

PLEASURE IS ALL MINE

# Electricity *tamasha* and all



SHAH HUSAIN IMAM

**N**O suits, ties for nine months from March to November, a government circular blurts out of the blue for the government and autonomous bodies. That such an idea sprouted in a fertile brain awash with crisis management quackery cannot be in doubt. But what you puzzle over is the forced dress code. If the rule sticks by you will have dumped your costly summer suits and boots away.

The move simplistically aims at energy saving through use of fans instead of power guzzling air-conditioners. Supposing fans will do; you ask the question: What about the large number of the air-conditioners bought at a huge cost rusting away through disuse? Perhaps an irrelevant question because the circular is likely to be followed by its noncompliance. The temptation would be too great not to use a handy gadget only a switch away.

Then you put in a supplementary: Isn't it that with each such circular you need to create a new layer of bureaucracy to enforce the rules?

Picture also a lot of fodder for snooping, nitpicking, recrimination, even perhaps insubordination in peppy cycles of gossips -- quite a waste of time in the office, to be sure.

Seriously, this is a classic case of misplaced emphasis. The stress should have been on curbing the huge systems loss in the power sector, unofficially estimated at around 30% (it's perhaps convenient not to have any reliable data!). This includes transmission leaks, pilferage and under-billing or no billing of usage bleeding the power sector white. Occasional raids on unauthor-

ised connections whimper before the roar of corruption tiger we have been riding. Power price is hiked, consumers suffer.

It's a cruel joke touted in defence of the failure to seal a host of other routes to wasteful expenditure and over-expenditure in government and autonomous bodies.

The more serious the electricity debate gets, the more bad-mouthing there is from those in charge. Fun- nily, not from the consumers, even though some MPs have warned they might face public wrath in their constituencies if the erratic supply gets any worse.

Power generation capacity has increased through

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desperation-driven quick rental power plants. But what is it worth if the newly acquired capacity is outstripped by increased demand. This is a projection fault. The time gained through quick fixes like the rentals has not been effectively utilised to re-capacitate the old plants or otherwise go for coal-based power plants.

The *khamba* (pole) scandal during the BNP rule that meant greed at play before the grid in place remains unbeatable. Yet, poles are in the pipeline to give new connections as deficit between demand and supply grows.

The energy advisor has startled us with his latest remark. He said, the critics of quick rental power plants

are "either ignorant, intellectually corrupt, anti-government or anti-state."

But then he admits to facing the challenge of using the plants efficiently: "When the agreements were signed the price of furnace oil was Tk. 26 per litre but now it costs Tk. 60 per litre." The core issue is the bank-rolling of the agreements' implementation including machinery imports and their idling away due to prohibitive operational costs. The government is forced into borrowing, banks have liquidity gaps and credit to private sector is squeezed.

State, government and people are being used as interchangeable and synonymous words which they all

really are not, except for an obvious connect between the state and the people. The government and the opposition are like two sides of the same coin in a democracy. But each concept is distinct in its own right, and ideally supposed to be linear in an unbroken league with others, but in reality it is contoured.

Governments may come and go but the state is perennial, inviolable and indivisible. Yet government in power is accustomed to equating itself with the state, which is a higher entity -- a Louis XIV syndrome!

Thus we see how perfectly legitimate criticism is being labeled "anti-state." The loose and irresponsible manner in which the word "sedition" is being used

right, left and centre, in reaction to any opposing sentiment or comment, reflects outright lack of respect for each other and intolerance of dissent.

When Western Europe is abuzz with calls for austerity, where is financial discipline and frugality in our hard-pressed economy? In a country having 33 lakh tax identification number (TIN) holders (real taxpayers are even less) with a 160 million populace we have defeated Greece in the game hands down! There is more; despite the swelling ranks of nouveau riche coughing up any money to buy up super-luxury vehicles and mansions (at home and perhaps abroad), only 4,500 bank accounts are in the category of Tk. 20 million or above. Either the account holders have undisclosed amounts or their assets are grossly undervalued. If per *katha* price of land four decades ago is factored into present day assessment, then a lot of real money is concealed.

Comes the disturbing fact of undisclosed incomes, i.e. black money estimated at around 37% of the GDP, according to the finding of an Austrian University research body led by Professor Fredrick Snider. The government statistic is even fearfully higher -- between 40 and 80% of the GDP.

