

Surviving the meltdown

In the backdrop of such a domestic scenario, major economies of the world have collapsed with severe credit crunch. Hence, Bangladesh Bank (BB) will need to perform a very careful balancing act in view of the need to control inflation and the need to stimulate investment at a time of global financial meltdown.

FAHMIDA KHATUN AND ABDULLAH AL MAHMOOD MOSLEF

HIGH inflation has been a major concern for the Bangladesh economy during the FY 2007-08, when inflation rate was higher compared to previous years due to several domestic and global factors. In the domestic arena, increase in food inflation has been due to lower food production as a result of two floods, a severe cyclone, and low stock of food.

Internationally too, prices of food items such as rice, wheat and soybean oil increased at a fast pace, breaking all past records. Along with this, prices of non-food items, including fuel oil and construction material, soared in the global market in FY 2007-08. The 12-month annual average rate of inflation increased to 10% in August 2008 from 7.78% in August 2007.

As food comprises about 59% of total Consumer Price Index (CPI) in Bangladesh, higher domestic food prices is the dominant factor for high inflation. While the government expects inflation rate to come down to 9% in FY 2008-09, the market is yet to see any downward inflationary trend. Money supply continues to increase, causing an increase in price level. As evidence shows, money supply (M2) went up by 17.48% during FY 2007-08 as opposed to 16.26% during FY 2006-07.

A number of recent studies, including the one conducted by the Centre for Policy Dialogue (CPD), reveal that inflationary pressure during the FY 2007-08 has had an adverse impact on consumers through reduction of their purchasing power and income erosion. High inflation, particularly high food inflation, has affected the poor and the people in fixed income group. In this context, monetary sector is faced with the challenge of following a monetary policy that can control inflationary pressure, ensure poverty alleviation and accelerate economic development.

These objectives can only be achieved through sustainable output growth by channeling adequate resources into productive

sectors of economy. A prudent monetary policy can play a vital role in resource allocation through the banking and financial system of the country.

In the backdrop of such a domestic scenario, major economies of the world have collapsed with severe credit crunch. Hence, Bangladesh Bank (BB) will need to perform a very careful balancing act in view of the need to control inflation and the need to stimulate investment at a time of global financial meltdown.

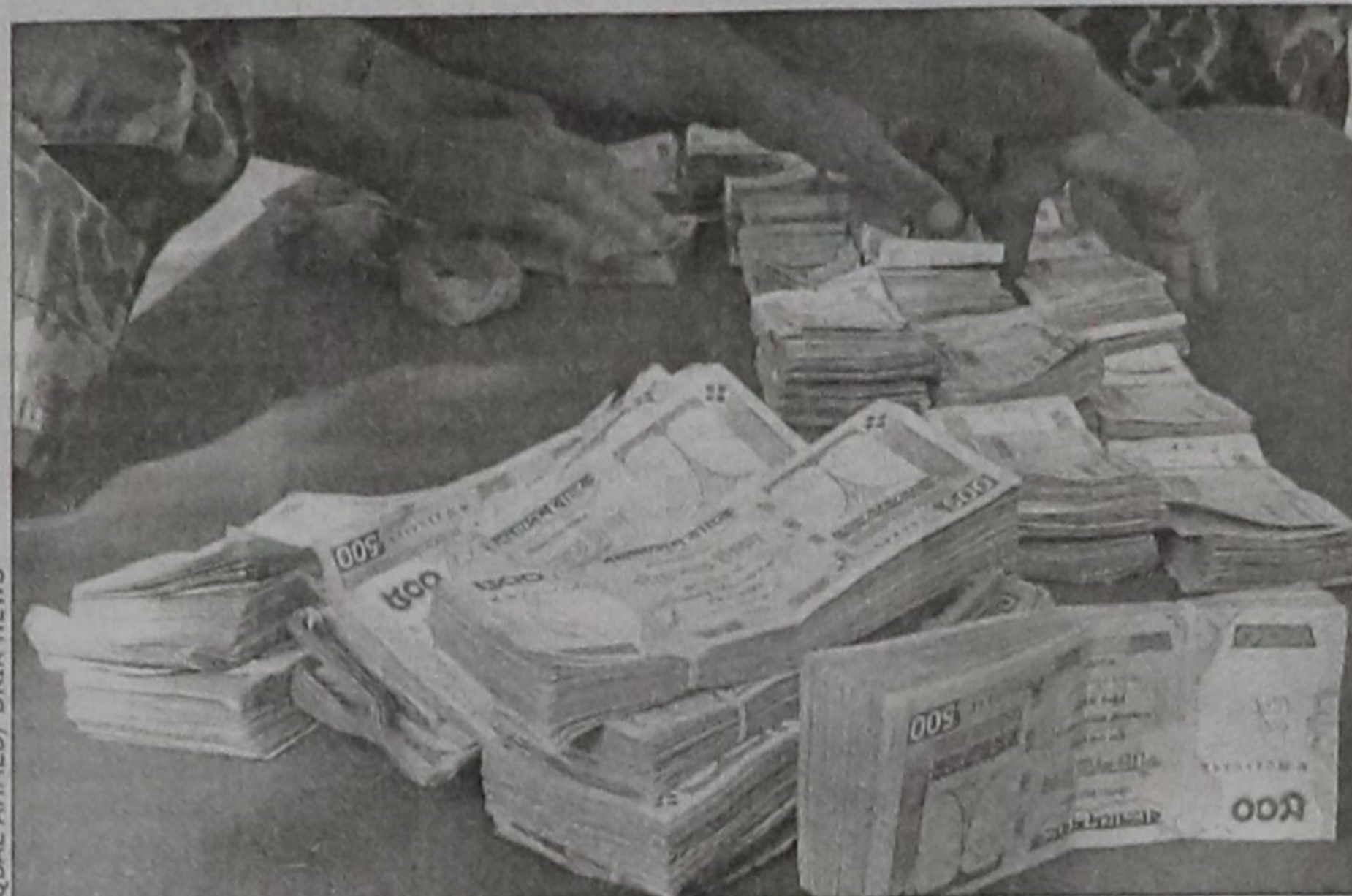
BB has to manage money supply in such a way that it does not squeeze the availability of funds for business and industry, which may affect employment and income in turn. There may be further increase in the money supply during the forthcoming national election.

