

## High Court ruling

*It acknowledges the role media can play*

THE recent High Court ruling to the effect that the judiciary is not above criticism and that without media freedom there cannot be a broadening of the democratic base cheers the country to no end. This was indeed a significant ruling that came against the background of a contempt case filed against a local newspaper. We at this newspaper tend to think that the observations of the High Court are only a confirmation of what every citizen of Bangladesh has believed in, which is that the freedom of the press, being an integral part of freedom of expression, happens to be one of the major pillars upon which constitutional, democratic government carries out its responsibilities to the nation.

The ruling, besides buttressing the idea of media freedom, upholds the principle that all citizens are equal in the eyes of the law --- and that includes men and women who embody the higher judiciary. Indeed, the response of one of the judges on Thursday to the argument that his name had also been cited in the news report in question demonstrates the forthright attitude of the HC to the matter. That judges, despite being interpreters of the law, need to be subjected to public scrutiny if and when conditions necessitating such scrutiny arise has been acknowledged by the HC. More important is the clear endorsement by the HC of the definitive role of the press in reporting on objective conditions in the country. Indeed, it has regularly been the feeling of media practitioners that a state of healthy mutual respect between the media and the three organs of the state are an underlying principle for a proper functioning of society. The press, by and large considered to be the fourth estate, has in ideal situations inevitably striven to uphold and maintain high standards of objectivity. It is such ideal conditions which we think can be brought about in Bangladesh through a necessary interaction among the executive, legislature, judiciary and the media.

The ruling by the High Court in the contempt case is a clear argument against the infallibility of the individual, any individual, in any professional area. The acknowledgment of this argument by the two-judge bench on Thursday will be a shot in the arm for democracy. It will strengthen further our faith in the rule of law.

## Bird flu

*Need for awareness and precaution*

THE dreaded bird flu has been reported in Bangladesh. It was perhaps inevitable, having afflicted our neighbours as well as several other countries of the region not in the very distant past. However, we are assured by the reaction of the government in addressing the matter in the most urgent manner. We also take comfort in the assertion by the Advisers for health and agriculture that the scope of the affliction is limited to only a few poultry farms in and around Savar and that eating properly cooked poultry and eggs do not pose any hazard to humans. We feel that the virus should be contained in the location that it has been detected by taking all measures to sanitize the area while maintaining a strict vigilance to ensure that affected birds do not slip through the cordon.

This is not the first time that we have been threatened with the possibility of the flu affecting us. And to that extent one would hope that the emergency planning that had been made at that time would be put in place now and would be, accordingly, implemented, which includes making the public aware of the do's and don'ts without creating panic.

While the reaction of the administration has been quick and actions that followed the confirmation of the virus in Bangladesh appropriate, in this regard we feel that a vigorous campaign must be undertaken through all the media available and reach the more than 120,000 or so large and small poultry firms all over Bangladesh that they must not fail to report to the authority any sign or symptom of the disease. It is important not only to contain the virus and prevent its spread it is also important to safeguard the interest of the all the poultry firms in the country on whom reportedly 3 million people are dependent.

While prevention of the spread should be the first priority full preparations must be also in hand to treat any human being that might be afflicted by the virus. The workers in the poultry firms must also be made to adopt all precautionary measures to avoid infection. Although the virus is not transmitted through human beings direct contact by the poultry firm workers with affected birds must be avoided at all cost.

While we are fighting the flu what we must do is to prevent panic at all cost and put all precautionary measures in place.

