No quick fix



Forrest Cookson runs his eye over what 2008 might have in store for the Bangladesh economy

IS the Bangladesh economy in serious difficulty? Yes. Will we see a continued slow down of the economic growth rate? Yes. Will the inflation continue in double digits? Yes. Is the worst over? No. Are there any policies that will make much difference over the next two years? No. Is there enough food in the country? Yes. The reasons for this pessimism are outlined in this article.

First, most of the shaping factors are external and those that are internal have been building up for years. Second, modern economies change very slowly. While there are important policies to implement the impact of these over the next two years will be limited.

Governments all over the world have the illusion that their actions make a difference -- sometimes this is true but only over a relatively long period of time. The most serious research in economics suggests that government policies have little impact! Of course it is important for government to put in place policies that will make a difference over the next decade. But one should not expect an immediate response of the economy.

The key policies that will help in the long run are easy to identify: government should put in place a serous export led growth policy. The government should get out of the business of producing goods and services. Instead it should concentrate on improving and implementing sound regulatory programs. The government should minimise the regulations that it imposes and should seek to promote competition by deregulation. The objective should be to help markets function effectively.

Bangladesh is faced with pressures on the economy from external sources. First, the inflation is imported from the rising prices of goods in dollars and particularly the revaluing Indian rupee with respect to the dollar. Second the prices of oil, steel, food and most capital equipment are increasing or have increased well above dollar levels of two years ago. Third, the world economy has started to slow and this will continue over the next several years weakening export demand but ultimately reducing