

Is world economy heading for another economic crisis?

ABDULLAH SHIBLI

GLOBAL investors are nervous nowadays. The continuous cycle of violence and armed conflicts in the Middle East, Ukraine, Libya, and other regions has created demand for not only weapons but also intense speculative activities in the oil and commodities market. The average citizen is asking: Are we heading for another round of global economic crises similar to the one we've seen in the aftermath of the 2008 Lehman Brothers collapse and in the wake of the Greek debt crisis? Almost as soon as finance ministers and international bankers were feeling a little comfortable with the global economic climate, we heard rumblings of uncertain weather going forward and cries from some doomsayers urging the world's central banks to reign in credit expansion and raise interest rates. Some economic forecasters have even gone to predict that the next few months might witness another round of booms and busts.

To reinforce my point, just as I started writing this column, word got around that the European economic recovery appears to be in jeopardy as the financial market is experiencing the chills at the news of trouble at Banco Espírito Santo (BES), one of Portugal's biggest banks. The market has taken badly the news that its parent company Espírito Santo Financial Group SA has missed a debt payment. There were renewed fears about the health of European commercial banks and a possible return to the days of alarm and panic, and a foreboding of financial meltdown.

Cyclical patterns are nothing new for the world economy. In recent years, we saw the Great Recession in 2008-2009 and before that the "dot com" boom and bust, and so on and on. The worry about a future bust has been fueled by a concern over low interest rates and the upward march in stock prices and bounce-back of property values around the globe.

We hear about raising interest rates and the Fed has already indicated that it will ease up on its programme to buy assets (from \$75 billion to \$15 billion). It is possible that when the interest rate starts inching up, some of the ones who see a downswing around the corner, such as Nuriel Roubini, who is widely credited to have anticipated the collapse of the housing market in the USA and the global recession that began in 2008, might be able to relax.

Paradoxically, one of the early warning signs of another downturn in the global economy is the irrational exuberance that is evident in property

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prices in every major market. House prices in London are up 68% since the market hit rock bottom in March, 2009. In the USA, Standard & Poor's data released last February 25 shows the Case-Shiller index of 20 cities rising in December 2013 at the fastest rate for nine years.

The readers might ask why does one need to worry about a boom? And the simply answer is that almost all booms are followed by a bust, and the prudent policy-maker can only hope that the down-swing does not cause too much collateral damage, such as long-term unemployment, deflation, and economic depression. It is in this context that the Basel-based Bank for International Settlements has warned that USA, UK, and other countries risk being caught in a 'debt trap' if ultra-low interest rates carry on for too much longer. It said "nations that have tried to boost their economies by cutting base rates to rock bottom could find themselves in a downward spiral, as cheap interest costs encourage even more borrowing."

Fortunately, G-7 countries have become wiser in managing their economies since the recent Great Recession. Over the past two decades and until the crisis erupted, the literature on monetary policy has seen a broad convergence of views on the policy objective. Monetary policy should be geared towards price stability -- defined over a horizon of no longer than two years -- and, if there is a dual mandate as for example in the case of the Federal Reserve, maximum sustainable employment. However, the experience of booms and busts, and crisis management in recent years, has given rise to another set of policy best practice, known as macro-prudential policies.

The literature on macro-prudential policy (MPP)

is still far from a consensus on its objectives. Broadly speaking, MPP policy is seen as aiming at financial stability but there is no commonly shared definition of financial stability.

With the benefit of hindsight, it does not take a rocket scientist to see the ominous signs in a housing bubble. For as early as June 16, 2005, The Economist claimed that "the worldwide rise in house prices is the biggest bubble in history ... never before have real house prices risen so fast, for so long, in so many countries." However, there are other financial rip currents that one needs to keep an eye on. As an example, economists and prognosticators point to the \$1.2 quadrillion (1 quadrillion is equal to 1,000 trillion) derivatives market. There are many who worry that even a 1% cash movement in this market will result in a \$1.2 trillion shock on financial and real economy, which, given its role in the last Financial Crisis in 2008, causes one to ponder the implications.

Bubbles, when they burst, are an important aspect of recent economic landscape and our economic history. There are examples galore of how a sudden downturn in real estate market can create problems for not only the owners but the rest. And since one's outlook and ability to spend depends so much on assets, one can forgive if consumers consider even a slight dip in housing prices as a big blow.