# Developing democracy in Bangladesh

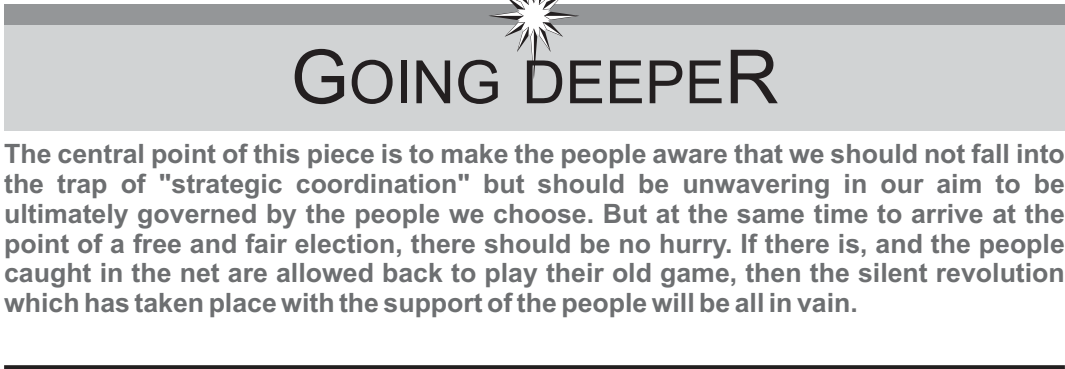


KAZI ANWARUL MASUD

RAB historian Ibn Khaldun believed that popular religion in Muslim societies tended to oscillate between strict observation of the religious codes and periods of laxity due to prosperity enjoyed by the townspeople as opposed to the desert nomads who were more resistant to moral laxity.

Equally, one could superimpose the Khaldunian principle to the modern day intermittent democracies where, as in Bangladesh, unbridled corruption by politicians and their aides, as now being unraveled every passing day has made the people in general, as distinct from political activists, welcome the present interim government which claims legitimacy from widespread popular support and vows to be directly responsible to the people.

How their accountability is to be judged remains mired in confusion as no institution exists to take account of their actions. Undeniably the present government has the total support of the common people who have over the



years lost in large measure their confidence in their erstwhile elected leaders.

This situation makes it imperative for the present government to be cautious in taking decisions, not based on group interests but on the basis of common good. The success of the two months' old government in institutional reforms need not be repeated as these are well known at home and abroad. But the government is yet to pass the test of bringing price of essentials within the purchasing capacity of the common man.

Bangladesh Rifles' fair price shops, opened at various parts of the country, deserve praise and at the same time raise the question as to why the business community cannot and could not do what BDR has done. If newspaper reports that dishonest businessmen and cartels in sugar business alone made an abnormal profit of two thousand crores of takas in the last season alone through price manipulation and hoarding are credible, then the government would be well advised

to investigate and bring the culprits to justice.

Although a world apart, both Adam Smith and Karl Marx agreed that the capitalists are solely guided by profit motive in which Joseph Stiglitz's "moral growth" has no room. Since classical free market economy does not exist except in text books, governmental intervention in price, albeit when absolutely necessary, would not be an infringement on the global mantra of free market and perfect competition.

The fear expressed by the builders association of depressed demand in the sale/purchase of land/flats and its fallout on related industries and the banking sector could be regarded as "externalities" effect on third party unrelated to conflicts between the first and the second partisan should not deter the government from its national promise to root out corruption and introduce a politics where money, muscle and misuse of power would not have any place.

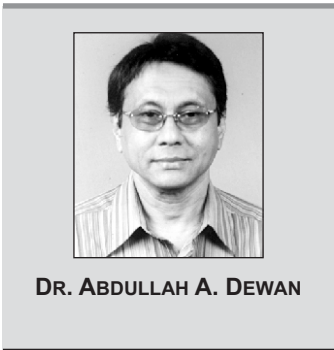
Bangladeshis, however, have to

be on guard that the social contract the present government has entered into with the people do not become open-ended NYU professors Bruce Bueno and George Downs contend that economic development and liberal democracy are not necessarily fellow travelers.

Giving examples of growing number of affluent authoritarian states; China, Vietnam, Cuba, Russia and Venezuela; they state that these regimes could reap the benefits of economic development without giving the people political freedom. The authoritarian states are reluctant to allow, "strategic coordination" defined as "the set of activities that people must engage in to win political power. Such as disseminating information, recruiting and organizing opposition members, choosing leaders, and developing a viable strategy to increase the group's power and to influence policy."

They suggest that human rights should not be restricted to provision of public goods like