Such expenditures are basically unproductive in economic terms and can lead to further inflationary pressure. This may also translate into increased government borrowing from banking and non-banking sectors.

During the last few years, government borrowing has been increasing. In FY 2007-08 government sector borrowing increased by 15%, compared to 12.1% in FY 2006-07, 14.5% in FY 2005-06 and 11.1% in FY 2004-05. Though external reliance of the Bangladesh economy is rather small, given the dynamic nature of the financial crisis, there may be an effect on the economy in various ways. Three sectors, financial, real and the labour market, could feel the pinch of the crisis.

It is apprehended that, in view of the global financial crisis, Bangladesh may experience reduction in export and remittance income. There could also be reduction in foreign investment and a cut in the aid flow.

Such circumstances call for domestic resource mobilisation through increased revenue collection and productive utilisation of resources. The dual approach of the government should, therefore, be to encourage public expenditure in productive capacities but limit unproductive spending, and guarantee adequate liquidity in the banks and ensure sufficient credit flow to the private sector to keep economic activities vibrant.



Printing money is no solution.

As apprehension of a global economic recession, which may last for a few years, mounts, governments across the world are reducing interest rates to make funds available to people. As a response to the current financial crisis, BB could consider lowering of interest rate and explore the possibility of an expansionary monetary policy to avoid sluggishness in the economy.

This is not going to impact on the inflation since much of this inflation was due to high prices of imported commodities. With the rapid down turn of commodity prices inflationary pressure is expected to slow down. However, it is important to assess whether there is adequate demand for money.

Lower interest rate cannot increase credit flow unless there is a demand for money. The trend in the private sector borrowing does show that demand for credit is increasing. Though there was a decline in the private sector demand for credit in the beginning of FY 2007-08, partly due to uncertainty and fear in view of the changed governance framework and anti-corruption drive pursued by the interim government, the situation improved later when strong growth of the private sector credit was observed. Private sector borrowing increased by 24.2% in FY 2007-08, by 15.9 in FY 2006-07 and by 19% in FY 2005-06.

Credit should flow to sectors such as agriculture, non-farm, and small and medium enterprises. Hence, effective demand in the rural areas has to be augmented too. In order

to increase the productive capacities of these sectors the infrastructure has to be built up. Public expenditure on big infrastructural projects is crucial at the moment.

The exchange rate has also been an issue for the exporters, particularly in view of the currency depreciation against the US dollar in some neighbouring countries. At this juncture, countries may try to take advantage of each other on the issue of exchange rates. Special packages for the exporters are created in other countries, which may be considered in Bangladesh too.

