

MONETARY POLICY IN HIGH-VOLTAGE POLITICS

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At last, the new monetary policy statement (H2/FY2015) has got a professional look after years of experimentation, finding a balance between continued commitments and inevitable economic realities. Truly, the greatest achievement of the consecutive 'cautionary' and 'pragmatic' monetary policy over the last four years was an unbelievable taming of inflation without offending economic growth.

The document is quite elaborate, with clearly defined first and foremost objective of continuing to resist inflation to reach the target of 6.5% by June 2015 besides achieving between 6.5% and 6.8% economic growth in the current fiscal year. However, the attainments are subject to some prominent 'ifs' and 'buts' like political instability, upward risk in inflation, and infrastructure and energy deficiencies. However, the monetary policy is aimed at striking a balance between the objectives of moderate inflation and the targeted economic growth. And for the first time the policy document has sufficiently elaborated about inflation, the experience of other countries and its projected moves to justify the policy targets.

The document has four parts. The first part covers the policy highlights, key objectives and strategies for the second half of the current fiscal year. The second part includes the backdrop of macroeconomic, nominal and real sectors to set the tone and core vision of the policy stance. The third part of the policy is quite detailed, and covers global economic outlook, domestic sector, external sector, and money and financial sector. Some debated issues and myths have been objectively analysed and demystified in the appendix. These include the nexus between announcement of pay scale and inflation, point-to-point versus average inflation, growth projections and growth-inflation linkage so as to justify the direction of monetary instruments for the remaining five months of the ongoing fiscal year.

As mentioned in the policy highlights, the balance between moderate inflation and economic is a major objective in the stated policy. Interestingly, it was shown in Annexure C that inflation has been strongly and positively correlated with output growth for about two and a half decades -- since early 1990s. The stipulated output growth for this year is 8% as per the Sixth Five-Year Plan, which is still a far cry. But, higher economic growth is a must to attain the middle-income country status by 2021, which we must achieve. Therefore, it would be a big challenge for the monetary policy to tame inflation amidst pulling off the postulated economic growth as higher output is seen to be triggering inflation in the long run.

The policy document reveals that the deposit interest rate at retail level decreased in July-December 2014. It is a market based signal about the low return of savings indicating that general investment has not been considerably stimulating. The amount of private foreign borrowing due to high domestic interest rate has remained insignificant, although the monetary policy has continued 'yes card' to it for having downward pressure on lending rate. However, the actual cost of borrowing from banks has long been claimed to be higher than the official rate, as reported by many business people, due to informal transaction costs. Bangladesh Bank needs to have an investigative approach to undertake reform measures towards lessening pressure on business people. The stated punitive measures for deceitful practices that led to diffidence in the financial sector are welcome.

The remitters who are deeply rooted in Bangladesh have no trust deficit in the economy, which is marked by their continued support with remittance. It helped regain the foreign currency reserve of a healthy \$22 billion in the midst of a stressful month. Pragmatically, the monetary policy aims to continue maintaining 'comfortable' forex reserves to cover imports of five to ten months. The current reserve, however, can easily be utilised to cover import payment of the next six months even after clearing the payment of Padma Bridge for the current fiscal year. Prudence in protecting depreciation of Taka through heightening reserve is also praiseworthy. However, capital flight that usually takes place through various channels during crisis must be stopped.

Attaining the targeted growth of private sector credit set at 15.5% with further upward flexibility for the productive activities would be a challenge for the period of this monetary policy as one month has already gone under-invested. The target would be notably unrealised if the crisis period is prolonged, which is likely to dishearten the entire nominal and real sectors.

An optimistic monetary policy is placed in the midst of a high-voltage politics when all parameters and prerequisites were set for Bangladesh to grow fast despite infrastructural, energy and governance deficiencies. At the same time, inflation was tamed down to 'moderate' level due to incessantly cautious monetary instruments for a half decade despite many harsh criticisms. In fact, the output growth-inflation trade-off was smartly translated into an extremely rare dividend of 'trade-on' through fair means of financial sector policy. Now, attaining overarching goals of the new monetary policy, which has built on the successes of the past ten policies, hinges critically on the on-going destructive pursuits, burning and killing. Disappointing indeed!

