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Seismic tremors

Signal that we must take note of

THE earthquakes of moderate intensity on the night before Eid day and into the following day, are the latest reminders of a bigger quake that might strike us any day. Thankfully, the joy of Eid was not marred by any report of casualty or damage to property. There were three tremors within 24 hours. Earthquake experts believe that these rather minor quakes could indeed be an indicator of a seismic howler of great magnitude coming our way.

Actually, the city of Dhaka is on the same tectonic plate as the Indian town of Bhuz which was battered by a major quake in January, 2001. What adds to our worries is that the cycle of occurrence of a bigger earthquake is put at between a 100 and 150 years. Without sounding alarmist, we are well past the 100-year mark since the last major seismic calamity occurred in this region. The dreadful fact is, we are not at all prepared to face a major earthquake, despite repeated warnings by experts. Of course, it cannot be prevented, nor can its time of occurrence be predicted, but adequate preparedness can help us reduce losses substantially.

Experts are telling us not to be scared, but people do not yet know what they will have to do in the event of a major earthquake. Indeed, the government must adopt some special mobilization measures to boost our earthquake preparedness. To begin with, the emphasis should be on strengthening and activating the civil defence system that must be responsive in quick time as the quake strikes. Rescue operations have to be launched on the basis of a plan and we need teams of trained operators to help the victims survive. So, a huge investment in this field is necessary. The whole salvation package must include the latest fire fighting arrangements, rubble haulers, rescue implements and well-equipped medical support system. The decision-makers cannot overlook the warning that there will be a humanitarian crisis of almost unmanageable proportions if most of the buildings in the city are flattened or badly damaged.

Regrettably, awareness building still remains a task far from accomplished. The building code is being violated and only a very small number of structures in the city are reinforced to absorb the shock of a major quake. Shockingly, most people are not even familiar with earthquake drill necessary for evacuation from an unsafe or damaged structure.

In the area of disaster management, especially in relation to cyclone and floods, Bangladesh has carved a name for itself; but earthquake being a new challenge we must not waste a day to get attuned to it and build up preparedness to face any eventuality.

Four-lane Dhaka-Chittagong highway

Too much delay in starting work

IT seems that the upgrading project of the most important link between the capital and the port city is being constantly hamstrung by various glitches. It speaks of the tortuous bureaucratic process that besets our development plans. Conceived in 2006, the project has not yet got off the ground even four years after the tender was floated in September 2006.

It is regrettable that the project was cancelled twice in 15 months up to July 2008 for one reason or the other, among which were matters related to tender documents, violation of the PPR as well as difference of opinion between the ministry of communications and the RHD. Sometimes tenders were cancelled in haste and even after it had been vetted by the law ministry and the NBR.

The Daily Star report anticipates that the launch of the 4-lane highway scheme may not commence for another year, and the news is disconcerting. The delay is due to the fact that the project does not have a consultant. The foreign consultant has quit after his demand for higher fees was turned down by the government. Frequent change of project director is another of the reasons for the inordinate delay. It is unbelievable that the project has seen as many as seven project directors so far. And now that the construction firms are ready to go with everything in place the consultant is missing.

Going over the whole episode, it appears to us that delaying the process may serve somebody's interest. We do not know whose, but the way the whole project has been handled leaves us extremely disappointed. We urge upon the government to take action against those that have thrown the spanner in the works every time the project had been ready to commence.

It goes without saying the need to convert the 2- lane highway, and it is indeed an apology to a highway, is being strongly felt with every passing day. There has been increase in the volume of traffic every year with the figure estimated at almost 20,000 everyday now from about 13000 in 2006. And the crunch was felt by everybody on the Eid holidays in the last two years when the jam extended to more than fifty kilometers, a six-hour journey taking 18 hours. But equally importantly, with road clogging the conversion has become necessary to prevent road accidents that have become a regular feature in this highway causing large number of deaths.

The matter can not brook further delay, and the government must ensure that the expansion work starts immediately.