In sum, bubbles are very easy to form and just as easy to burst. The financial structure has a number of pressure points that buckle under just a little pressure. A simple run on a single bank can cause panic withdrawals from all banks, and with the fractional reserve system, cause a run (i.e., ruin for banks). As could be seen from the collapse of Rana Plaza, one column buckles and then the rest of the edifice gives way. However, markets can experience volatility even if there is renewed war in the Middle East, or simply greater uncertainty in the global financial market. In the policy realm, there is greater emphasis on macro-prudential policies to keep an eye on banks, the financial market, and even on simple financial transactions. There has recently been speculation as to whether the US real estate boom in some sectors is fed by an inflow of foreign money, some of which is black money, looking for a way to launder them. International cash flows, while essential for global trade and has many salutary effects, can also lend an element of extra volatility.

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Solution to question paper leak

AL-SAKIB KHAN PATHAN

THE issue of leakage of question papers has become a talking point in Bangladesh recently. I read somewhere that someone proposed using computers in examinations. In this article, I look at a mechanism to defend against question paper leak.

The leak seems to take place during the printing stage of the question papers. Someone takes out at least one copy of the paper during printing. Hence, the idea is to find a solution that does not require printing of the papers as hard copies.

A pool of questions or question bank should be prepared for a particular education board or for all education boards. This is a normal process to have a large number of possible questions for a particular subject. The questions should be categorised as difficult questions, semi-difficult questions, and easy questions. According to the question making policy, there should be multiple choice questions or true-false questions, problem solving or narrative questions, short questions, etc. Each of these types may have difficult, semi-difficult, and easy sets/sections of questions. When the question pool or the question bank is created, it should be stored in a central database.

Once the database is created, either for a particular education board or for all boards, there should be a Web application or Web site front-end where there should be some options to choose the number of questions, types and categories of the questions, assigned marks for each question, estimated time of completion of answering the questions, etc., for the question paper. A randomise function can also be used to randomise or dynamically generate any question paper with the desired format/structure. This front-end can be supported by various types of programming and scripting languages.

Instead of Web application, specific software can also be developed to generate the question paper electronically using the pool of questions stored in the database. After generation of the question set/paper, the approver or the examination committee will approve it, and that set of questions will be shown electronically in each exam hall by using multimedia projectors. If any exam hall has computer for each examinee, the question paper may appear in front of him/her.

The idea is simple but there are positive and negative sides to it. Let us analyse the major points:

(a) **Need for uninterrupted electricity:** Any such system must be supported with uninterrupted power supply.

(b) **Installation cost and longer benefit:** Funds would be needed for creating the database and the Web application or software. Each exam hall would need one multimedia projector, and there is huge installation cost associated with this method. Existing infrastructure may be used as some educational institutions have such facilities. The exams could also be arranged in other places where projectors could be made available. While the installation cost is high, the method could be cost-effective in the long run. The huge cost of printing question papers would be eliminated because there would be no need for paper, ink, printing machines, etc.

(c) **Cyber security:** Hackers may try to obtain the question paper that is generated electronically. The first layer of defense should be the known security mechanisms. As a second layer of defense, the time between approval of a particular question set and exam start-time could be kept short so that any leak does not affect the exam. For instance, if approval is given for only one set of questions half an hour before the exam, taking several dynamically generated sets of questions, the risk is almost fully diminished. Even if the question paper is leaked out, it will not affect the procedure much. This is a worst case scenario, which can be prevented with available modern cyber security solutions. It is also possible to use standalone computers to supply the softcopy of the question paper to be displayed electronically (for instance, using pen drives, or such devices).

(d) **Environmental issue:** Saving a huge amount of paper would be environment friendly. The electrical devices will use electricity and produce heat, but the same applies for printing machines and the entire process of printing.

(e) **Availability of question papers:** Once the exam is over, the question paper could be posted on the website of the ministry of education or of the education boards. In that way, people can download the archived softcopy papers and printing would be based on personal choice.