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PHOTO: RASHED SHUMON

Spirit of LIBERATION WAR and reality

GHULAM MUHAMMAD QUADER

THESE days, the term 'Spirit of Liberation War' is being used very frequently, which raises doubt whether the people who use it understand the meaning of the term. People connected with politics sometimes justify certain actions using those words even when the actions contradict the spirit of the Liberation War.

Bangladesh was created as a result of the Liberation War on the basis of a spirit which has two distinctive characters. One is that people will be the owners of the country, which will be administered by them democratically through their elected representatives. Second, there will be no discrimination, deprivation, oppression, or violation of rights.

In a democracy, people are the owners of the country and all powers to administer belong to them. Article 7 (1) of the constitution clearly stipulates that the people will elect representatives, some of whom will function as the government, and the others will make the government accountable to the people through the Parliament. For the government to be meaningful and effective, there have to be free, fair and participatory elections to choose representatives. The next important focus should be to have a functional Parliament, for which a strong opposition is a precondition. A characteristic of functioning democracy is rights and justice based society.

The national election held on January 5, 2014 was flawed as has been described nationally and internationally. There were no real election activities and no voting took place in many places as the candidates went uncontested. In the places where election was held, voter attendance was almost negligible according to the locals and many candidates. They also complained of wide-

spread irregularities, including declaration of results not on actual counting but on the basis of pre-decided lists. There could not be any doubt that most of the people either could not or did not vote in that election. So long as the people do not delegate their inherent power in the republic through election, the exercise of the same should not be considered acceptable morally.

Not only the government, but an opposition has also been formed on the basis of that election. The government party was reportedly seen to be actively cooperating in election of candidates from

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the opposition. Moreover, the main opposition is still a partner in governance by holding cabinet positions. So, it is impractical to expect a vibrant and fruitful parliament. Moreover, the institutions responsible for protecting democracy and assisting it to flourish have been made weaker and almost dysfunctional, according to many prominent citizens.

Many conscious citizens say there is hardly any democracy in Bangladesh at present. In 1991, a system for peaceful transfer of power through acceptable election was formed. Many used to talk about it jokingly as 'one day democracy' or 'elec-

tion day democracy.' But after the January 5, 2014 election, it was seen that the government along with the political party in power could manipulate the election result as per their desire. The people are expressing concern about future elections where similar manipulation in favour of the party in power could be possible under the existing modified constitutional provisions. This would become a threat to peaceful transfer of power as per will of the people, ultimately leading towards dictatorial autocracy. This is not the spirit of the Liberation War.

The second part of the spirit of Liberation War says there will be no social injustice and as such no discrimination, deprivation, oppression, or violation of rights. It is alleged by people at large that government appointments, promotions, postings, disbursement of favours of different kinds, etc., are mostly provided to government party people and not to others, even if the others are better qualified or eligible. Government offices and law enforcing agencies differentiate between government party people and general public in disbursement of services and application of rules/laws, as if there are two different sets of rules and laws. Violation of human rights, extra-judicial killings, unabated prevalence and thriving of corruption, etc. are being discussed widely both inside and outside the country. All these are clearly contradictory to the spirit of the Liberation War.

The people of Bangladesh fought a war with a spirit which they thought would liberate them. We got our independence in the process but true liberation can be achieved only with the implementation of the spirit of the Liberation War in our state craft.

The writer is a former Minister.

