

ANALYSIS

Coming to grips with the concept of risk

WILLIAM WESTGATE

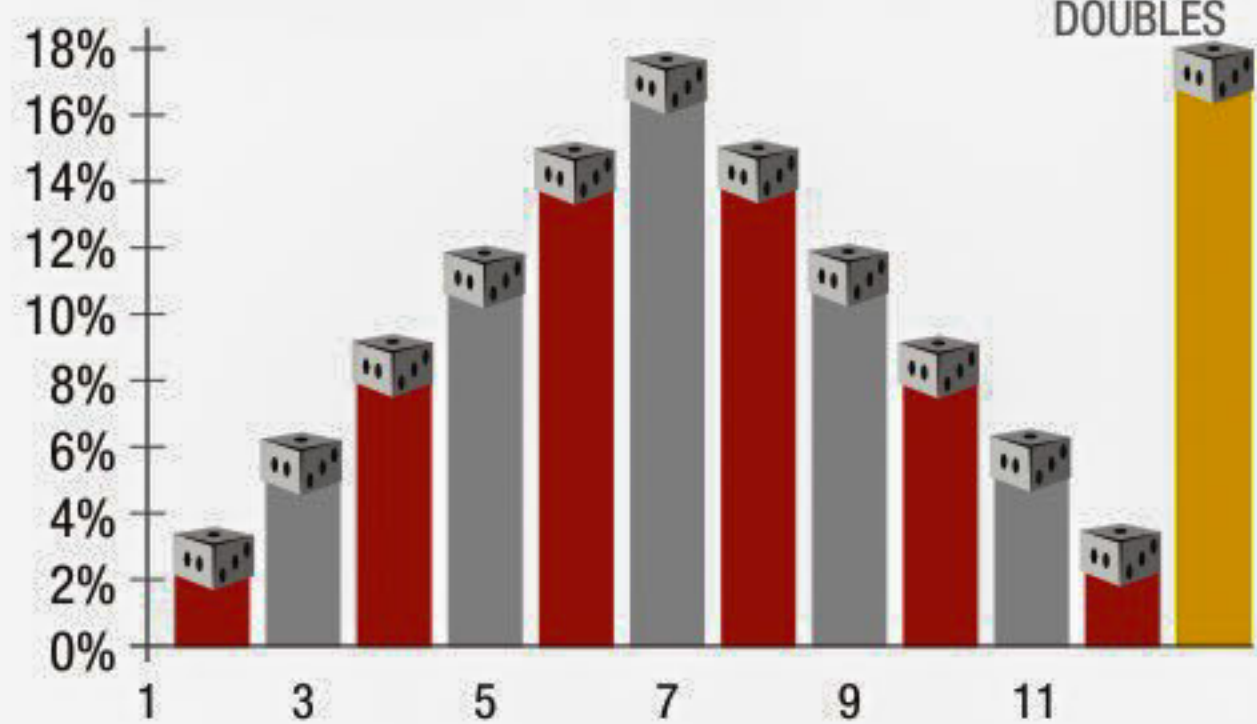
MANKIND'S advancement can partially be explained by the development of our understanding of risk. For centuries, mankind assumed that most events were caused by either evil or benevolent forces. For instance, if a person walked by a field and a cow suddenly died it was assumed the person must have caused the death because they were possessed by demonic spirits. Mankind did not understand the difference between correlation and causation. Just because something happens at the same time something else does (correlation) does not mean it made it occur (causation). Just because the rooster crows just before dawn does not mean it causes the sun to rise!

PROBABILITY V POSSIBILITY
Much of our understanding of risk originates around games of chance. For instance, early mathematicians looked at rolling dice and found they could calculate the probability of getting say, a seven rather than a four

random event from a pattern. One cannot say what the weather will be like in six months time but one can tell you how high the tide in Chittagong harbour will be that day. (Weather is random while tides are part of a pattern -- but we did not even know tides were predictable until the time of Isaac Newton).

