

Revamping rural economy

Crisis at the micro level has accentuated due to globalisation. The outcome is accentuation of urbanisation of rural economy. This has to be restructured through urban decentralisation -- creation of rural town with standard markets to help the primary producers and co-operative's farmers.

MD. SHAIRUL MASHREQUE

WE cannot think of rural development without resilient economic growth at the micro level. If a vital policy sector like rural economy continues to remain underdeveloped, there will be no increase in the well-being of the teeming millions of toiling peasants.

All the trajectories of anti-poverty intervention financed from internal and external sources, through credit lines, are nothing more than a stop-gap, having much less to ameliorate the conditions of the peasants.

Recently, our think tanks have focused on some hard facts about rural economy being tormented by years of negligence and deprivation. A plethora of research reports, reflecting the political economy of a battered rural sector, depicts the deplorable condition of Bengali peasantry quixotically clinging to agriculture and the allied occupations -- somewhat projecting the "image of limited good."

Peasant communities, operating with a cluster of values, continue to maintain the institutions that account much for the inability to organise the productive forces in general. New avenues for participation in poverty reduction strategies can hardly address the problem of peas-

ant alienation from the mainstream of the rural economy.

A farmer-friendly agricultural modernisation policy rather leads to the development of underdevelopment, reinforcing dependency syndrome in the countryside. Moreover, man-made crises along with natural calamities compel the victims of policy disaster to shift into cities.

Rural communities are liable to exploitation. The emerging comprador, interceding between the peasant and public administration, organises and disseminates a system of distribution that mirrors the fabric of capitalistic society. Modern urban centres, metropolitan or non-metropolitan, and even market-towns, function as "epiphenomena" of dominant interests of the investors and trading communities and exploit the peripheries and hinterland.

Surplus, generated from productions, increases capital accumulation. In fact, rural economy has become "a part of the process of capitalistic concentration" with urban investors putting into agriculture. A large portion of surplus finds its way out of villages.

Added to this phenomenon is the flight of rural capital to the city. A huge stock of capital generated by production in the cropping and non-cropping sectors flows into major urban areas

through market manipulation, credit recovery lines pestered with high interest and service charge, financial institutions, absentee landlordism and strategic power centres.

The deteriorating economic situation in the countryside shows up in scarcity of food, and production inputs. Rising competition in global scenario depresses rural economy. The irony is that primary producers of food crops have to purchase food at extremely high prices. Things are going in a reverse direction.

A volley of rural development measures of various development agencies has turned into a folly as the rural poor continue to be downtrodden by the onslaught of exploitation. Increasing marginalisation of peasants upsets the policymakers. Spillover benefits of economic growth are scanty. Whatever little the vulnerable get in socially construed mechanism of allocation cannot be treated as legitimate share -- something meaningful to add to their economic empowerment.

There is little hope of ending the exploitation of the rural peasants by the tycoons, the lumpen bourgeois and absentee landlords residing in the metropolitan areas, unless there is a strong advocacy for public policy to revamp rural economy for giving benefits to the interest of the peasants.

The stark reality is that some urban conglomerates having rural connections use local administration to maintain their position in economic structure. They have an unholy alliance with rich farmers, manipulating bargaining power in or outside the co-operatives.

A new approach to the development of rural economy is of utmost signifi-

cance against exploitation. Conventional wisdom in local level planning is no use. We badly need economic de-centralisation to prop up revitalisation of rural economy.

We have so many smart programs operated by public promotional agencies and NGOs alike to "foster the creative energies and innovative drive of rural people." There is no divergence of opinion about the efficient implementation of such programs so that rural economy flourishes from within to reduce poverty. Policymakers may go for the transformation of rural economy putting the poor first, of course, within a pragmatic policy fold.

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Organisational strength is a must for empowering the poor and integrating them into the distribution profile. The rural poor, including small farmers and the landless, should be mobilised into collective institutions or in "loosely co-ordinated associations to upgrade their income and consumption levels." There must be a policy to ensure their access to newly created organisational links that are expected to integrate rural economy to public administration. This is to minimise the gap between peasantry and the state.

True, rural economy is static with institutional stereotypes and semi-feudal trappings. Capitalist penetration is of course a recent phenomenon. Bangladesh rural economy is a proto-



More goes out than comes in.

type of Asiatic mode of production in a seemingly hydraulic structure.