The steps taken by BB in the face of financial meltdown have been quick and correct. Bringing back the government investment from foreign banks and shifting its reserves from foreign banks have been the right decisions. Though the economy of Bangladesh is resilient to shocks of various types, there is no reason for being complacent. One must also take into account that the current shock is a systemic problem that has a structural dimension.

As election is approaching, it is high time for the political parties to devise their own economic plans and spell out their strategies to deal with the financial crisis during the run-up to the elections. It is extremely important that, taking cognisance of the crisis right from the beginning, the new government pursues economic policies guided by adequate preparation and based on domestic realities.

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TALKING POLLS AND BEYOND

'Our two former prime ministers have become monarchs'

Dr. Badiul Alam Majumdar was born in Comilla in 1946. After obtaining his master's degree from Dhaka University in 1968, he obtained PhD in Economics from Case Western Reserve University, USA and a Master of Business Economics from Claremont Graduate School. He was lecturer at Dhaka University, and also taught at Seattle University, Central Washington University and Washington State University from 1976-91. He became the Country Director of The Hunger Project-Bangladesh in 1993 and was made vice-president of The Global Hunger Project in 2003. He is on the advisory board of Transparency International Bangladesh and is Secretary, SHUJAN. He now hosts a popular show, Janatar Katha, on BTV. Shamim Ashraf took the interview.

What advancements have been made in political reforms?

Changes have been brought in the legal framework to make political parties' registration compulsory, and to make the practice of democracy, electing of leaders, transparent financial dealings, and candidates' declaration of certain information necessary to let people make informed choices.

The Election Commission has also been empowered to cancel any nomination for violation of code of conduct. These are enabling for sound democratic practices. Unfortunately, we're not seeing our politicians and parties practicing good judgement or having any sense of responsibility. They're demanding that the convicts to be allowed to contest in the elections. If they think this way, all the expectations and exercises for reforms will be in vain.

Is the EC playing its due role?

They didn't scrutinise the candidates' information and enforce the rules properly in the city corporation elections. Had they done that, many of the candidates facing corruption allegation could have been disqualified. If the candidates make a wrong or false disclosure or hide information, the EC must act strictly and neutrally.

Do you see any change in the mentality of politicians towards democratic practice in their parties?

Unfortunately, we can't be hopeful. We haven't seen any change in the utterances of our politicians, or in the rivalry and the blame game. There must be some sort of understanding among the political parties. The parties strongly opposed the idea of the national charter.

In 1990, the parties formed three alliances and had agreements about the things they would do after the elections. Now there is no consensus among the parties on key national issues, or agreement on what they'll do following the elections. So, the whole thing is uncertain.

People see 1/11 as a result of the failure of the parties. Do you see any realisation among politicians?

Our democracy is an ineffective election-only system, which has turned into "lootocracy." I haven't seen any instance of soul-searching or real repentance for the mistakes. They should apologise to the people, who elect them to look after their lives and run the country in the interest of the general people.

Unfortunately, many of the elected representatives were busy serving their own interest by plundering state wealth, and got involved in criminal activities. Now, without repenting for those, they are doing the opposite, claiming that they are not convicted.

They're now coming out from jail...

The government has failed to convict many of these people in two years. It's not easy because the looters always try to hide evidence, and those dealing with graft cases don't have the expertise to unearth the evidence. Besides, so many people were arrested that the task became unmanageable.

Should exemplary cases be taken on priority basis without going after so many people?

I'm not sure whether that would make much difference. We also failed to unearth corruption information about some high profiles. The task became difficult because institutional capability wasn't there.

Those who were in these institutions earlier were beneficiaries from such looting, and might have hidden some evidence. Besides, these criminal elements spent a lot of money to influence the investigations. However, the decision to go after so many people because of people's demand and the government's immaturity, and trying to do so many things including some irrelevant things, was wrong.

After the CTG came such influence was expected to decrease...

Unfortunately, that didn't happen.

Some analysts have said that the EC spent too long in consultation...

I would also say the EC put itself in a hole by prolonging the process. When the new election commissioners took office, they said political parties were their main clients. Being a constitutional body, the EC is not there to serve political parties. Its overriding goal is serving the people and, though it can take recommendations and ideas, it must take decisions on its own.