So much for domestic mobilisation of resources. Given the high cost of business and deteriorating security situation, "money is being exported," a softer expression for flight of capital. Malaysia and Canada are becoming favourite destinations for some of our moneyed elite.

Love for the country is sadly at a discount even in this uncertain, hostile international environment. What an irony!

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LETTER FROM EUROPE

## Save the euro. No time to waste



CHAKLADER MAHBOOB-UL ALAM

**A**FTER so many bilateral and multilateral summits of European leaders over the past two years on the euro, I cannot help feeling that these politicians are either a bunch of procrastinators or they do not realise that Europe is on the edge of a precipice. While they talk, eat dinner or stroll, the ship is sinking little by little. It is as if we are watching a movie in slow motion of a death foretold. No country, not even Germany will be able to avoid the consequences of the disaster. How can we avoid it?

First of all, the leaders, in particular, the uncompromising Ms. Merkel, who in my opinion lacks a long-term political vision, will have to answer a crucial question: Is it worth saving the euro? If the answer is positive, they must act quickly and decisively, because there is absolutely no time to procrastinate. Further stopgap measures will not solve the problem.

The purpose of this article is not to blame anyone. I am aware of the fact that at the very beginning, the idea of having a monetary union without a fiscal and banking union and at least some degree of political union was a serious mistake. But right now what is important is to take appropriate measures to save the euro, because, if the euro implodes, the resulting financial turmoil will not only affect Europe but also the entire world.

Debtor countries must abandon the harsh austerity measures imposed by Ms. Merkel, because they are stifling their economies not only by cuts in public expenditure but also by the continuous increases in the risk premium. I am not against an austerity plan but against its rigidity. Here, in this case, the ultimate objective of the austerity plan is to reduce debt levels of the euro-area countries. However, a very rigid austerity plan achieves just the opposite. Declining economic activities reduce government income which, in turn, makes it difficult for the countries to meet their debt obligations. In fact, budget deficit tends to grow because of the dual impact of falling revenues and rising risk premiums. It, indeed, is a vicious circle. Therefore, the plan must not only be austere but also flexible enough to stimulate growth at the same time. True, this policy might lead to higher inflation. Actually, some economists feel that slightly higher inflation in the euro-area, especially in Germany, will help stimulate economic growth in the whole area.

As we have seen, the risk premium (now nearly 6% on 10-year bonds) is causing havoc throughout the area except, of course, in Germany. Everyone agrees that in order to get out of this debt crisis, we need to solve this problem first. No country in the euro-area alone (again except possibly Germany) has sufficient financial capacity to solve the problem. Therefore, there is no other alternative but to issue Eurobonds. The International Monetary Fund and President Hollande of France support the idea. There are eminent European economists like Jacques Delpla and Jacob von Weizsäcker who have already warned that without the introduction of Eurobonds, some southern European countries may soon go bankrupt. So the question is: Why have steps not yet been taken to issue these bonds?

Well, the answer is simple. Germany (supported by Austria and Finland) does not want to issue these bonds. Of course, there are valid reasons for this decision. As Jens Weidmann, the president of German Central Bank commented recently: "You do not give your credit cards to anyone if you cannot control his expenditure." This is a fair comment and I agree with Mr. Weidmann. (However, Mr. Weidmann should be reminded that

Germany has reaped enormous benefits from the euro. In any case, this is neither the time nor the occasion to start a debate on this subject.)

This brings us to the issue of national sovereignty. In my opinion, it is necessary to transfer a part of our national sovereignty to a federal agency with a central treasury or to some other similar organisation with powers to control national budgets. I am convinced that Eurobonds will ease the debt crisis to a large extent. There are serious reasons for such optimism. Even though the sovereign debt level of the United States (more than 100% of the GDP) is higher than that of the euro-area (87% of the GDP), the United States has no difficulty in financing its debt at less than 1.75% because of the simple reason that the investors have confidence in the US to get their money back.

Few investors have similar confidence in Spain which has entered a period of economic recession and some of whose major banks are technically bankrupt. There are other euro-area countries that are in a similar situation.

I think, if the European politicians have the courage to take this bold political decision to have greater economic, fiscal and banking integration, it will not be very difficult to set up a federal agency with a central treasury in a relatively short period of time. Actually, I feel that even if it takes a little while to go through the formalities of setting up such a federal agency, the decision itself will ease the situation because the investors will realise that they can trust the combined financial strength and legal commitment of all the euro-area countries as a union, hence the need to act quickly.