Monetary policy: A retrospective on its effectiveness

In an economy like Bangladesh's, charecterised by a high degree of import dependence and many imperfections in money and credit markets, monetary policy is not an effective tool to accelerate growth or contain inflation. The primary objective of monetary policy should be to ensure that the demand for credit arising from autonomous growth-accelerating forces in the real economy is adequately met.

MIRZA AZIZUL ISLAM

BANGLADESH Bank recently published its 10th issue of Monetary Policy Statement (MPS) covering the period July-December 2010. The practice of publishing half-yearly MPS is a welcome development because economic agents have the benefit of a preview of the policy stance for the next six months. Advance information can provide the basis for rational behaviour by all economic agents.

However, it should be recognised that monetary policy suffers from inherent limitations, particularly in a country like Bangladesh characterised by many imperfections in money and capital markets and a high degree of import-dependence.

The effectiveness of monetary policy is predicated on (i) clear articulation of the objectives (ii) the impact of target variable (s) chosen on the objectives, and (iii) instruments available at the disposal of the central bank to influence the target variables.

This article seeks to evaluate the likely effectiveness of monetary policy in Bangladesh in light of the above using the present MPS as an example.

Objectives and target variable

The objectives of the present MPS have been laid down as: "BB's monetary policies will continue pursuing the dual objectives of maintaining price stability and supporting faster economic growth and poverty reduction. Continuous watch will be maintained to locate and neutralise likely inflationary pressures from the growth supportive monetary and credit policies, which, to the extent feasible, will be targeted to selected priority productive sectors. Deepening of financial inclusion of agriculture, SMEs, renewable energy and ecological footprint minimising technology sectors will continue to remain the key areas of policy supports with refinancing lines." Leaving aside the rhetoric of financial inclusion and poverty alleviation, I would like to focus on the two macroeconomic objectives -- growth and inflation.

In the prevailing milieu of macroeconomic management, central banks have become severely constrained in the choice target variables. Administered interest rates and directed credit allocation are no longer in fashion, though Bangladesh Bank resorts to these practices on a limited scale, sometimes informally. This situation implies that practically the only target variable Bangladesh Bank can seek to influence is the broad money supply.

The present MPS recognises the above reality. This is evident from the statement that "the interest rate structure is an outcome of complex interplays of conflicting interests of savers and entrepreneurs in the credit and capital markets. Regulatory interventions on interest rates are best limited to those justifiable on consumer protection grounds; interventions beyond those limits will impair the effectiveness of monetary policies, obstructing normal transmission channels of monetary policies"

The normal transmission channel: Does it work in Bangladesh?

The normal transmission channel of monetary policy is that an increase in money supply would cause a reduction in interest rate; this would lead to increase in investment and thereby higher aggregate demand and higher GDP. Along the way there may be some increase in inflation, depending on constraints on the supply side.

Conversely, a reduction in money supply would cause an increase in interest rate, fall in investment and aggregate demand leading to lower inflation and possibly lower GDP. In the context of Bangladesh, policy stance factoring reduced money supply and thereby higher interest is out of the question as acceleration of GDP growth remains the overriding development objective.

At any rate, the first link in the above-mentioned chain of causation runs from money supply to interest rate. The experience in Bangladesh shows that this link does not work effectively. An examination of data from FY 01 to FY 09 shows that during these nine years movements in interest rate (lending rate) were in the predicted direction in only three years. In the other six years, higher growth of broad money relative to the preceding year was accompanied by higher interest or a lower growth of money supply was accompanied by lower interest.

The reason for the breakdown of the link between money supply and interest rate most likely is that the financial system of Bangladesh does not operate under the principles of competition. The banks, particularly the private ones, collusively determine the lending rate with little regard for money supply conditions. It follows that monetary policy cannot be expected to be an effective tool for accelerating growth.

