level, as propagated by some political parties once they are elected back in power, is tantamount to realising the so-called golden days of Saista Khan.

Would this price shock undermine Bangladesh's food security? In today's globalised world, food security does not depend on domestic production alone. Countries in the Middle East do not have much domestic production of basic foodstuff, but there is no shortage of food supply. Given Bangladesh's current strong balance of payments position, the only country in South Asia with sizable current account surpluses in recent years, there is no reason why we should not be able to meet our food import bills. With reserves at $5.5 billion, even after a surge in import payments and slowdown in exports, there is no scope for famine in today's Bangladesh. Famine is a thing of the past, we have made strong economic gains since the last famine soon after our independence.

What should be the role of the government? Government's role Should primarily be limited to market monitoring and it must avoid raiding local markets for "hoarding."

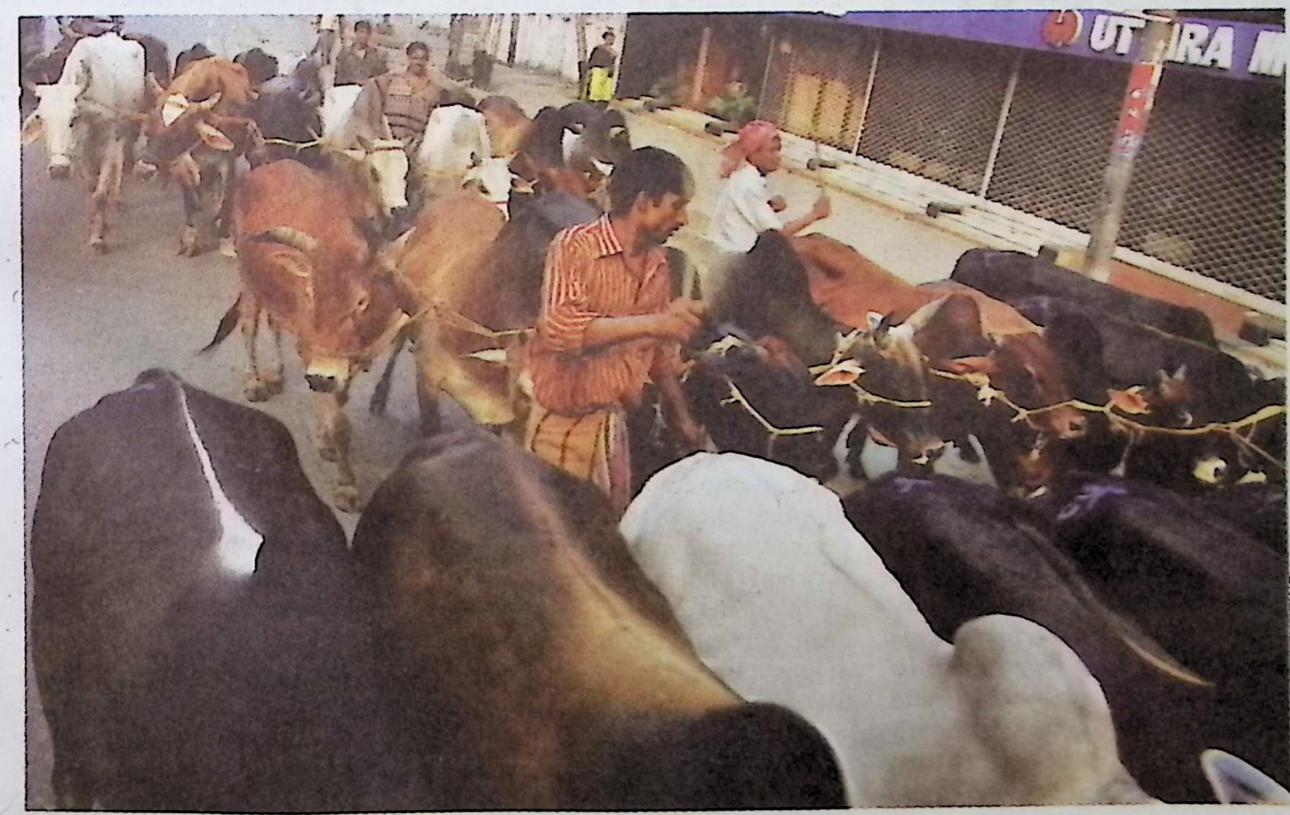
What is needed to ensure food security and market stability is timely gathering and dissemination of information on domestic production, available stocks (inventories) held by the government and the private sector, and keeping the market informed about the projected import demand.

Opening of letters of credit for food items serve as a forward indicator for private sector response. Analysing these developments and trends, the government may initiate discussions with major private importers and also decide how much it should import to maintain a satisfactory level of domestic inventory. Market invasion for overseeing stock levels will only reduce the number of market participants and give rise to another crisis by reducing the future food import pipeline.

Since the price shock is permanent, the government should not distort the signaling role of prices, if it wants the farmers to respond strongly to the price incentive. I am sure the hard-working farmers of Bangladesh know how to react to such a positive price shock and will certainly respond by producing a bumper Boro crop in the next few months. The government only needs to ensure adequate supply of fertilisers, electricity, and diesel, which are all government controlled.

The government also must ensure that poor people are not deprived of their minimum access to food. Over the last few decades, Bangladesh has set up an extensive social safety net system through vulnerable group feeding (VGF), test relief, and other social transfer programs. The network of open market sales at reduced prices, already launched by the government, may be further expanded to poorer urban neighbourhoods and flood-hit areas.

Dr. Ahsan H. Mansur *writes from Washington DC.*



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