

CONNECTING THE DOTS

# Tackling inflation



A. R. CHOWDHURY

**T**HE Daily Star reported last week that fuel import, energy price hike and taka's devaluation against the US dollar have combined to increase Bangladesh's non-food inflation to around 13% in January 2012 -- which is the highest in the last fifteen years. Food inflation also went up to about 11% in January from the previous month's 10%. The country's general inflation has also been in double digits for the last eleven months. The last time it happened was in the early 1980s.

In addition to price hike of electricity and fuel oils, and devaluation of taka, the rise in government's spending and credit growth in both public and private sectors have also contributed to the rise in inflation.

The overall food price situation in the country has raised serious concerns. Prices of essential food commodities, particularly rice, have gone up even after good harvest of boro crop. The retail prices of food grains in the local market have increased significantly in recent months and are likely to increase further until the next harvest. Prices of other essential food commodities have also gone up. This raises concerns about economic stability and food insecurity as the purchasing power of low-income families has been reduced.

Last November, the International Monetary Fund (IMF) asked the Bangladesh government to tighten monetary policy to contain inflation. The IMF recommended, among other measures, safeguarding reserves through continued exchange rate flexibility and inter-

ventions only to smooth short-term volatility, and addressing financial sector vulnerabilities by strengthening and enforcing bank supervisory framework and market oversight and ensuring sound governance.

Over the last few months, the Bangladesh Bank has followed a restrictive monetary policy by raising rates on a number of occasions. The Bank has also increased statutory liquidity ratio and cash reserve requirement in an effort to keep inflation in check.

However, the problem with such an effort is that these policy measures would be adequate if only excess demand were driving inflation. Inflation caused by changes on the supply side of the market would remain mostly unaffected by the policies recommended by the IMF and undertaken by the Bangladesh Bank.

A look at the causes of inflation would show that in recent months changes the supply side has been as much of a factor in raising the inflation rate as changes in the demand side. In short, inflation in Bangladesh has been both a cost-push and a demand-pull phenomena.

Inflation in Bangladesh has historically moved proportionately with food prices. The weight of food items in the consumer price index (CPI) is more than 55%. In 2001, not only food prices increased in the international market, the prices of fuel, seeds, fertilisers, labour wages, insecticides and transport cost also went up, leading to higher costs in domestic food production.

The major macroeconomic variables, such as, revenue, expenditure and balance of payment position

were also badly affected by the higher prices of food items. The overall trade deficit increased significantly.

Rapid increase in the prices of food items eroded the purchasing power as well as standard of living of the poor, government and non-government employees, industrial workers, the unemployed and the people with limited income. This has forced a section of the population to drop below the poverty line.

Confronted with inflationary pressures, increasing poverty and social unrest, the government has introduced beggar-thy-neighbour policies that has reduced the nation's welfare and undermined a rules-based trading system. This has drawn substantial criticism from multilateral organisations like the World Bank and the IMF. Rather than trying to insulate domestic prices they have argued the government should let prices adjust to reflect the change in international prices and use targeted safety nets to compensate the poor.

Suppose the Bangladesh government accepts the conventional wisdom and focuses on ways to protect the poor from the impact of higher domestic food prices. Is the government ready? In particular, do safety net programmes exist, and can they be easily expanded? Does the government have the fiscal space to accommodate the additional resources needed to fund the safety net?

Unfortunately, the answer to each of these questions is a resounding "no."

Safety nets for the affected population in Bangladesh are either lacking or inadequate. If they are to be used

in future episodes of rising food prices, they need to be put in place now. In particular, multilateral organisations should work with the government to implement cash transfer programmes so that the poor can quickly and efficiently be compensated for the loss in purchasing power when food prices rise. In addition, the government should have mechanisms in place to ensure that when cash transfers need to be expanded, they will have the required fiscal resources.

Our food grain stock management could also be improved in order to tackle inflation. Due to inadequate storage capacity and technology, high stocks have led to high wastage. The increase in procurement in recent months has also led to a significant increase in the fiscal costs of the system. Further, inefficiencies in the system not only lead to high losses of the grains it handles, they also drive up the costs of food handling.

The government would also need to cope with the social discontent among urban households who are not poor enough to be included in the safety net programmes but are hurt by higher food prices. In the past, this has tempted the government to insulate domestic prices with beggar-thy-neighbour administrative measures.