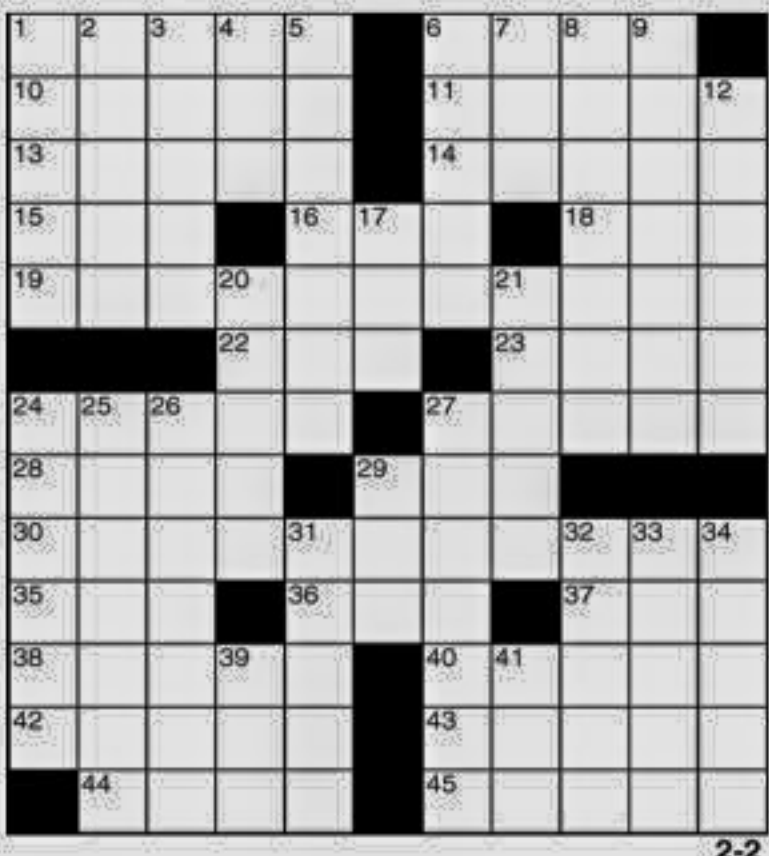
QUOTABLE Quote

As I would not be a slave, so I would not be a master. This expresses my idea of democracy.

Abraham Lincoln

CROSSWORD by Thomas Joseph

- ACROSS
- 44 Dispatch
- 45 Milk source
- DOWN
- 1 Singer McLachlan
- 2 New York city
- 3 Van operator
- 4 Small bill
- 5 Made at home
- 6 Heist
- 7 In the past
- 8 Player at first, e.g.
- 9 Like the OR
- 12 Pencil end
- 17 Keats poem
- 20 Noticeable
- 21 Enola Gay's cargo
- 24 Berates
- 25 Wines and dines
- 26 Early tool making time
- 27 Jeered at
- 29 Singer Bon Jovi
- 31 Give over
- 32 Suspect's story
- 33 Big mistake
- 34 Ledger item
- 39 Light brown
- 41 "1 -- Rock"
- 1 Hefty wrestlers
- 6 Autos with meters
- 10 Make amends
- 11 Quartz variety
- 13 Metal fastener
- 14 Tough puzzle
- 15 High card
- 16 Foot part
- 18 Memorable time
- 19 "Groundhog Day" director
- 22 Neckline shape
- 23 Hay bundle
- 24 Sobbed
- 27 Copier need
- 28 Frau's spouse
- 29 Traffic tie-up
- 30 Song that starts every day in "Groundhog Day"
- 35 Football's Marino
- 36 Road-house
- 37 Chaney of films
- 38 Gladden
- 40 Pollute
- 42 "Love Story" writer
- 43 Glowing coal



Yesterday's answer

TRAM	MATS
CRAVE	IDEAL
LIVEN	NOLTE
ICECUBE	LIE
PIN	BERSERK
SASHAY	PRES
AROMA	
BRUT	NASSER
RANSACK	ELI
AID	SEESRED
SNOUT	SIEVE
SENSE	DANES
DEAR	OMEN

CRYPTOQUOTE

RDY LUHLFFLAHL NZ Y IOZR FOLC OA ORC
YQSNQSOYRLALCC SYRDL RDYA OA ORC
XYFWL. -- HDYSFLC EWEFLK BYSALS

Yesterday's CRYPTOQUOTE:
IN EVERY CONCEIVABLE MANNER, THE FAMILY IS LINK TO OUR
PAST, BRIDGE TO OUR FUTURE. -- ALEX HALEY

BEETLE BAILEY

BY MORT WALKER



HENRY

BY DON TRANCHE