# Market failure and price spirals



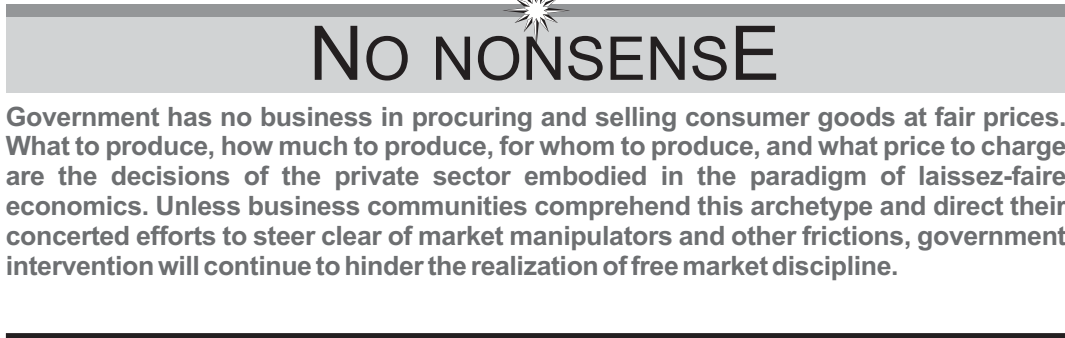
DR. ABDULLAH A. DEWAN

IT is no secret that the interim reformist government is startled by the daily price fluctuations in the market for consumer essentials and is searching for a way to stabilize these markets. Law Adviser Mainul Hossain has already raised alarms that some dubious quarters are manipulating the market to derail this government's missions.

Price spirals have been a cri de coeur from all quarters for over two years now. The corrupt alliance government (CAG) had ignored it the same way it dumped the terrorist menace and endemic corruptions as the creation of the media and opposition. For example, on November 23, 2006, Khaleda Zia in her interview with the journalists outright rebuffed any suggestion of price-hike during her tenure.

The persistence of price spirals is an obvious fallout of what we in economics call a market failure or failure of the forces that regulate a free market. Five years of criminal misrule brought everything else to a breaking point, so why should our markets be exempt?

Market failure is an economic term that references a situation where, in any given market, there is a mismatch of supply and demand due to factors spawned from a lack of ideal market conditions (called externalities, such as



syndicates, hoarders, etc). In such a situation, operation of non-market institutions would be more efficient and welfare-enhancing than market solutions (example, BDR makeshift sales centers).

Obviously, market failures have negative effects on the economy because production will be based on sub-optimal resource allocations. That is, the social costs of producing the good or service are not minimized, resulting in a waste of some resources. Hence, inefficiency creeps in.

There are two foremost reasons why markets fail:

- Inadequate reflection of costs or benefits in prices and thus into microeconomic decision-making in markets.
- Sub-optimal (that is, non-competitive like monopoly, oligopoly, etc) market structures.

The incidence of a market failure in any economic activity is often advanced as an argument to disavow that activity in question from being influenced by market forces. This usually leads to a discourse on the question of what -- if anything -- should be instituted to replace markets. The most common recourse to a market failure is government intervention to produce or supply certain goods and services. However, government intervention may

cause non-market failure but the intervention itself, if done improperly and prolonged, might give way to negative externalities.

The ongoing market intervention by BDR, TCB (example, makeshift sale centers of daily essentials), and issuing fresh Letters of Credit for importing consumable goods are laudable measures to bring some relief from the scourge of price spikes. Such interventions act as government initiated positive externalities.

The government's move to limit hoarding and storing time for selected consumer essentials is also expected to smooth out supply demand imbalances and thus eliminate sudden price spikes. In a market economy it is the government's responsibility to see that markets function efficiently and that the playing field is level for all participants. This requires mobility in the factors of production, free flow of information regarding prices and technology, and competition among buyers (for outputs) and sellers (for inputs).

Make no mistake, market regulation is not about price control -- it is to ensure that the operating rules do not discriminate individual participants or interest groups based on political affiliations,

ethnicities, and religious bias. The CAG grossly violated the free market's law of operations and the people are bearing the full brunt of it

Under competition, prices are always subject to change based upon market forces and the interaction between consumers and businesses. This price movements and the degree of the consequent change in demand and supply is known as price elasticity. Factors which effect supply elasticity are: price, resource costs, technology, competitive products, profit expectations, number of sellers, natural events, taxes, subsidies and government regulations, overproduction, inability to produce an item, and scarcity of natural resources. Understandably, some of these factors can be influenced by policy makers to improve supply conditions and the government is pursuing them in earnest.

We know that prices are the precursors to everything that happens in a market economy. Today's shortages, and price spirals of daily essentials, may become the caveat for tomorrow's surplus productions and price deflations. Because, the market process will attract resources and entrepreneurs to the production of the goods which experienced

primary education, public transportation and health care, which authoritarian states can easily provide to the people, but also include freedom of press and ensuring civil liberties because except in developed countries significant economic growth can be attained and sustained by authoritarian governments.