By exclusively depending on tight monetary policy, the Bangladesh Bank may have a dampening effect on economic activity as the recessionary impact of such a policy might reduce the fiscal resources available to compensate the poor through targeted safety nets. Thus an over-arching coordinated policy is required in order to tackle the rising inflationary trend.

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## Valentine's Day: All about love

## Love at a time of violence

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**T**HOUGH Saint Valentine's Day (February 14) is a Christian and ancient Roman tradition its history and attraction make it an annual commemoration which celebrates love and affection between intimate companions. Basically, it is colourful day on which lovers express their love for each other by presenting flowers, offering confectionery, sending greeting cards with heart-shaped outlines, doves and the figure of the winged Cupid or Amour.

But what exactly are we celebrating? For the answer, we have to know the background of Valentine's Day. We know that the day is named after Saint Valentine and was established by Pope Gelasius in 496 AD.

But there are a few legends that are believed by many regarding Valentine's Day. The first legend has it that, during the 3rd century, there lived a priest by the name of Valentine, during the reign of Roman Emperor Claudius II, who was commonly known as Claudius Gothicus. He was physically strong and very

Juno, who was the Queen of the Roman Gods and Goddesses, was celebrated on February 14, which was a holiday. The Romans also knew her as the Goddess of women and marriage.

In Bangladesh, Valentine's Day was not celebrated but the spring celebration, Pahela Falgun, is the most colourful day of love and romance in the Bengali tradition. In the early nineties, *Jai Jai Din* published a special edition about Valentine's Day. After that publication, a few of students of some colleges and universities worked together to make the day popular in Bangladesh. As a frontline activist of Valentine's Day celebration in Bangladesh, I remember some of the critical remarks from certain quarters who did not appreciate what we were doing. But Pahela Falgun and Valentine's Day both are celebrated now in mid-February. After 18 years I feel what we initiated helped to make the culture of Bangladesh more cosmopolitan and internationally oriented. The fact that Valentine's Day falls on Pahela Falgun made the observance of the day acceptable to all.

Valentine's Day is for communicating fond or affectionate feelings. Valentine messages via Valentine cards can express "like" or "love." The oldest known Valentine's cards can be viewed in the British Museum. Now the exchange of Valentine's cards is common everywhere. Anybody, not simply lovers, can exchange these cards to convey a message of love.

We live in a global village and the popularity of internet is creating new global traditions. Millions of people every year use digital means of creating and sending Valentine's Day greeting messages, such as e-cards, love coupons, printable greeting cards, etc. People are exchanging Valentine's greetings via social networks like Facebook, Twitter, Flickr and many other blogs.

The oldest known Valentine's poem is by Charles, Duke of Orleans, to his wife in 1415 while he was imprisoned in the Tower of London after the Battle of Agincourt. It is part of a manuscript collection at the British Library in London. William Shakespeare mentioned Valentine's Day in *Hamlet*, where Ophelia expresses her emotions:

"To-morrow is Saint Valentine's day,  
All in the morning betime,  
And I a maid at your window,  
To be your Valentine.  
Then up he rose, and donn'd his clothes,  
And dupp'd the chamber-door;  
Let in the maid, that out a maid  
Never departed more."

But there is a similarity with Ophelia's emotions in the songs of Rabindranath Tagore, *Bhalobeshe Shokhi Nibhrite Jotone or Aha Aji ei Basanta*. Anyway, Valentine's Day is all about love. I believe love can give us more peace in our lives, and this special day will create strong bonds of friendship and love among human beings -- whether it is called Valentine's Day or Pahela Falgun.

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**B**RTISH historians Eric Hobsbawm and Terrence Ranger famously invented the term "invention of a tradition," by which they meant certain traditions in British society, especially British monarchy, that were not there in the past -- hence, not traditions in the real sense but were invented only in the nineteenth and twentieth centuries. This means that traditions can often be created by modern minds.

In Bangladesh, Valentine's Day, which has morphed into so-called "Love Day" or "World Love Day," is a very good example. This day was invented by Mr. Shafiq Rehman, a returnee journalist from the United Kingdom who started a popular magazine, *Jai Jai Din* in 1984 and used his fame and popularity to bring Valentines Day to Bangladesh, which he called "Love Day" or Bhalobashadibosh. What was perhaps a harmless gimmick in a popular magazine eventually became an occasion, a day of celebration not only among love-birds but also as a serious subject of talk shows and special programmes on television and features in the print media.