Some politicians seem to think that the European Central Bank (ECB) is in a way responsible for this prolonged agony. They are wrong. One cannot compare the functions and responsibilities of the ECB with those of the US Federal Reserve. As the economist Daniel Indiviglio pointed out recently, the Federal Reserve

"among its many functions, acts as a supervisor and regulator of banks and the lender of last resort. It also monitors the risks and worries about the global macroeconomic situation. And of course, it determines the US monetary policy and controls its inflation. Its policies are also focussed on creating employment."

Compared with the Fed, ECB's powers are limited. It cannot buy government bonds on a large scale. It appears that the ECB's main function is to control inflation. I think the leaders of the euro-area should address this issue as soon as possible. In order to be more effective, the ECB's powers should be revised and strengthened as lender of last resort. In order to avoid bank-runs and to prevent capital flight from weak countries, it is also imperative to create a Europe-wide deposit insurance programme as soon as possible.

If the euro zone countries want to save the common currency, it will be necessary to have a long-term political vision which will lead to greater fiscal, banking and political integration of member countries. It will be necessary to set up supranational institutions to control national budgets, assess the economic situation and monitor developments in all the euro-area economies. Adequate legal provisions should also be made so that countries that do not agree with this idea of further integration may leave the club in an orderly fashion.

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## What is in a name?

NAUSHABA KHATOON

**W**ELL, a lot is. Words have physiognomic properties which influence perception. To Shakespeare the fragrance of a rose would remain the same even with a change of nomenclature.

Suppose we called it "jhotjhotkil" or "quillkerrfiz" and ran an experiment to prove the bard's point of view the results might not tally with his assumption. In the same context take the word "gram" or "grameen." There was a time not very long ago when, for the elite, the pedigree, the city dwellers, the higher ups, the word "grameen" stood for squalor, a perfume bereft multitude, stench of cow dung, bumpy dirt roads, helplessness and diseases. These things have not changed drastically but a few farsighted, innovative and dedicated men and women have been able to bring about visible and functional change in the stagnant situation. The Persian saying "Qatra, qatra dariya mee shawad" befits their endeavour.

I pay homage to one of them. A man whom I have never seen or met, but whose utterances and actions I follow with keen appreciation. There are many like me who honour him and are glorified by his glory. He is none other than Dr. Yunus, who has brought an absolutely new meaning to the word "grameen," which is now synonymous with progress, hope and self-reliance.

To say the least, Dr. Yunus is a visionary of the first order, one who makes dreams come true, slowly, surely and effectively. There is no rush or rashness in his acts, even if his microcredit takes Bangladesh to attain self-sufficiency in a thousand years, it is worth the wait. No one before or after him has come up with such conviction or ploughed the ground so meticulously, laboured so diligently, probed into human nature so intently that if his modus operandi is not disturbed it will make his orchard bear the fruits of zero-poverty much sooner than the predicted "thousand years."

Being neither an economist nor a technologist my moderately literate mind is overwhelmed at the courage of lending without collateral, and is more shaken up by the concept of the Grameen cell phone. Average, mundane people of my calibre thought that Dr. Yunus was becoming more Westernised than the west by trying to introduce the mobile phone in the backwaters of the world; but look at the mass acceptance and utility of the tiny gadget, comfortably wireless, giving tireless service and accessible to the moneyless? We, of myopic vision, thought that the craze would end in a few days. It takes a genius and a philosopher to identify the needs of society and to try to address them realistically.

The man is at his best when speaking at formal gatherings. He is no vitriolic demagogue or fire eating orator, but a plain and simple man with plain and simple words lacking malice and insults. Maybe his tongue has lost its sharpness by eating bland chips and sandwiches, while our savoury chili-laden food makes us chirpy. Should he, our one and only Nobel Laureate, change his menu? No, never.

By the way, what were the fillings in those sandwiches which could evoke the Muse of Peace? Sad it is that the objectivity, authenticity, wisdom and neutrality of the selection committee of the world's most prestigious award have been challenged so blatantly. We honour ourselves by honouring those who deserve it. Dr. Md. Yunus, a human being, is apt to have human faults. Is it desperately necessary to highlight them and ignore his outstanding service to the nation?

Bangladesh is young and immature. Old age will surely bring depth and sedateness to its outlook.

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