33.3%.

By a modest estimate, the demand for power will increase by

300 megawatt annually. It will require an investment of Tk 110 billion up to the turn of the century. Leaving aside the number, it is in everyone's understanding that the country is producing too little electricity for a rising demand spurred on by rapid industrialization.

By this time several billions of dollars have been poured into this elite sector of the country. The numbers and the statistics are sadening.

The power crisis is an indictment of our national failure. Our leaders, the political ones, and the autocrats always had all the power in the world, and used it with abandon. They never gave us to believe that they understood that the power sector was the powerhouse of our national economy.

Economic