Valentine's Day has its historic origin in Christian theology, and the name is derived from Saint Valentine, a martyred saint from ancient Rome. In modern times, Valentine's Day in the west has also been a day of celebration of love and exchanges of gifts promoted to a large part by the greeting card companies.

In less than three decades, this day has become an invented tradition in Bangladesh. I do not begrudge the youngsters and others who find in this day an occasion to strike up a relationship or renew a precarious relationship using the day as an excuse. Nor do I envy the flower shops that do brisk business on a day like this. In fact, Hallmark and other card businesses had a role in institutionalising various days of the calendar, such as Father's Day, Mother's Day and Valentine's Day as special occasions. Commerce is a potent factor in nurturing and, sometimes inventing, cultural traditions.

This Valentine's Day, my mind veers off not so much to love but to violence that afflicts Bangladesh. Violence was not introduced by any journalist or politician; it is an integral part of Bangladesh society. We take notice of it only when something as dramatic as the twin-murder of a journalist couple takes place. Why is so much violence in a society which is proud of its tradition of love, fellow-feelings, sympathy and so many other nice qualities.

A British administrator once said of Bengalis that they are individually cowards but collectively cruel. The cruelty was best expressed in the mob beating of six college students to death in the summer of 2011 and in the dastardly attack on the hapless families and unarmed officers during the BDR uprising in 2009. The cruelty was also present in the murder of the young journalist couple. We still have to wait for the investigations to be over to know what the motives of the murderers were.

What Bangladeshis need now is to be calm and not be swayed by emotions and politics. Some politicians showed up immediately after the news broke to take political mileage of this tragedy. In making irresponsible remarks, they forgot that even in the world's most peaceful countries (Norway and Singapore)

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crimes such as murders do take place. Sure, Bangladesh is no Norway or Singapore and crimes are familiar events in the day-to-day life of Bangladesh. If politicians are blamed for poor governance, then all the past and present rulers must share the responsibility equally. Yes, improvement in the law order situation will help but I am not too sure that a culture of brutality and violence will disappear only with better policing.

Here we need some introspection. Are Bangladeshis really a violent people?

World Bank data show that Bangladesh is not any more violent than India or Pakistan.

International homicides per 1000,000 people (2000-2009)

Thailand	7.9
Sri Lanka	7.4
Pakistan	7.3
Philippines	3.8
India	2.8
Bangladesh	2.6
Vietnam	1.9
Nepal	1.8
China	1.2
Indonesia	1.1

Source: *World Development Report*, 2011 pp. 336 - 337.

In the above table Pakistan's and Sri Lanka's high numbers can be explained by civil-war like conditions that obtain in Pakistan today and Sri Lanka earlier. Thailand's number seems to contradict the image of the land of smiles. I say that with due respect to the Thai people who are gentle and polite. So are Bangladeshis. Known as a nation of poets and lovers, Bangalees are gentle folks. Their hospitality is legendary, yet the other side of this docile, romantic image is cruel and unforgiving.

This Valentine's Day, spare a thought for the young journalist couple who will not exchange gifts again, nor will they be around to report. Life, for the rest of us, will go on lovingly and violently.

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cruel.

Emperor Claudius believed that an unmarried soldier was better than a married one, so he decided to outlaw marriage in order to have plenty of strong young men at his disposal. Valentine, the priest, did not obey this law and continued to celebrate the holy bond of marriage for young couples in secrecy. However, he was caught and sentenced to death.

According to another legend, Valentine was a prisoner who fell in love with a young woman who came to see him often. It is believed that she was his jailor's daughter. Before his untimely death he wrote her a love letter, signed "From your Valentine." Therefore, the phrase "Be my Valentine."

Some believe Saint Valentine was beheaded, others think that he died of sickness, and Emperor Claudius died after contracting smallpox. But it is not clear that February 14 was the day of Valentine's birth or death, or if it had indeed anything to do with Saint Valentine at all. The only thing confirmed is that the Romans had a celebration on the February 14, called the Love Lottery. It was believed that spring, and with it the renewal of life, came in the middle of February, and therefore the love lottery was held, coupling young men and women for one year, often leading to marriage.

Wooden love spoons were carved and given as gifts on February 14 in Wales. Hearts, keys and keyholes were favourite decorations on the spoons, which meant "you unlock my heart!" Another reference from ancient Roman history is that the birthday of