Peasant economy is slow pitched, with inherent institutional cussedness. Rural poverty is endemic in a "traditional subsistence oriented economy." It is in the grip of "vicious circle of poverty." There is little capital investment for massive production in agriculture and entrepreneurial activities.

Introducing ambitious development schemes like ICT and modern infrastructure development in the prevailing economic environment will be less result oriented unless ground is prepared to re-dynamise rural economy. Promoting small investments focusing

on "rural and agricultural sector" is a realistic policy capable of implementation.

No cut and dried policy will do. We ought to think that awakening of the rural population through policy planning needs restructuring of rural economy on a pattern acceptable to the villagers. Hunger and malnutrition are inevitable outcomes of under-utilisation and misappropriation of resources. There is a need for an objective policy analysis and advocacy to delve deeply into environment matters.

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China to the rescue

A reallocation of capital to healthier economies would make the goods and services market work in tandem with the capital market. This would not only benefit the global economy, harmed by the financial crisis, but also help weak economies overcome their imbalances.

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WHILE there is an emerging consensus on what ails the world economy there is no agreement on the treatment. Instead of a global economic policy a variety of national ones are being cooked up to satisfy national tastes which contradict each other. The time has come to recognise that stimulating global demand, bringing it into line with global supply, is the only cure.

The diagnosis reveals that global demand is too low, resulting in excess production capacity, exercising downward pressure on investment, wages, and property prices. The prescription calls for a rebalancing of demand and supply. Excess supply through over investment in the 'fat' years, combined with an inventory built up, aggravate the policy dilemma.

Experience tells us that cutting excess supply is an agonising process that easily undermines confidence in a recovery, harming long-term growth prospects.

Individual countries may try to remedy excess production capacity by exporting more goods, but this shifts the calamity from one country to another doing no good for the global economy. If policy

makers are allowed to walk down this path, protectionism will throw a spanner in the works of recovery as countries race to retaliate against each other.

But first we have to do away with the illusion that global growth will return to 5%. Growth will likely land one, maybe two, percentage points lower and stay there for a while.

Taken together US, Europe, and Japan account for more than half and may be even two-thirds of the global economy. Europe is trying hard to reform its economy, but results are still disappointing. Japan is facing a low-trend growth due to demographics and the inability to restructure.

And we are unlikely to see private consumption drive US economic growth as it has done for many years. The paradigm has changed. The halving of the oil price from summer 2008 to summer 2009 should have led to higher private consumption, but it didn't.

A number of factors depressed the willingness to spend and it is not clear to which extent better data will renew consumer confidence.

Personal saving as a percentage of disposable income has rocketed from zero in April 2008 to nearly 7% in May 2009; the highest figure in more than six



Could China lead the way for a global recovery?

years. Demographics too are turning against US. Economics tells us that private consumption for an individual peaks around 45-50 years of age and the baby boomers have passed that mark. There is no basis to expect private consumption in US to rise or even correspond to the level around and prior to 2007. And without private consumption a recovery is unthinkable.

This leads to the conclusion that increasing demand can only be found outside the traditional heavyweights.

The newcomers are China, India, and Southeast Asia plus a number of other countries around the globe. But as only China is playing in the big league, examining that country should prove instruc-

tive.

And it looks pretty good.

But the first step is to repudiate the thesis that China's domestic demand is still weak, signalled by the persistent balance of payments surplus. If domestic demand were rising as share of GDP, imports would pull the balance of payments towards a smaller surplus, runs the argument. But it is falling.

The World Bank predicts China's surplus will fall to 8.3% of GDP in 2010 and 7.2% in 2011 from the 11% in 2007. The argument also overlooks the dramatic fall in commodity, food and energy prices: if the economy were unchanged, imports would have gone down, boosting the surplus further.

Persistent domestic demand, holding up much better than exports and by doing so limiting the fall in imports, seems to be the best explanation for a falling, not rising surplus. Of course, the reported stockpiling of commodities by China's large state-owned corporations could have played a role too.

The composition of China's imports suggests domestic consumption is changing. Parsing the data, when one separates imports used to produce exports primarily for US from imports destined for domestic demand an interesting dynamic emerges. Imports for production of exports fell much sharper than imports for domestic demand. The fact that this trend has persisted over almost two years implies China's economy is being restructured.

Recent figures suggest that real household spending is 9% higher than a year ago, resulting in a hike in private consumption's share of total demand. Retail sales are rising even more though this includes government purchases. On this basis it is plausible to assume that household spending together with government programs should prevent a fall in China's GDP growth below the 6-8% bracket.