In effect the aim should be to give to the people the ornaments of modernity where the individual is freed from tradition and is responsible for law, both political and moral, and of its duty to the global community.

The interim government would be well advised to listen to Commonwealth Secretary General Don McKinnon's advice that the state of emergency and suppression of political activities should be lifted without unnecessary delay and to provide a best estimate and a road map leading up to the elections, respect human rights and rule of law, and continue to sustain popular support that the government now enjoys.

Most recently US Congressman Kurt Weldon described Bangladesh as one of the few Muslim countries to have democracy and suggested that the US should have strategic relations with Bangladesh and the absence of such relations have been attributed to the lack of interest in Bangladesh caused by lack of knowledge about the country among the American people.

shortages and unusual price spirals. Depending on the diagnosis of the market's ills, the government should devise long-term policies along the following lines as deemed appropriate (some of these may already are underway):

- Introduce a price and income policy to free price and wage increases.
- Eliminate sources of market imperfections such as price colluders (price fixers), the cartel (syndicates).
- Make certain that farm products are transported to their destination without delay, and free of toll collections.
- Develop a policy that will abet the appreciation of the domestic currency.
- Reduce indirect taxation, as this stands in the way of entrepreneurs who want to invest in the production of daily essentials.
- Encourage entrepreneurs to invest in substitute goods and thus promote competition.
- Import capital goods and technology which assures efficient production of goods chronically in shortages.
- Monitoring and disseminating of domestic prices of essentials on a day-to-day basis vis-à-vis international prices of the corresponding commodities are important for consumers and businesses to purge off rumors and misinformation.
- If the price spirals of daily essentials are diagnosed as a monetary phenomenon then the monetary authority should implement demand contraction policies.
- With growing population the number of consumers also grows -- so does the demand for goods. Unless increasing demand is constantly satisfied

Pakistan is important to the US because of its role in the Bush administration's war on terror. But if the disclosure by JMB military commander Mustafizur Rahman Shahin to Rab that there are 5,000 paid JMB cadre still active in the country is true then the reports of Elizabeth Griswold, Bertil Lintner, Time magazine, Asian Wall Street Journal, etc, previously dismissed out of hand as concocted stories to defame Bangladesh, should be given attention to.

The central point of this piece is to make the people aware that we should not fall into the trap of "strategic coordination" but should be unwavering in our aim to be ultimately governed by the people we choose. But at the same time to arrive at the point of a free and fair election, there should be no hurry.

If there is, and the people caught in the net are allowed back to play their old game, then the silent revolution which has taken place with the support of the people will be all in vain.

Kazi Anwarul Masud is a former Secretary and Ambassador.

with concomitant increases in productions and supply, the economy will be forced to endure chronic price spirals.

- Authorities must desist from arbitrary interference with price signals since this adds an additional bar against achieving economic efficiency, potentially leading to shortages, while requiring large bureaucratic network for their enforcement.

Government interventions may bring some short term relief from price spirals to the detriment of long-term prospects of the free market price behavior. Only the business community can shorten government intervention and institute market discipline by rooting out all non-market forces to their own long-term benefits.

Government has no business in procuring and selling consumer goods at fair prices. What to produce, how much to produce, for whom to produce, and what price to charge are the decisions of the private sector embodied in the paradigm of laissez-faire economics. Unless business communities comprehend this archetype and direct their concerted efforts to steer clear of market manipulators and other frictions, government intervention will continue to hinder the realization of free market discipline.

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# Broadening tax net: A tax-payer's appeal

It seems that NGOs are now more interested in profiteering than in helping the poor get out of poverty. As NGOs are not legally forced to disclose their wealth and capital assets they remain largely unanswerable to the government, and beyond the reach of public scrutiny. This has resulted in a lack of financial transparency in NGO business establishments. NGO business, small or big, should be brought under the tax base.

## AFM MOHIUDDIN

THE recent announcement by the National Board of Revenue (NBR) chairman about expanding the tax net to bring potential tax-payers into the tax net is encouraging. In fact, this was overdue. One may conceal his/her income, but cannot conceal his/her lifestyle. Lifestyle reveals all.

