Can lower price hurt the economy?

Dr. Abdullah Shibli

few days ago, I filled the gas tank of my car for \$15 at 1.57 a gallon (or roughly 42 cents a litre). I drive a sub-compact and since I have a long commute to work, every time I fill my tank (which is roughly twice a week), I thank the rulers of the oil-rich kingdoms of the Middle East and market forces for the extra cash in my pocket. I am not alone in this respect because the average consumer in the USA has been enjoying this bonanza since last year when prices at the pump started going down. Actually, price of crude oil has gone down by 70 percent since the summer of 2014, and is expected to stay in the range of \$30-40 a barrel in the next few years. Of course, the lower price of oil in international markets have been a boon not only for the motorists, but also homeowners who use heating oil to keep their homes warm during winter, as well as other industries, such as airlines, tourism, automobiles, etc, which get a shot in the arm with lowering fuel cost. It is expected that motorists in Bangladesh will soon join the billions around the globe and partake in this once-in-a-lifetime manna from heaven, as it were. But why is the cost of oil so low

now, and since there is no such thing as a free lunch, who is paying for it? To answer the first question, the oil market is a perfect illustration of the basic economic principle of supply and demand. The current downward slide in the price of crude oil started in March 2013 when the major producers, including the OPEC countries, decided to flood the market with crude oil. Currently, there is a surplus of over 2 million barrels a day and if nothing is done to curtail this over-production, there will be continuous downward

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pressure on oil prices in the near future, i.e. 2016 to 2018.

The major casualties are not only the oil exporting countries such as Venezuela, Nigeria, Russia, Ecuador, and Brazil but also the US and Canadian oil industries plus the environment industry (renewables, solar, and wind). As with any marketdriven price movements, some countries gain from a lower oil price regime, while some others end up

billion per year in their oil revenue. So why are the Saudis taking such an enormous risk and bankrolling this endeavour? There are many possible motives for this global geo-political game. According to one theory, the Saudis foresee a weakened Russia and a pipeline through Syria as the outcome of a long drawn-out oil war. On the other hand, an American oil tycoon, T. Boone Pickens railed, "The Saudis are risking everything on their

One can also note that in a recent survey reported on January 26, 2016, business economists are more pessimistic about profits and sales than they were last fall and expect slower economic growth. According to a survey by the National Association of Business Economists, most of the survey participants also said that their companies plan to raise wages in the first quarter. But low oil prices are hurting bank stocks, some of which have loaned

the market, including downward spiralling oil and commodity prices, China's uncertain economic prospects and increased volatility in global stock prices. US stock prices have moved in recent months in the same direction as oil prices. It seems like lower oil price is dragging the financial market down. According to Dow Jones data, since

August 19 last year, oil has moved in the same direction as the Dow more than 72 percent of the time, compared to 51.98 percent for all of 2014 and more than 57 percent in 2015. "This isn't the typical relationship between the two assets. The long-term correlation between oil prices and stocks going back to 1973 has been almost zero or negative 1.1 percent. In other words, for more than 40 years, oil and stock prices have usually moved independent of each other." Nonetheless, the overall effect of the

lower oil price has been positive in the USA and net oil-importing countries. Projections vary, but according to Harvard's Bob Stavins, consumers will see an increase in disposable income, amounting to nearly \$2,500 per US household annually. If we account for the income losses to US oil producers, the net gain per US household amounts to a bit more than \$800 per year, with benefits accruing disproportionately to low-income households. While lower fuel cost may keep the cost of driving low and the opportunity cost of conservation high, the setback is predicted to be temporary. According to findings of analysts from Bernstein Research, "Renewable energy is a technology. In the technology sector, costs always go down. Fossil fuels are extracted. In extractive industries, costs (almost) always go up."

The writer is an economist and the author of a recent book Economics is Fun: Essays for the Masses.

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Gasoline Price at the Pumps: A Global Snapshot 2.2 2.0 1.8 1.6 ± 1.4 1.2 ₩ 0.8 0.6

losing. Whether one characterises the decision to flood the market by a few oil-producing countries as evidence of conspiracy or geopolitical saberrattling, there is no question that the excessive supply is being caused by the entente formed by Saudi and its allies among the gulf oil-producing nations with the connivance of the US. According to estimates by the IMF, Saudi Arabia and the oil-producing allies could experience a drop of \$300

Venez.

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0.0

misguided attempt to destroy America's shale oil and gas industry. We have shut down thousands of rigs and shed 200,000 jobs." He goes on to shed crocodile tears for the other oil-producing countries. "New investment is non-existent and nations around the world - from the Middle East to Central America, whose economies are wholly dependent on oil exports - are on the brink of economic collapse."

U.S.

Kuwait

UA.E.

Mexico

huge amounts to energy companies. Investors fear that the loans might be written off with potential losses for the bank and oil companies' stocks. So, this is something new, and an alarming twist in financial market dynamics. One must point out that there is

U.K.

Norway

an extra element of uncertainty injected by the lower oil prices and higher volatility in the global commodities market. This comes at a time when a string of bad news hit

Law enforcement and accountability accountability. The objective to rule this

Canada Germany

ZIAUDDIN CHOUDHURY

n the last one year, the news that mostly occupied headlines in the US concerned police excesses. This began with the infamous riots in Ferguson, Mississippi, following the killing of a young man while fleeing from a shop after attempted robbery. He was shot several times by police, although he was apparently unarmed. This much publicised incident was closely followed by several other cases of police shooting people to death in different US cities on the plea that they were resisting arrest. Incidentally, all the victims were black young men, one of whom was a twelve-year-old.