If there is anything left in Bangladesh that is still valued by others outside Bangladesh, it is the quality of education up to the Bachelor's degree level. I deeply feel for the genuine junior talents in Bangladesh. Leaked question papers will do no good to Bangladesh. Top-category students from Bangladesh rarely come to Malaysia, even for higher studies. Interestingly, even a mediocre student from Bangladesh does very well compared to the students from other countries. This is based on my experiences in South Korea and in Malaysia.

The positive image of Bangladeshi education system (up to undergraduate level) is under severe threat today. Personal gains and selfish interests have severely jeopardised it. Leaking of question papers must be stopped to genuinely evaluate the students who will represent Bangladesh in the coming days (even if they do not stay in Bangladesh in the long run).

The solution proposed in this article is very much doable. There are very qualified software and Web site development companies in Bangladesh and very good programmers who could write the codes for it. Network solution providers could help build the network infrastructure. Economists could try to estimate the installation costs and longer benefits. Educationists could see the positive points of it for the exam systems. While various facets of the proposal remain for further scrutiny by the professionals and experts associated with question preparation, programming, and budget, why do we not give some thoughts on this "a bit known" solution?

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Dilemma in quality rice seed production

M. SHAHE ALAM

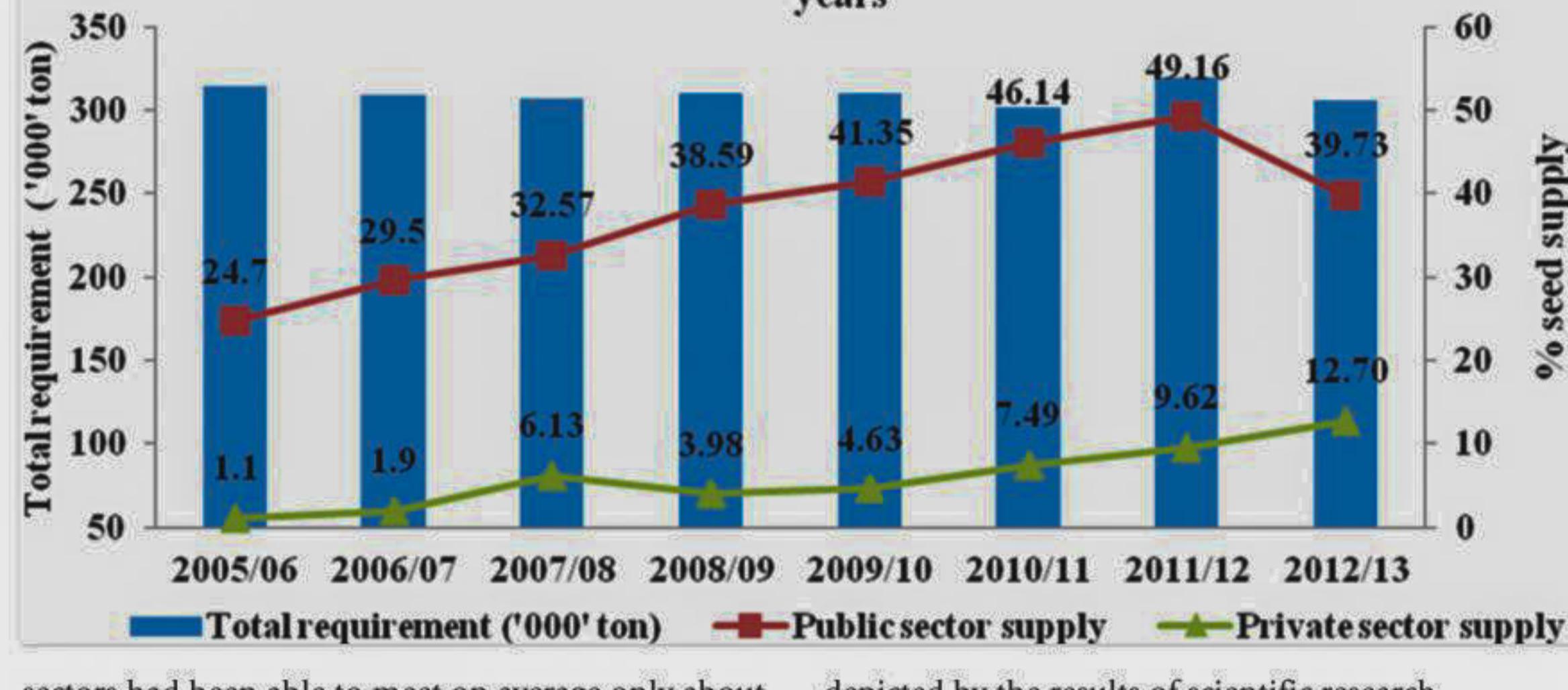
IN Bangladesh, rice contributes more than 97% to the total cereal food supply. During the last three and half decades, although rice production increased more than three-fold because of rapid adoption of modern rice technology on a large scale, the country has not yet attained complete self-sufficiency in food.

