

AMIRUL RAJIV

much as 15 per cent against the rupee. All else being equal, this should ease the inflationary squeeze.

Concluding Comments

Of course, all else is seldom equal. Inflation may stay high despite falling oil prices or an appreciating taka if people expect inflation to stay high. This makes the Bangladesh Bank's public commitment to slay inflation all the more important. As the World Bank reports cited above suggest, countries with weak fundamentals are more vulnerable to the crisis, and inflation remains the weakest of our fundamentals. And if the inflation remains high, labour costs will come under pressure, and political tensions may well escalate above and beyond what would otherwise happen with the election.

If the Bangladesh Bank remains focussed against inflation, then it will be the fiscal and structural policies that will have to steer the economy should the worsening global storm hit us harder than expected -- as the IMF's David Burton wrote in The Daily Star recently: fiscal policy can play a key role.

However, with the budget deficit expected to be 5 per cent or so of GDP, a new government won't have much rooms to move. This means that policy priorities will have to be carefully assessed. Two factors should be considered in any assessment. First, it is important to design any initiative such that it doesn't foster inefficient rent seeking or corruption. Secondly, and more importantly, priority should be given to the supply side of the economy so that the potential growth rate can be lifted to 7 per cent or more.

Of course, there are many ways for the government to implement supply side policies that raise growth rate in both short- and medium-term -- well-designed employment generation program and high quality infrastructure spending both fit the bill. This choice between competing policy platforms ought to be the stuff of politics. How long before we can expect that in Bangladesh?

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1. Rahman J., *How Will the Global Economic Slowdown Affect Bangladesh?* Forum, May 2008. Available at: http://www.thedailystar.net/forum/2008/may/global.htm.
2. Wolf M., *The World Wakes from the Wish-Dream of Decoupling*, Financial Times, October 21, 2008. Available at:http://www.ft.com/cms/s/0/06241274-9f94-11dd-a3fa-000077b07658.html
3. *The Financial Crisis: Implications for Developing Countries, World Bank.* Available at: http://econ.worldbank.org/wbsite/external/extdec/0,,contentmdk:21974412~pagepk:64165401~pipk:64165026~thesitepk:469372,00.html.
4. Rahman J., *On Agflation*, Forum, November 2007. Available at: http://www.thedailystar.net/forum/2007/november/agflation.htm.
5. Burton D., *Addressing the Global Financial Crisis in Emerging Asia*, The Daily Star, November 23, 2008. Available at: http://www. the dailystar.net/story.php?nid=64453.

Note : Since the piece was written, the World Bank has revised its 2008-09 growth forecast for Bangladesh to 4.8 per cent as exports and remittences weaken. Meanwhile, October data suggest a marked moderation in inflation.

Jyoti Rahman *is an applied macroeconomist and a member of the Drishtipat Writers' Collective. He can be contacted at: dpwriters@drishtipat.org.*

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