NORMAL DISTRIBUTION
One interesting site that can be found on the internet is the "death clock". If you type in your date of birth it will calculate the day you are likely to die. Some people find that spooky, but it is just basic maths -- the actuarial premise on which so much of the world's pension and insurance industry is based. (NB. It is not your death that is being estimated -- it is the average life expectancy of people born at the same time you were and who live in similar circumstances.) There is nothing "spooky" about estimating when people will die (note, I did not say when "an individual person" will die -- that would be weird). Such predications are simply based on normal distribution. Numbers do amazing things and properly capturing data, assembling it and interpreting those numbers yields remarkable insight into so many aspects of society and human behaviour. Understanding risk and probability allows economies to be planned better, governments to tax and spend more wisely, firms to run more efficiently and people to manage their own life and that of their families much more intelligently.

DICE ROLLING STRATEGIES: PLAY THE ODDS



or double ones. What we quickly learned is that we cannot know what the next roll of a dice will bring us, but we do know that over many rolls of the dice certain patterns will emerge. If you understand this you will understand why casinos are so profitable!

RANDOM V PATTERNS
However, we have also come to recognise that, by and large, humans are poor at decision making. Not only do we fail to make the distinction between causation and correlation, but we are equally weak at differentiating between possibility and probability. It is possible that the world may be hit by a massive asteroid -- but it is not very probable (so don't worry about it). Or, we see people who are heavy smokers worrying about being killed in a terrorist incident! We are also poor at distinguishing what is a

to manage their own life and that of their families much more intelligently.

THE DISMAL SCIENCE
Of course random events do occur -- and many of them can be utterly tragic for those involved. But, take road deaths or house fires for example; each incident is a terrible circumstance yet, year after year, we see roughly the same frequency occur in a given population which allows us to implement proper prevention policies. Learning to separate the individual tragedy from the reoccurring pattern is a vital advancement for any society. Of course, separating the two is also why economics is often referred to as the dismal science.

William Westgate is an economist and director of London Training Services and also lectures at Regent College in Gulshan, Dhaka. He can be reached at wwestgate@gmail.com.

Ctg boutiques trending up



Amina Rahman, the owner of Arion Fashion, prepares her wares for sale in the port city of Chittagong, which is home to 150 boutiques.

SHAHENOUR AKTHER URMI, Chittagong

THE number of boutiques is increasing rapidly in Chittagong to cater to the changing lifestyle of the city dwellers, particularly the youngsters.

Even seven or eight years ago, people in the region were not acquainted with the concept of boutiques, and the number of such fashion houses was negligible.

Now, some Chittagong-based boutiques are working hard to make traditional clothes and spread their business. Most of the stores have women entrepreneurs at the helm.

"In 2002, I set up my boutique out of a hobby and now it is my way of presenting handloom dresses of the indigenous people to the world," said Amina Rahman, a fashion designer and owner of Arion Fashion Boutique.

She has been making dresses with handloom fabrics woven by the hill people for the last 10 years.

"Although I started a long ago, the enterprise did not grow as fast as I had hoped, as people were not interested in boutiques earlier," she said.

She said Chittagong has distinct traditions and many have forgotten to pay attention to the tastes of the city dwellers.

"Now the situation is changing. Everyone is fashion conscious, especially the young people. They visit the boutiques more frequently to find different types of dresses," said Amina.

She said occasionally older people also visit the shop because of the quality of the

products the boutique offers. To expand business, she joined hands with Arup Barua, another designer, six years ago.

"I always try to promote local products at low prices," she said.

As awareness of fashion is growing fast among the people in Chittagong, the boutiques are also growing in the port city. Anyone can grab a good market share with creativity and uniqueness, Amina said.

"I started working in 1999 and at that time Chittagong people were not interested in these types of dresses, but now the situation is changing fast," said Roslin Penheiro, proprietor of Linas Boutique House.

"At present, young people celebrate different occasions with a lot of enthusiasm and run to the boutiques," she added.

"I always try to highlight the tradition of the country and Chittagong city through design and customers happily accept that," said Penheiro.

Many Dhaka-based boutiques have set up their stores in the port city due to increasing demand. The outlet of 'Deshi Dosh', a group of ten houses with traditional undertones originating in Dhaka, is located in Afmi Plaza.

"We could not make profits when we started our journey in Chittagong in 2010, but now we are satisfied and thinking of setting up another outlet," said Arif Rahaman, manager of Kay Kraft, a member of Deshi Dosh.

