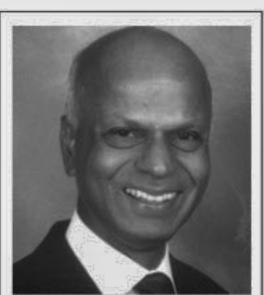
European debts and American rating agencies



Chaklader Mahboob-ul Alam

few days ago, Standard and Poor's, one of the three largest American rating agencies, stripped France and Austria of their AAA ratings. Then it followed up by downgrading not only the debts of several other European countries but also the European

Stability Facility, which is in effect the bailout

fund for these ailing countries. We do not know exactly what criteria are used by the American rating agencies to arrive at their conclusions but what we know for sure is that their decisions have severe repercussions on the

economies of the debt-ridden countries, making it harder for them to borrow money and when they can they are forced to do so at very high interest rates. At the same time, they are condemned to a death spiral of austerity measures like raising taxes, cutting public expenditure, lowering salaries and wages, etc. with a view to balancing their budgets.

Unfortunately, these measures often stifle their economic growth, making it even harder for them to meet their debt obligations.

Debt level is usually measured as a percentage of gross domestic product. According to conventional wisdom, the higher it is the greater the danger is of a possible default. But is this a fair measure? Should the investors pay so much attention to opinions of these rating agen-

Before we enter into a discussion on this subject let us, first of all, get some of the basics straight because after reading a number of opinion pieces in various newspapers and journals, I have come to realise that there is a considerable confusion over the meaning of some of the terms used in these articles.

A national budget is no longer a simple statement of estimated revenues and expenditures for a fiscal year. After the advent of Keynesian economics, it is also used as an instrument for regulating the economy as a whole with particular regard to general level of prices and employment. In an inflationary situation, ${}^{{}^{t}}$ the budget is used to create a surplus of income over expenditure with the objec-

tive of withdrawing excess purchasing

power from the economy, thereby damping down a rising level of prices. On the other hand, in a recession, a policy of deficit spending is undertaken to give a reflationary impetus to stimulate the economy. The purpose is to increase aggregate demand and create new jobs.

The budget deficit of a fiscal year is financed by borrowings. The sum total of these accumulated borrowings at any one time is known as the national debt.

Although over the years, America's "nationally recognised" rating agencies like S&P's and Moody's have acquired a quasi-regulatory status, they are not government agencies. They provide

an independent opinion on the creditworthiness of a country or an institution to the prospective investors. In the United States "their judgments are hardwired into rules governing banks, insurers and funds." Their power stems from this peculiar status.

We must accept the fact that whatever their source of power is, they exercise an undue influence over the debt market across the world. So much so, that they have often been accused of manipulating the data for speculative gains and/or for destroying the euro.

Now, we can go back to the core issues. Should the size of the debt be the only criterion for deciding whether a country is creditworthy or not? Should the investors pay so much attention to the opinions of these rating agencies?

Of course, the size matters, but there are other factors which matter as well. While deciding on

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the creditworthiness of a country, the rating agencies tend to look at the total debt level of the country without making distinction between the amount of federal debt and the regional and local government debts. Under normal circumstances the federal debt is more secure than the regional and local government debts because of the simple reason that the federal government has greater power to alter the tax system and raise extra revenues.

As in most cases, the federal government usually bails out the regional governments, it is also important to know how much control is exercised by the federal government over expenditures incurred by the regional governments. The newly

elected Spanish government has imposed severe restrictions on the profligate spending habits of the regional governments. The finance minister has even threatened to bring criminal charges against the regional politicians and their officers who spend more than what is authorised under the budget.

At the same time it is also important to know how much of the debt is owned by the foreigners and how much is held internally. The greater the percentage of the debt owned by the foreigners, the greater the danger is of a default. As soon as there are signs of a looming crisis, foreign investors try to get rid of debts held by them causing interest rates to rise, thus making it more difficult for the country in question to meet its debt obligations. For example, Portugal is more likely to default because 80% of its debt is foreign-owned.