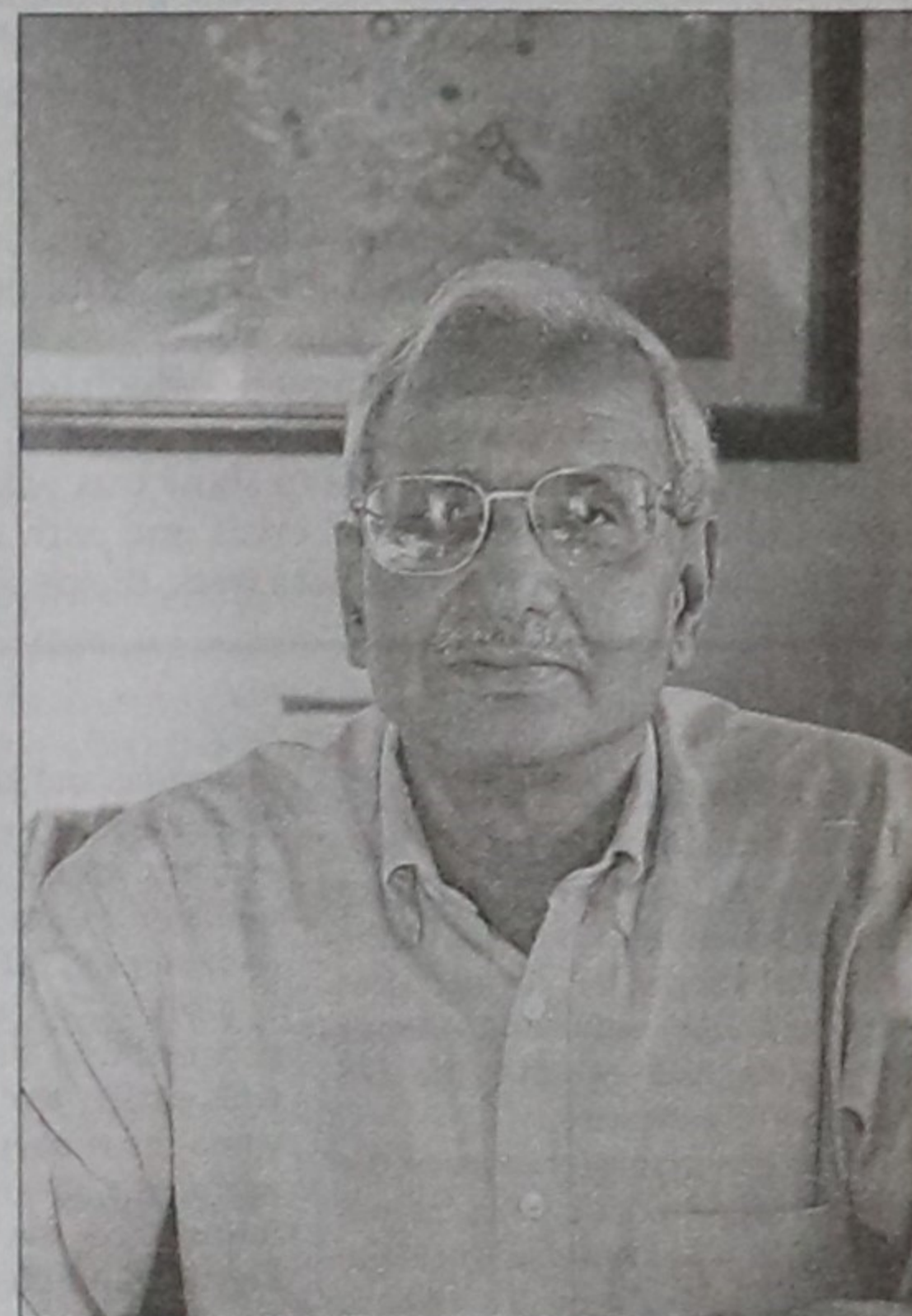
It shouldn't allow anybody to force the decisions on it. At the beginning, it could have asked for proposals on changes in the RPO and welcomed any kind of talks with anyone. But taking the dialogue as a must and a formal thing, and having several sessions and spending such a long time, was unnecessary. Even after they sent the draft, it took several months for the RPO to be promulgated.

Don't the parties have any share in the delay? They are even more responsible; they didn't take any initiative for change. Had they felt that what happened must not go on, they could take unilateral step to stop them. It became an us-and-them game, with the EC and political parties on the two sides. It should be the concern of all -- political parties, EC, government, and the civil society -- because our democracy has become ineffective.