Since horizontal expansion of areas under crop production is almost impossible, the possibility of increasing rice production will depend mainly on: (i) bringing more areas under the varieties with potential of breaking the current rice yield ceiling, (ii) enhancing crop production through quality input, etc. Good seeds play a vital role in maximum exploitation of yield potential of any crop variety. Experimental results clearly imply that rice yield could be increased by 12%-15% by using good quality healthy seeds alone, and nearly 20 lac tones of additional rice may be obtained per annum.

There has been a wide gap between the requirement and supply of quality rice seeds in the past. However, the level of requirement of rice seed has been almost similar over the years 2005 to 2013, which is in line with the trend in providing land for cultivation of high yielding modern rice varieties.

Bangladesh Agricultural Development Corporation (BADC) and the Department of Agricultural Extension (DAE) have been the main public organisations in producing and supplying the quality seed to the farmers. Moreover, there are some NGOs and private sector organisations (e.g. Brac, Lal teer, Syngenta, ACI etc.) involved in seed production and multiplication activities. Although both public and private sectors contribute to the supply of quality seeds, the volume has never been at a satisfactory level. In fact, the share of quality seed supply relative to the total requirement has always been dissatisfactory.

During the period 2005 to 2012 the share of quality seed supply relative to the requirement varied from 25% to 58% in different years. It is therefore clear that the combined effort of public and private



sectors had been able to meet on average only about 41% of the total requirement, indicating that, on average, about 59% seeds are being used from seeds retained by the farmers. Although the public sector supply of quality rice seed compared to the demand/requirement increased from 24% in 2005 to 49% in 2012, this share declined remarkably in the following year, while the private sector share increased from 1.1% in 2005 to 9.6% in 2011, which increased to 12.7% in 2013.

Overall, quality rice seed production increased over the period 2005 to 2012 with slight decrease in 2013, when the share of public sector production declined substantially leaving more space for private sector initiative. Different NGOs and seed companies are involved in hybrid seed multiplication and marketing. Some seed companies are involved in inbred seed multiplication taking breeder's seeds from the research institutes. Farmers have no control over the agricultural inputs, except for seed. They use their own saved seeds, which are usually not tested for quality.

Quality and performance of such retained seeds and certified seeds differ quite significantly, as

depicted by the results of scientific research. Furthermore, experiences indicate that farmers usually retain seeds for several years and keep on using them. Consequently, the level of seed admixture increases and quality deteriorates, causing low level of germination. Continuous use of such poor seed leads to lower yield for obvious reasons.

Therefore, if farmers could be empowered with knowledge of producing and using quality seeds, it could boost rice production significantly. Besides, seed replacement rate at the farmers' level is very low. A strong and resilient rice seed sector addressing the specific needs of the poor farmers for timely access to quality seed can play a crucial role in ensuring food security and rural economic development in the country. Acceleration of the seed system will help increase the supply of quality seeds, which would help enhance productivity and eventually result in reducing poverty and thus ensure food security in Bangladesh.