The room to manoeuvre for stimulatory measures is still available for China. But this is not the case for US and Japan, where public budget deficits have reached the breaking point with further measures likely to undermine whatever confidence in the economies are left. US is running a deficit estimated at 13.2% of GDP and Japan looks forward to as much as 11% according to the pessimists.

In the end, the world cannot expect US to lead the way out of recession and

rebalance the global economy. On July 10, Larry Summers, Director of the US President's National Economic Council said to Financial Times, "I don't think the worst is over" and added "The global imbalances have to add up to zero and so, if US is going to be less the consumer importer of last resort, then other countries are going to need to be in different positions as well." To rebalance the world economy we need to look to growth from countries like China instead of US.

Moreover, as the rising savings rate in US is likely to slow down the recovery, it will be easier to reduce balance of payments imbalances that have harassed the world for so long. Indeed US exports rose and imports fell in May resulting in the lowest trade deficit for nearly nine years. If this trend persists, and basic economic figures suggest it will, US borrowing will fall, inducing global capital to flow into productive investment rather than US treasury bonds.

A reallocation of capital to healthier economies would make the goods and services market work in tandem with the capital market. This would not only benefit the global economy, harmed by the financial crisis, but also help weak economies overcome their imbalances.

Most important of all: it would achieve a rebalancing without cutting global demand thus avoiding a global slump. But US must pay a price. China would begin to lead the global economy replacing US -- a bitter pill, indeed.

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Religious images on food



THE sun was so hot I could actually feel my head melting. I was about to lick an ice cream cone when my friend Lanie shouted: "Stop." She grabbed my wrist and pulled it away from my mouth. "Your blob of ice cream looks like Buddha," she said.

She was right. It did look like a vanilla Buddha. The flattish blob at the bottom was his crossed legs, the middle blob was his body, and the small upper blob was his head. "What do we do with it?" I asked. "Can we sell it?"

This was a serious question. A massive influx of deities has arrived on planet earth.

Just last week, the Virgin Mary appeared in the form of a stain on a griddle at Las Palmas Restaurant in Calexico, California. More than 100 people have come to gaze upon it, manager Brenda Martinez told the Imperial Valley Press.

In Uttar Pradesh, India, the elephant-headed god Lord Ganesha appeared in the guise of a potato. The buyer, who had come extremely close to turning him into a quick snack of fried aloo gobi, instead transformed her home into a divine potato shrine, as one would.

There have been two recent appearances of Jesus, both in Florida. He appeared on a chest x-ray in the town of Homestead in December and on a pancake in Port St. Lucie in November.

For years, Muslims were left out of the whole "deity appears in gravy stain" tradition, since no images are allowed of founder Mohammed. However, that barrier seems to have been surmounted by people finding

written words.

Last year, a clever tree grew lines on its bark spelling Muhammad's name in Arabic, according to the man who found it in Skokie, Illinois. And in Orissa, India, a woman cut open an aubergine to find the seeds spelt the word Allah. The vegetable was installed in the mosque for people to pray to. ("O Most High Eggplant, hear the prayer of your humble servant.")

What strikes me as odd is the choice of venues. For example, if you were a deity and you wanted to re-appear on earth, why choose a food stain? One Australian guy sold on e-Bay a frying pan bearing a likeness of Jesus in burned, leftover lemon mustard cream sauce. Jesus was a smart guy. Food stains are not his style. And definitely not leftovers.

But the amazing fact is that there's big bucks in divine foods. In 1994, an American woman named Diane Duyser noticed that the Virgin Mary had

appeared in her kitchen in the form of a grilled cheese sandwich. (I am not making this up.) She kept the sandwich in a transparent box and sold it ten years later for US\$28,000.

But while grilled cheese sandwiches would normally be thought of as perishable items, cones bearing soft ice-cream are even more perishable. It was a hot day. I was hungry. I had queued a long time for that ice-cream. So late it.

"You just bit off Buddha's head," said Lanie, outraged. "You probably could have sold it on e-Bay for a fortune. And you committed blasphemy."

"Buddha was opposed to people craving riches," I replied. "So I am just following his teaching."

Then we noticed that all the ice creams being sold were Buddha-shaped. Hmm. A divine ice-cream machine. Now that has possibilities.

For more one divine food, visit our columnist at www.vittachi.com.