What was the civil society role?

We don't have a civil society as such. What we have is partisan intelligentsia who are beneficiaries of the parties and speak for them. The number of people with independent minds, who can speak for public interest, has declined to an alarming level.

What major mistakes have the CTG, EC and political



Dr. Badiul Alam Majumdar

parties do you see?

I feel that everybody is responsible for the government's failure. The CTG has done few things, which can't be supported. It intervened by creating reformists and non-reformists in the political parties, giving rise to serious suspicions. These eroded government support.

The EC did not show the required determination, and wasted time. The socio-economic environment, natural disasters, and price hikes eroded support for the government and were used by vested interested groups and politicians to discredit the CTG. Most importantly, the political parties were not willing to really make changes.

Were reforms imposed on parties?

The political parties themselves should have come up with initiatives to stop the sale of nominations, extortion etc., in the interest of the democratic system. They should keep the corrupt away from the electoral arena. After an ordinance was promulgated in 2001 on parties' registration, the parties forced Justice Shahabuddin Ahmed to cancel it.

There was widespread public demand on political parties, the government and the EC for reform before 1/11. Now, when the government moved to take steps to meet the public expectation, the parties opposed those just to discredit the government, though they themselves demanded these on different occasions earlier. This can't be termed imposition.

Do you think the parties will totally follow the changes in their constitution?

I don't see any sign that they'll practice those at all.

Do you see any attempt by political parties to regain people's trust?

Our two former prime ministers have become two monarchs, and political leaders have become patrons of the people. Since the people of our country don't get rights from the state they need patrons, and elect those who, no matter how corrupt they are, will stand beside them. This is why questionable people came out victorious in the local bodies elections despite the campaign for honest candidates.

There has not been any effort to educate citizens about their rights, as well as the responsibility to elect representatives who will work for the country. People need emancipation to become the owners of all power.

Do you see any uncertainty over the parliamentary elections?

I am convinced about the government and the EC's intention and sincerity for holding elections. The court has removed the last hurdle regarding delimitation; and the EC has announced the schedule. Now, the only uncertainty comes from parties. If they don't want to contest they'll find one pretext after another.

There is a question among people as to why Khaleda Zia is demanding resignation of all the election commissioners, and the parties want the convicts to be allowed to contest in elections. If this is just to put additional pressure on the EC, it is not desirable and may be counterproductive.

Will the Anti-Corruption Commission be able to work independently after withdrawal of emergency?

I hope they'll be allowed to. The political parties are strongly opposing the drives and if any of these go to power, the hope will get dimmer. The watchdog institutions were politicised and destroyed over the years. The drive fizzled out also because the court interfered and stayed the investigation and trial of many cases. The political parties should have demanded trial, and asked for punishment of the guilty people.