"For any occasion, I come to boutiques because design and quality are different in these houses," said Saima, a college student.

"The panjabi and futua of Kay Kraft are

nice and comfortable to wear. I always like these," said Shakil, a university student.

Entrepreneurs said there is a huge potential of the boutiques in Chittagong and almost 150 houses are operating.

They point to a lack of government attention, insufficient raw materials, high prices of machinery, high interest rates of bank loans and weak marketing as major problems the boutiques are facing.

"We export our handloom garment items to Australia and Sweden in a small number. The demand is also rising there as we produce top quality items using local raw materials," said Arup.

"But we cannot meet their demand properly due to unavailability of raw materials and machinery. We cannot take loans from banks because of high interest rates," he added.

Penheiro said, "If we get big loans at a low interest rate, we will be able to produce more in line with demands."

Monowara Hakim Ali, president of Chittagong Women Chamber of Commerce and Industry, said, "We have many possibilities in this sector and the boutiques are giving a boost to Chittagong."

"If we can bring all the boutiques under one roof, it will be easier to promote them," she said.

Monowara, also a director of the Federation of Bangladesh Chambers of Commerce and Industry, thinks the government should pay attention to the sector because women are getting jobs in the sector and it will play a big role in Bangladesh's economy in future.

No end in sight to global jobs crisis: ILO

REUTERS, Geneva

FISCAL austerity and tough labour reforms have failed to create jobs, leading to an "alarming" situation in the global employment market that shows no sign of recovering, the International Labour Organisation said on Sunday.

In advanced countries, especially in Europe, employment is not expected to return to pre-crisis levels of 2008 until the end of 2016 -- two years later than it previously predicted -- in line with a slowdown in production.

An estimated 196 million people were unemployed worldwide at the end of last year, forecast to rise to 202 million in 2012 for a rate of 6.1 percent, according to the United Nations agency's annual flagship report, "World of Work Report 2012".

"Austerity has not produced more economic growth," Raymond Torres, director of the ILO Institute for International Labour Studies, told a news briefing.

"The ill-conceived labour market reforms in the short-term cannot work

either. These reforms in situations of crisis tend to lead to more job destruction and very little job creation at least in the short-term," said Torres, the report's lead author.

Long-term jobseekers are demoralized and an average of 40 percent of job seekers in their prime (aged 25-49) in advanced countries have been without work for more than a year, the report found.

Youth jobless rates have soared, increasing the risk of social unrest especially in parts of Africa and the Middle East.

The labour market overall has deteriorated over the past six months, with a very significant slowdown in the case of European countries, Torres said. Unemployment is growing in a significant number of countries, including more than two-thirds of European countries over the past year.

"The narrow focus of many Eurozone countries on fiscal austerity is deepening the jobs crisis and could even lead to another recession in Europe," he said.

"In addition, there is less progress

happening in other parts of the world, for example the United States, where progress in reducing unemployment seems to be slowing down and this seems to be a trend," he said.

Labour market recovery has also stalled in Japan, the report said. Employment rates have stagnated or "double-dipped" in China, India and Saudi Arabia, while Latin America is healthier, marked by improvements in Argentina, Brazil and Mexico.

"The report clearly points to the combination of austerity measures with ill-conceived labour market reforms as the real cause for deterioration happening in Europe and little by little spreading to other parts of the world," Torres said.

In Spain, unemployment shot up to 24 percent in the first quarter, its highest level in almost two decades and one of the worst jobless figures in the developed world, according to figures issued last Friday. Standard and Poor's downgraded the government's debt by two notches.

The number of jobless in France rose for the eleventh month in March to hit the highest level since Septem-

ber 1999, according to labour ministry data released on Thursday.

The EU, which generates about a fifth of global output, has struggled to strike a balance between austerity and growth as it seeks to overcome a decade of runaway spending while grappling with recession.

Only six advanced economies have seen employment rates grow since 2007: Austria, Germany, Israel, Luxembourg, Malta and Poland.

The report recommends countries would do better to boost job quality and reinforce institutions, rather than deregulating labour markets.