> Japan's total debt has reached an astronomical figure. It is over 200% of the GDP. Yet, it is unlikely to default because the Japanese are great savers and they own nearly 93% of the debt. Only 7% is held outside of its borders. Therefore, most of the Japanese government debt is owed to the Japanese people themselves.

> Going further along this path I should point out that government debt levels alone do not tell the full story either. Runaway private sector debt may create havoc in the financial system and consequently affect its creditworthiness in a negative way. In Ireland, when the real estate bubble burst, most of the private sector debt turned out to be bad. In order to avoid a total collapse of the financial system, the government had to step in and rescue the banks. Unfortunately, in the process, the government itself went broke.

I appreciate the fact that judging the creditworthiness of a country is not an easy matter. That is why it cannot be done in a casual manner. In Europe, most politicians and bankers are wary of the unsolicited verdicts passed by the American rating agencies on the creditworthiness of the EU countries. They also feel that they exercise an undue influence over the debt market and that their hasty conclusions often create huge problems to the countries on which they pass unsolicited judgments.

Angela Merkel, the German Chancellor has threatened to establish one or more European credit rating agencies. To be frank, the track record of these rating agencies is not at all unblemished. After

all, they failed miserably in the cases of Enron in 2001 and Lehman Brothers and AIG in 2008, and in a way are partially responsible for the current global financial crisis.

Actually, they are not very popular in the United States either. The G20 Financial Stability Board and America's Dodd-Frank act have called for major changes in this field to reduce the role of these somewhat shady organisations. Let us hope that these changes come into effect in the

The writer is an officer of the Order of Queen Isabel I of Spain and a life member of the Institute of Chartered Accountants in England and

WORLD LEPROSY DAY

Towards a Bangladesh without leprosy

MARTIN ADHIKARY

ODAY is the 59th World Leprosy Day. Organisations in about 100 countries will be engaged in raising awareness about leprosy, reduction of stigma and discrimination against the people affected by this disease, prevention of disability, and socio-economic rehabilitation of these people. There has always been stigma around this disease.

The social stigma surrounding this curable disease still pervades the minds and thoughts of many people. This scenario needs to be transformed in any society today. Leprosy is still as much a social problem as a medical one. The stigma of leprosy is caused largely by the deformities caused by leprosy. Leprosy is a truly human development issue since it affects the whole human being, the whole sociological arena of any society -- physical, psychological, societal and spiritual.

We are grateful to our Parliament that it has repealed the obsolete and alienating Lepers Act 1898 last year. This has paved the way for social inclusion of people affected by leprosy, which has been treated by modern scientific methods since the eighties of the last century. The old Act was necessary in those days when there was no cure for leprosy. But now there has been revolutionary

change in the treatment of leprosy because of the invention of MDT (Multi-Drug Therapy).

Authorities everywhere need to be serious at least in the two following matters in order to implement the spirit behind the repeal of the said prejudicial legislation about leprosy affected people: (i) Enough hands-on education in MBBS and nursing curricula needs to be provided to undergraduates. This is to ensure that leprosy

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treatment is integrated into general health care infrastructure, and that leprosy affected people do not need to go to specialised places for their treatment, and (ii) mass media have an important role to play in disseminating up-to-date information about leprosy and contributing to awareness raising and transformation of the traditional attitude and myths about leprosy.

Sadly enough, we have waited exactly for two years (since World Leprosy Day January 31, 2010) for disseminating a public awareness SMS in mobile phone network through BRTA. The message reads: "Kusthorog chikithsai bhalo hoy. Binamulay er chikithsa paoa jay. Erog chhoache noy. Rogike poribar-somaj theke alada rakhar proyojon nai."

This message was endorsed by the National Leprosy Elimination Program of the Directorate General of Health Services, and also duly approved by the appropriate office of the Ministry of Health and Family Affairs. We continue to wait for the dissemination of this very important message for creating public awareness.

Let us dream and proactively work together for mainstreaming the people who are created in God's image yet they are made to live in inhuman conditions. With the blessings of the revolutionary change in medical care of leprosy and the repeal of the 114 years old Lepers Act 1898 we ought to have enough hope for transformation in the leprosy scenario in our country. We need to have a transformation of our mindset and the political and social will to join hands together to create a "Bangladesh without leprosy."