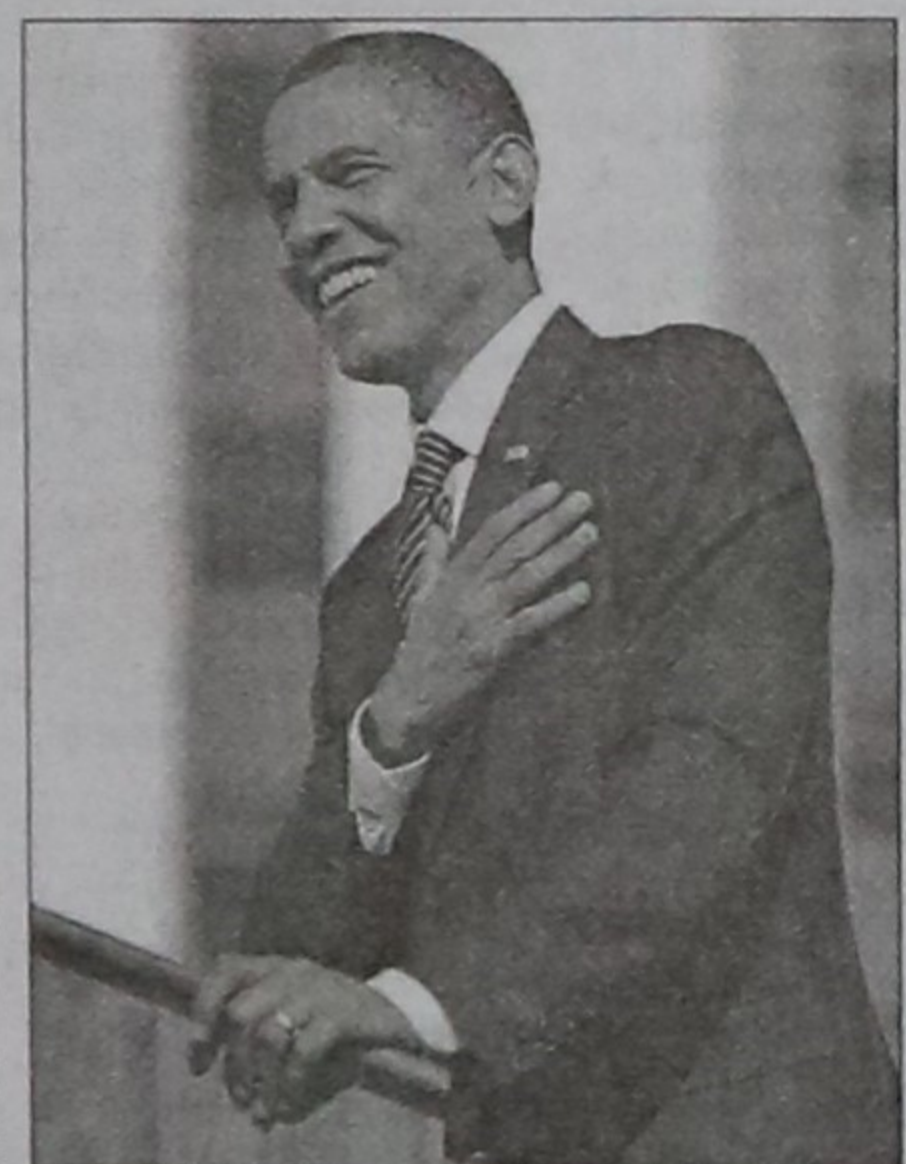
Should emergency be withdrawn for polls?

There was no problem in the local election during emergency. People voted freely. The convicted criminals will benefit if emergency is withdrawn. Is that in our interest? We want our fundamental rights back and at the same time want the government to take action so that the criminals elements can't participate in the elections and musclemen and black money holders cannot influence the election.

Obama down the years



On his way ... to president-elect.



1959
Barack Obama's father, Barack Obama Sr. is awarded scholarship from an American program offering Western educational opportunities. Age 23, Barack Obama Sr. leaves behind his pregnant wife, Kezia, and son. He arrives in US to study math and economics at the University of Hawaii, Honolulu, as the first African student there.

1961
• February 2: Barack Obama Sr., 25, marries 18-year-old Ann Dunham, a white American who meets in a Russian-language class. The ceremony takes place at Maui where Ann Dunham is already three months pregnant with Barack Obama, Jr. She is unaware of Barack Obama Sr.'s first wife. The couple settles in Honolulu.
• August 4: Barack Obama Jr. is born at the Kapiolani Medical Center in Honolulu, Hawaii. Following Barack Obama Junior's birth, Ann Dunham drops out of college.

1963
• Barack Obama Sr. wins a scholarship to Harvard for a graduate program. He moves to Boston leaving behind his wife Ann and their 2-year-old Barack Obama Jr. The relationship between them gradually deteriorates.
• Ann returns to college. Her parents help take care of baby Barack Obama.

1964
• Ann Dunham files for divorce from Barack Obama Sr.
• After a while Ann Dunham falls in love with Lolo Soetoro of Indonesia, and they start dating.

1965
Barack Obama Sr. completes his Masters and goes back to Kenya with Ruth Nidesand, an American-born teacher, his third wife.

1967
Ann Dunham marries Lolo Soetoro. When Barack Obama Jr. is 6 years old, they move to Jakarta. In Indonesia, Barack Obama becomes familiar with poverty where their

own home has no stable electricity and their neighbourhood streets are unpaved. Ann becomes an English teacher at the American embassy. Barack Obama Jr. attends Franciscus Assisi Primary School, a Catholic school.

1969
Obama's stepfather is promoted in the American Oil Company. He relocates the family to a better neighbourhood. Consequently, Barack Obama leaves the Catholic school and attends a public school.

1970
Barack Obama's half sister, Maya Soetoro, is born. However, Ann Dunham's second marriage begins to disintegrate. She misses her home in US and wants her children to grow and be educated there.