In the above scenario, it is no wonder that money supply has no discernible impact on inflation either. Data for ten years (FY01-FY10) show that, year to year variations in growth of money supply notwithstanding, inflation in every year was higher than in the preceding year excepting in FY 09 when inflation was lower than in FY 08. This was because the rate in FY 08 was unusually high in consequence of global inflation resulting from dramatic increase in the prices of food, fuel, fertilizer and many other raw materials and intermediate goods.

I have argued elsewhere (DS, November 5 '09) that in an open, import-dependent economy like Bangladesh, domestic prices are largely determined by international prices. Hence, monetary policy is bound to be ineffective in containing inflation.

Instruments to influence target variables

The last nail in the coffin of the effectiveness of monetary policy is that the instruments available at the disposal of the central bank, namely variations in cash reserve/statutory liquidity requirements and operations in treasury bonds, can not exert significant influence on the target variable, namely, money supply.

The principal explanation lies in the fact that banks in Bangladesh typically maintain large excess liquidity amounting to nearly Tk.31,000 crores as of end-May 2010. In this situation, it would be futile to expand money supply through reduction in cash reserve requirement/statutory liquidity requirement or treasury bond operations because, if demand conditions permitted, the banks would prefer to earn higher income by expanding credit anyway instead of maintaining excess liquidity.

Similarly, reasonable increases in cash reserve requirement/statutory liquidity requirement or treasury bond operations would not be of much help in inducing banks to restrain credit since they can fall back upon excess liquidity.

Concluding observations

The above analysis clearly points to the ineffectiveness of monetary policy in accelerating growth or containing inflation. This does not mean monetary policy has no role in the country's development process. The recent global recession has amply demonstrated that credit crunch can be a serious constraint to growth. Therefore, the primary objective of monetary policy should be to ensure that the demand for credit arising from autonomous growth-accelerating factors in the real economy is adequately met.

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Denial is no strategy

The Indian government must be shaken out of what Dr. Ghafur calls "the notorious ostrich strategy." This "denies the existence of the problem -- stop looking for these bugs, stop looking for the hidden resistance mechanisms. Why should we Indians worry? We can always depend on honey, yoghurt and cow's urine."

PRAFUL BIDWAI

THE Lancet, a reputed British medical journal, recently published a paper co-authored by Indian and British scientists on antibiotic resistance induced in certain bacteria by a gene named New Delhi metallo-beta-lactamase-1. The Indian government maligned them. It now demands that the Indian scientists explain how they sent biological samples abroad without permission.

This is an old bureaucratic trick; when confronted with an unpleasant truth, throw the rule-book at its source. The rules allow the export of genetic material in small quantities without prior permission. Tightening them mindlessly will kill cross-country scientific research.

The paper establishes that some bacterial strains have become resistant even to carbapenems, the latest, last-line-of-defence antibiotics. Questions remain on how representative the study is, and whether naming the gene after New Delhi was meant to discredit India's medical tourism business, as alleged.

True, the NDM-1 gene wasn't first isolated in New Delhi, but only described there in a Swedish patient last year. Nor is its precise origin established. But that's not odd. Biomedical researchers often name genes/bacteria after cities that report an early high incidence of a particular phenomenon.

Indian place-names have been used in the past, e.g. Pseudomonas deliensis and Methanolobus bombayensis. Bugs have been named after Adelaide, Beijing, Berlin, Moscow, Singapore, Washington and Zurich.

The paper's concluding paragraph warns UK citizens against visiting India for treatment. This is unusual for a scientific journal. The study is based on 37 UK patients hospitalised in India, 14 of whom got infected with multi-drug-resistant bacteria. It's unclear if the 37-strong sample is representative. Nor does the study compare drug resistance rates in Indian and British hospitals.

However, its principal finding stands; NDM-1-induced infection has spread to cities like Chennai, Mumbai, Varanasi, Guwahati, Bangalore, Pune, Kolkata and Hyderabad, to Pakistan and Bangladesh, and to the US, Canada, Australia, and now, Japan.