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CROSSWORD by Thomas Joseph

ACROSS
 1 Window part
 5 Small nails
 10 Less friendly
 12 Maximum amount
 13 Door holder's words
 14 Saw
 15 Be decisive
 16 Shade provider
 18 Address ender
 19 Like tears
 21 Chef's collection
 22 Geometric shapes
 24 Fiery crime
 25 Geometric solids
 29 Julia of films
 30 School papers
 32 Curator's concern
 33 Belief, in brief
 34 Geese formation
 35 Princpled
 37 Come up
 39 Twang, as a guitar
 40 Jeans material
 41 Transmits
 42 Simple

DOWN
 1 Miserly Marner
 2 Pole feature
 3 Petite
 4 Writer Stanislaw
 5 "Kapow!"
 6 Free
 7 Second-longest river
 8 Number makeup
 9 Dance units
 11 Shuttle ordeal
 17 Walkers' straps
 20 Considering everything
 21 Homes for koi
 23 Loses it
 25 Con quest
 26 Beat at the track
 27 Deep gorge
 28 Mate's answer
 29 Highway exits
 31 Message from the boss
 33 Sorts
 36 Plus
 38 "Stand" band



CRYPTOQUOTE

BI VNI IVWL AZ YF VXHIKF BSCL AXKR AXI
 BSXH, VXJ BI WVX AXKR ZKR OR IE
 ONVWSXH AXI VXACLIN.

-- KYWSVXA JI WNIFWIXGA

Yesterday's CRYPTOQUOTE:
 EVEN A MISTAKE MAY TURN OUT TO BE THE ONE THING
 NECESSARY TO A WORTHWHILE ACHIEVEMENT.

-- HENRY FORD

Yesterday's answer

ROBES LABEL
 APART ALAMO
 TERRE CIRCA
 INN PREENED
 NED SOD YES
 GROW DUMAS
 OOH PAR
 DREAM EDNA
 LES MOS HIP
 UNKEMPT UMP
 STAKE RAMBO
 TATER IDOLS
 SLEDS PAREE

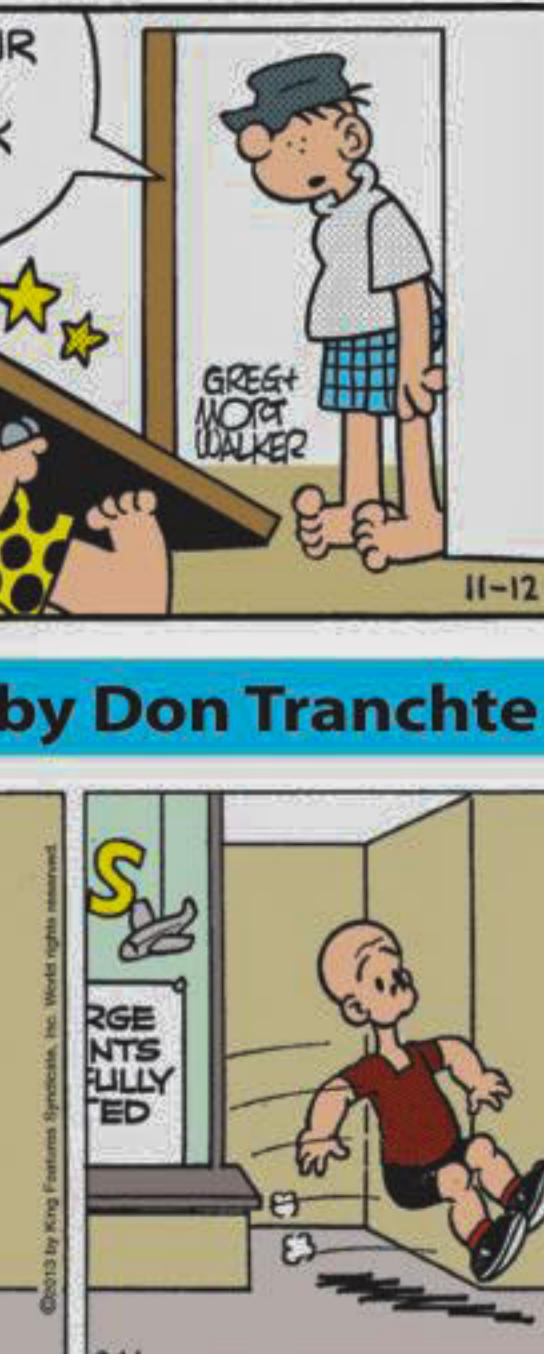
AXYDBAAXR is LONGFELLOW

One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.

BEETLE BAILEY



by Mort Walker



by Don Trachte

QUOTE
Quote
 "Perfection is achieved, not when there is nothing more to add, but when there is nothing left to take away."
 Antoine de Saint Exupery