The writer is a human rights activist, and a Christian Theology

teacher.

SHIFTING IMAGES

Winter's Tale



MILIA ALI

HERE is usually a lull in the Washington social scene after the Christmas and New Year festivities. Like nature, people seem to take time off to hibernate and interactions tend to be limited to intimate gatherings around the fire or low-profile intellectual and scholastic events organised by the community.

So far, 2012 has ambled on at a

pace much to my liking. It has not made a grand entrance on the world stage. Given the massive turmoil of the past few years, one hopes that this languid tempo heralds the beginning of a slow but steady phase of recovery. Fortunately, two simple but uplifting events I attended this month propelled me to a smooth take-off for the year ahead and provided much food for introspection.

The first event was a celebration of Scottish National Poet Robert Burns' birthday. Burns, who was born on January 25, 1759, is internationally acclaimed as the pioneer of the Romantic Movement. In his short life of 37 years he wrote prolifically and his repertoire includes poems/songs like "A Red, Red Rose," "A Man's A Man for A' That" and "Auld Lang Syne." (The last was translated by Tagore into Bengali: Purano shei diner kotha.) Interestingly, the discussion on Burns revealed that he was not just a romantic. His poems touched on diverse social themes like equality, freedom and dignity of human life.

What made the Burns presentation especially attractive was its sheer simplicity. It was organised in a modest community centre located in the middle of a wooded Park in Annandale, Virginia. Seated in a book-lined reading room, we were treated to a brief introductory lecture, some poetry reading, and two beautiful compositions of his work

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played on the harp. The event was rounded off with English Tea replete with freshly baked scones, strawberry jam and clotted cream! The entire ambiance was low-key (no overheads, racy clips or multimedia), but sublimely beautiful. A reminder that one does not need high tech gadgets, ostentatious surroundings or even complicated literary theories to be touched by poetry.

The second event was different, yet, in many ways a similar soulful experience. It was the presentation of a book written by a compatriot, Dr. Abdun Noor. The book, "Thy Names," is a compilation of Allah's ninety-nine names; each explained with references from the Quran and followed by a prayer (munajat). It is prefaced with an extensively researched introduction where the author discusses the monotheistic concept of Unity in Diversity as expounded by the idea that all human beings originate from the same source, but have eclectic characteristics and views.

Referencing the Quran, Dr. Noor cites Islamic scholar Muhammad Asad to assert that the diversity of races as well as the plurality of faiths exist by Divine Will to help man develop intellectually, morally and socially. Hence there is, as such, no preferred or "chosen" race or religion. The author also draws a convincing parallel between human diversity and the diverse attributes of Allah as demonstrated in His names.

The audience, consisting of South Asians, Americans and Europeans, showed a keen interest in the underlying concept of Allah's many names, and the Universal Message of Islam as articulated by Dr. Noor. The follow-up Q&A session included an animated discussion on interfaith issues and concerns.

"Thy Names" is an aesthetically produced book with colourful graphics. The artistic calligraphy by Bangladeshi artist Yasmin Nahar deserves a special mention. But, what is really impressive is the way the author explores a very complex topic and breaks it down into a simple message: that all men are equal in the eyes of an all-forgiving and all-knowing God.

You might ask what the two occasions -- Burns' poetry session and Dr. Noor's book presentation -- had in common. In terms of content, perhaps, very little. However, the seemingly disparate events served a common purpose: they demonstrated how the profound pleasures of life can be derived from simple experiences. We do not need complex settings or elaborate arrangements to partake of the beauty of poetry and music or for discovering answers to life's intricate questions through the mystical teachings of

the Quran. Unfortunately, in our frantic quest for solutions to the multiple problems of the world (job crisis, financial collapse and political upheaval) we lose ourselves in the quagmire of complicated theories, models and strategies. If we step back and align our physical beings to our spiritual selves we may stumble on the right answers. The answers may not be precisely what we expect but they may help us find a tranquil existence within ourselves, despite the turmoil in the world outside.

The writer is a renowned Rabindra Sangeet exponent and a former employee of the World Bank.