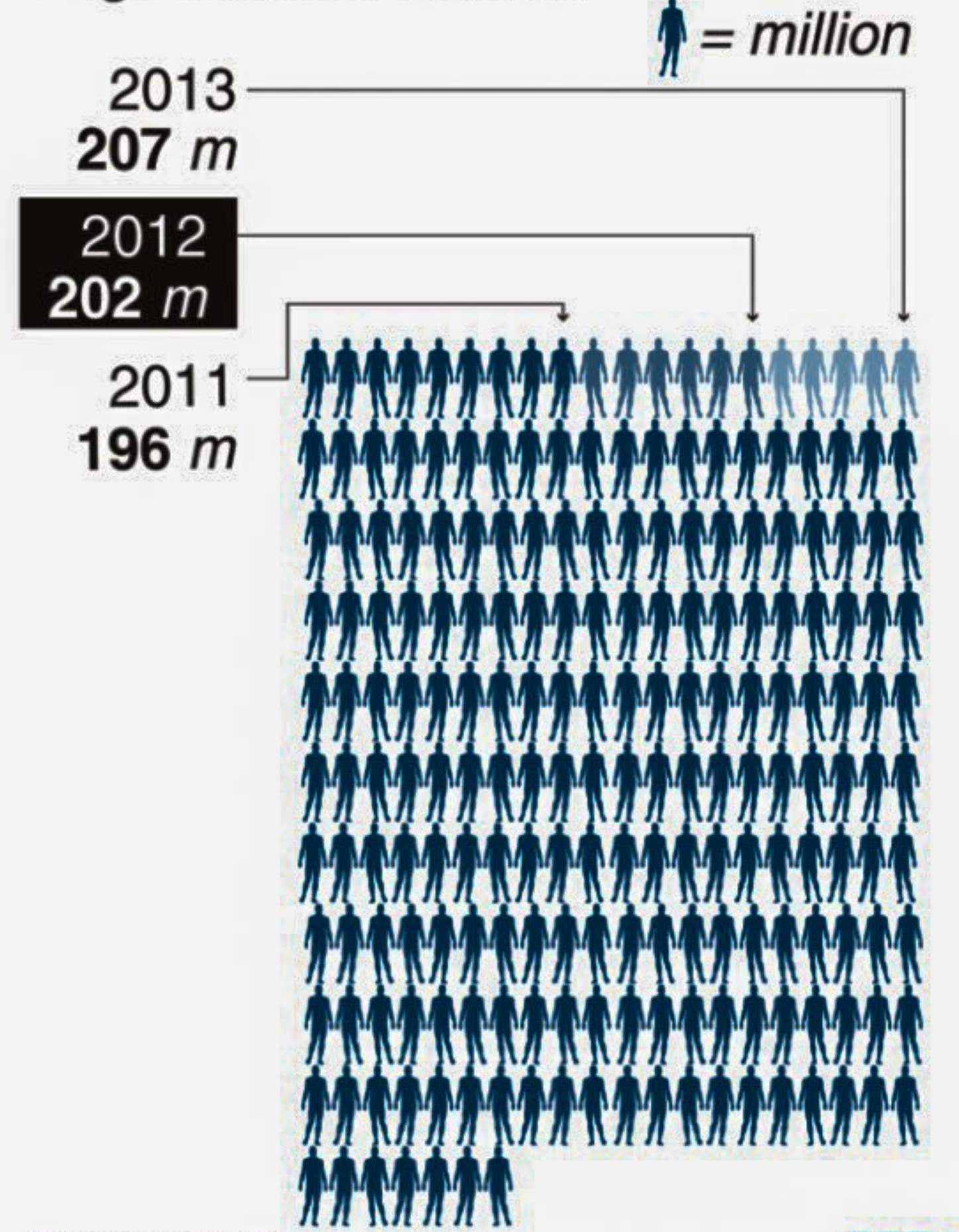
It also suggests better use of European Structural Funds as well as an increase in minimum wages in European countries "as a way to put a floor on recession in Europe."

"At the ILO we understand that fiscal deficits cannot remain high for long. It is important to have a medium-term fiscal consolidation strategy," Torres said.

"But it is a question of pace and of content of fiscal consolidation. The pace has to be realistic," he said.

World unemployment

Global unemployment will be at 202 million in 2012 and rising, the International Labour Organisation warned



Source: ILO

AFP