As reported in the press, hundreds of people spend far more than the income disclosed in their tax returns. Such expenses are of a personal nature, like foreign travel, entertainment, leisure, and purchases that cannot be justified by the level of income disclosed. The NBR has not been able to

bring within the tax net hundreds of such big spenders but low-income tax payers. Low-income tax payers, like us, have been filling the national exchequer. There are a few things that NBR, under the present interim government, must do to achieve tax base expansion.

First of all, the tax system should be simple, transparent and broad-based, and should have a low rate. The present tax regime is too cumbersome and tax payer unfriendly. Low-income tax payers have to go through a number of hassles, in the form of hiring and consulting income tax lawyers, meeting incompetent and often rent-seeking tax officials and dearth of tax information, before

the tax is paid.

Achieving fiscal stability and improvement in the process of tax productivity is imperative. Taxes should not only increase revenue, but also enhance revenue productivity of the tax system in the medium and long run. Therefore, it is essential that the tax regime be simplified and made tax payer friendly.

Tax related information should be disseminated in the simplest form to the public, over internet and other sources. Further, NBR can also designate a few commercial banks to collect individual's taxes. NBR can, then, verify the tax return submitted by a tax payer to the bank. This will enormously reduce the hassles faced by

individuals in paying tax. The tax administration needs to be professionalized to facilitate tax collection.

From this author's personal experience, it is a great risk to even approach tax officials who, apart from being very unfriendly, make tax payment a complicated procedure. This discourages many low-income tax payers from approaching tax officials. They rely on income-tax lawyers who are, themselves, big sharks. So, in any case, low-income tax payers end up paying more than required. Thus, it is time that the tax regime was modernized and simplified.

Second, NBR must broaden the tax base to include the big business houses. It seems very strange that the budding tycoons always have a network of family friends and relations to call on NBR to help bail them out of trouble. I mean, without the implicit or even explicit collusion of tax officials, how could the nouveau riche get away with the undisclosed assets and financial capi-

itals?

Therefore, NBR must be dynamic enough to enforce the tax regulations without any favour to anyone. This will not only encourage financial transparency but also contribute to fiscal consolidation. Further, there should be stiff punishment for those who conceal their wealth in the tax return, including the de facto authorization to confiscate the undisclosed wealth. This was actually one of the tax policies implemented in Singapore, in the late 80s, to achieve tax neutrality. Tax neutrality ensures increased revenue productivity and helps restore fiscal balance.

Third, no tax exemption should be given to any sector of the economy. The NGO sector enjoys tax exemption, but NGOs are no longer involved in only micro-financing the poor. Many of the NGOs are involved in big business ventures. These business establishments are very much profit-driven, like any other enterprise.

It seems that NGOs are now more interested in profiteering than in helping the poor get out of poverty. As NGOs are not legally forced to disclose their wealth and capital assets they remain largely unanswerable to the government, and beyond the reach of public scrutiny. This has resulted in a lack of financial transparency in NGO business establishments. NGO business, small or big, should be brought under the tax base.

Because NGOs in this country wield enormous power, bringing them into the tax net requires intrepid new policy formulation and firm enforcement of the tax regulations. New policy formulation is needed because the existing tax policy is so outdated that it is easily challenged by the rich in the court. The case then drags on, eventually gaining a verdict which favours the challenger, thus depriving the national coffers of much needed revenue.

Thus, a new policy is needed, where tax related cases are quickly

disposed of after thorough investigation, and where the rich and the NGOs cannot get away without paying tax. It is very unfair of the government and NBR to let NGOs go untaxed, while a heavy-handed approach is used on the low-income people.

Last, there are sectors which should be brought into tax base, especially in the rural areas. But, to expand the tax base in the rural areas, the NBR must be cautious enough so that the rural poor are not affected by the expansion. There are, however, potential tax payers in rural areas, like suppliers of construction materials, traders in fertilizer and pesticide, retailers, transport operators and truck owners, civil contractors, local doctors and other businessmen, whose number would collectively run into the thousands.

Such persons have never been taxed, though their income exceeds the taxable income. However, this is not an easy task, given the mental frame of the

rural people. But NBR must take a professional and phlegmatic approach to bring the rural rich people into the tax base.

The domestic revenue target and fiscal consolidation can only be achieved if tax neutrality is ensured by NBR in bringing the potential tax-payers into the tax base. However, this will be possible only if NBR undergoes a process of complete overhauling, and is run by people who are competent, professional and tax-payer friendly.

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