The first NDM-1 study was conducted by an all-Indian team from Hinduja National Hospital, Mumbai, and published in the Journal of Association of Indian Physicians. It isolated 22 NDM-1 cases in three months.

Dr Abdul Ghafur K, a Chennai-based infectious diseases consultant, wrote in an editorial in the Journal: "If a single hospital can isolate such a significant number of bacteria with a new resistant gene in a short period of time, the data from all the Indian hospitals, if available, would potentially be more … interesting than the human genome project data …."

These studies should have jolted India's medical establishment into corrective action. NDM-1 is easily transmitted between pneumonia-causing Klebsiella pneumoniae and urinary infection-causing E coli.

Antibiotics are essential to fighting infections -- among the biggest killers in poor countries. Yet, bacteria become resistant to antibiotics as part of the natural process of evolution.

Drug companies' antibiotics innovation hasn't kept pace with resistance. They invented 16 new antibiotics in 1983-87, but only seven in 1998-2002. Antibiotics constitute only 1.6% of all new drugs under development. New-generation antibiotics are exorbitantly costly. Carbapenems treatment costs Rs.6,900 a day.

Indians are highly susceptible to infections because of inadequate nutrition, polluted air and water, and poor hygiene. Hence, the high prevalence of tuberculosis, dysentery from water-borne bugs, and respiratory problems compounded by polluting cooking stoves.

Indians are among the worst victims of antibiotic resistance. Antibiotics are over-prescribed and abused in India. They are available for the asking at the chemist's. Indian hospitals don't follow antibiotics policies, under which doctors must obey certain protocols so that bacteria don't become resistant to all classes of antibiotics; there's always a class in "reserve."

Bacterial resistance probably claims lakhs of lives, especially from TB, respiratory disease and dysentery in India. Mis-prescription by doctors -- and often, paramedical personnel -- leads to the simultaneous use of multiple categories of drugs, where only one or two classes will do.

Worse, pharmaceutical companies' salespeople promote expensive antibiotics and recommend high-end drugs for common ailments. For Indian doctors, they remain the principal source of drug information.

Infectious diseases get a low priority in Indian medical education curricula. Indian doctors, says Dr. Ghafur, don't learn much about antibiotics use. Nor do they undergo refresher courses.

In India, a medical consultation is automatically expected to result in a prescription --usually, of several expensive drugs.

Drug companies buy enormous influence with doctors through junkets and expensive gifts, and abuse it. For instance, in the 1960s, a US-origin multinational in India promoted chloramphenicol -- meant only for life-threatening meningitis and typhoid -- to treat common colds. When typhoid broke out in Kerala in the 1970s, thousands perished because of chloramphenicol resistance.

The condemnation of The Lancet article as a "conspiracy" centres on the charge that it was calculated to damage India's Rs.1,200-crore medical tourism business. Pampered at the cost of denying elementary healthcare to the public, this business isn't worthy. India must raise public spending on health way above the present failed-state level (0.9% of GDP).

India's $300-million medical tourism market is irrelevant besides developed countries' health spending (e.g. $2,300 billion in the US). Britain's National Health Service is so overloaded it would be glad if patients went abroad. This conspiracy-based argument betrays ignorance and insularity.

The Indian government has set up a task force to evolve an antibiotics policy. Even if this produces good guidelines, they will be difficult to enforce because 80%-plus of our hospitals and clinics are privately owned and basically unregulated. They need radical reform, which entails fighting entrenched interests which profit from illness and disease.

Remedial action on antibiotic resistance will need a global, open-source, broad-based approach to developing new drugs because profit- and monopoly-driven Big Pharma is unlikely to develop them.

The Indian government must be shaken out of what Dr. Ghafur calls "the notorious ostrich strategy." This "denies the existence of the problem -- stop looking for these bugs, stop looking for the hidden resistance mechanisms. Why should we Indians worry? We can always depend on honey, yoghurt and cow's urine."

That would mean writing off the people's well-being.

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