1971
At 10, Barack is sent back to Hawaii to live with his white grandparents. With the help of Ann's parents, he gets a scholarship to Punahou, a prestigious prep school in Honolulu. Being one of few black students at school, he is regarded as 'the black kid from Indonesia'. Barack Obama's separation from his mother has a tremendous impact on him.

1972
• Ann Dunham returns to Hawaii with 2-year-old Maya to join Barack, now 11, leaving her husband behind.
• In Hawaii, Ann Dunham pursues a master's degree in anthropology at the University of Hawaii. She and her two children live in Honolulu.

• During this year, Barack Obama's father arrives from Kenya, where he plans on the many things Barack Junior should be doing. Young Barack doesn't feel that his father is entitled to make such decisions and this becomes the very last visit from his father.

1979
• Barack Obama begins his first year at

Occidental College, Los Angeles. Having befriended several black students, he still feels distant.

• At the end of sophomore year, Barack Obama transfers to Columbia University, New York, where he becomes a disciplined student.

1980
Ann Dunham files for divorce from her second husband, Lolo Soetoro.

1982
• Obama receives notice about his father's death from a car accident.
• Obama decides to pursue a career as a community organiser to confront the issues of race and poverty.

• After graduation, he takes a job with Developing Communities Project in Chicago and begins working to improve the conditions of a public housing project.
• Obama successfully carries out several projects, including school reform, hazardous waste cleanup and establishing a job-training centre.

• Obama gets accepted to Harvard Law School.

1988
• Before beginning his studies, he visits Kenya, and arrives at his father's hometown. He arrives there to learn more about his father, his identity. He meets his late father's family for the first time and slowly realises his father's struggles. Barack now feels that his work is directly connected to the struggles of his Kenyan family. He claims: "[the visit] helped unify my outward self with my inward self in an important way."

• At the end of his first year at Harvard Law School, a top law firm hires Obama as a summer intern in Chicago. There, Obama meets Michelle Robinson, and they start dating.

1990
Obama becomes the first African American president of the Harvard Law Review.

1991
• Obama graduates from Harvard with a Juris Doctor magna cum laude.
• Obama signs with a publisher and begins to write an autobiography titled, *Dreams from My Father* where he discloses his personal struggles.

1992
• Obama returns to Chicago.

• Obama begins working at the firm of Davis, Miner, Barnhill & Gallard as a junior lawyer.

• October 10: Obama and Michelle Robinson get married.

• Obama is teaching constitutional law at the University of Chicago Law School.

• 1992 is an election year. Obama becomes the director of Illinois Project Vote, an organisation focused on registering minority voters. Obama registers approximately 100,000 new voters.

1995

• Obama's memoir, *Dreams from My Father*, is published and receives warm reviews.
• November 7: Ann Dunham, dies of ovarian cancer.

1996
Obama runs for the Illinois State Senate, wins the Democratic nomination for the seat, and is elected to the Illinois State Senate.

1998
• Barack and Michelle Obama's first daughter is born. She is named Malia Ann.
• Barack is re-elected to the Illinois State Senate.

2001
Barack and Michelle's second daughter is born. She is named Natasha, often called Sasha.

2002
Obama is re-elected to the Illinois State Senate.

2003
• Obama becomes chairman of the Illinois Senate's Health and Human Services Committee.

• On January, Obama formally enters the race for the US Senate. During the primaries, his Democratic rival, Blair Hull, takes the lead but after a short while drops when domestic abuse allegations surface.

2004
• July 7: The Democratic National Convention -- 42 year old Obama is chosen to deliver the keynote speech. This inspiring speech is viewed as a defining moment in Obama's political career and it earns him worldwide recognition.
• November 2: Obama, 43, is elected for the US Senate. Obama receives 70% of the vote, while Republican Alan Keyes receives only 27%. Obama is the nation's fifth African-American Senator.
• Obama takes an active role in Hurricane Katrina relief efforts.

2005
Obama is sworn as a US senator.

2007
February 10: Obama announces his candidacy for President of US in the 2008 presidential election.

2008
• June 3: After defeating Senator Hillary Clinton in the primaries, Obama becomes the presumptive nominee of the Democratic Party for the 2008 presidential election.

• November 3: Obama's grandmother, Madelyn Dunham, age 86, dies of cancer, just one day before the Presidential Election.

• November 4: Barack Obama elected president.

Source: <http://www.barack-obama-timeline.com>