The killings by police led to days of unrest, and rioting in the affected cities and neighbourhoods that required intervention from state and federal levels to contain these. In all cases, the errant police officials were brought to task, and criminal cases were initiated against them for excesses, and in some cases, for manslaughter. The incidents also brought into fore the underlying causes of police highhandedness against minorities and thrust the country into a political debate, casting one section of the people against police for use of force and another defending their action as proper law enforcement.

One now hears a similar debate in Bangladesh relating to our police. There is not much we hear in their defence, except that not all in the police force are reprobates and that many have been forced to commit excesses because of the political environment in the country.

There is hardly any parallel between police excesses and brutality in US and Bangladesh. First, unlike Bangladesh police, the police force in the US is not a centralised force responding to one single command or structure. In the US, the police is a local force. Each city or county has its own police force, and it is under the command and control of a

chief, who in some cases may even be elected. In all cases, whether it is county or city police, the chief is accountable to the local authority, which is an elected body. Second, the incidents that brought nationwide attention to police excesses related to police response to criminal offenses and apprehension of suspected criminals. And more importantly, the public reaction to police excesses reflected the widespread

perception of its conduct in its overall role as the preserver and protector of citizens' life and property, and the reputation it has earned over time for exploitation and extortion.

Unfortunately, this debate over the role of police and its conduct has been going on in the country for as long as one can remember. The perception of the police force as agents of the ruling establishment dates back to colonial

police force that was cheap to operate, brutal and exploitative to the people, and completely unaccountable to the citizens; the police were accountable only to their chain of command and to the authorities the command reported

large country was achieved through a

Sadly, nothing changed long after the British had left the region, and we



perception of the discriminatory treatment of a particular section of the community than flouting of law by the police themselves.

In Bangladesh, the criticism of police and overall conduct of our law enforcement agencies is not about any systematic mistreatment of a particular community or about excessive use of physical force. The discussion is about the image of our law enforcement force,

44 Frisco player

times when the police played a useful role in suppressing opposition to British rule and its representatives who administered a province. In return for complete loyalty to the colonial rulers, the police in a district or thana were given a kind of fiefdom where they could run their affairs without fear or favour. The British-Indian police was deliberately made into a ruler's force with little provision for citizen

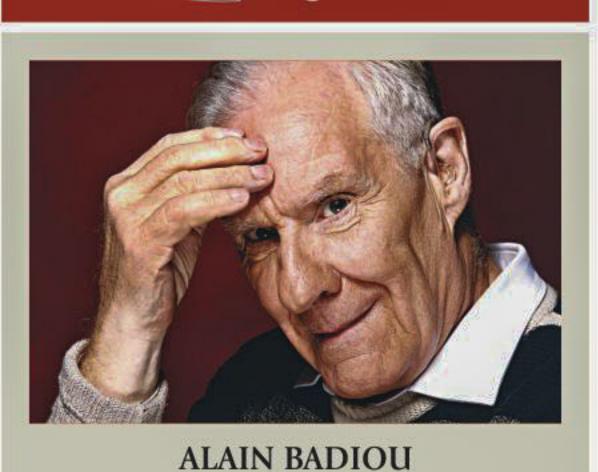
went through two successive periods of independent governments. We inherited a system that is still largely grounded on an Act that was adopted 150 years ago (Police Act of 1861), which was enacted by the British in the aftermath of the Mutiny of 1857 or the First War of Independence. The British, at that time, wanted to establish a police force that would suit the purpose of crushing dissent and any movement

for self-government. The Act is a virtual compendium on the constitution of the police force, organisation, and policemagistracy as well as police-public relations. There have been calls from time to time, in India particularly, to amend the Act to make it more suited to the changing times, so as to make the police more responsive to public needs. However, there have been no serious attempts to either replace or make major changes in the Act at a political level, as the Act seemed to have served the governments, elected or otherwise, quite well.

Few fundamental aspects of rule of law are: application of law to all citizens without bias or discrimination, transparency of actions, and accountability. We may have very efficient law enforcement agencies in the country, but this efficiency is meaningless if the agencies are imbued in a culture of impunity from law itself. Random cases of departmental action against recalcitrant officials may attract news headlines but these will not cure the perception of venality, extortion and total absence of accountability embedded in our law enforcement agencies.

There is no silver bullet that will suddenly rid us of the negatives that surround law enforcement agencies. Years of indulgence and heavy use of political pressure on the agencies have led us to where we are now. But a beginning needs to be made. Democracy cannot be sustained without rule of law, but this rule of law should also be equally applied to the agencies themselves. This requires a firm resolve from our political leadership to reform the agencies, starting with making them accountable for their actions and releasing them from political pressure at all levels. Maybe we can make some progress then.

The writer is a political commentator and analyst.



French philosopher The declaration of love marks the transition from chance to destiny, and that's why it is so perilous and

so burdened with a kind of horrifying stage fright.

CROSSWORD BY THOMAS JOSEPH

ACROSS 1 Battery, e.g. 6 Fake name

11 Pay tribute to 12 Jousting weapon

13 Mink's cousin 14 "Something's -- give" 15 Fan call

16 Single issue 18 Finished off

19 Abrade 20 Hosp. parts 21 Headed out

23 Golf bunkers 25 Lend a hand 27 Boxing great 28 Fluttery tree

30 Phone downloads 33 Tire track 34 Buddy

36 Historic time 37 Blow up

41 Full of energy

43 Fork features

39 High hit

40 Play setting 35 Inclined

45 Future flowers 46 Fake ID users, often DOWN 1 Like church music 2 Turn 3 Like jet-setters' lives 4 "The Simpsons" bartender 5 Slip 6 Math course

7 Thailand neighbor 8 Being worked on 9 Cast makeup 10 Plane count 17 Bonbon center 22 Waiting bonus 24 Following

26 Bring down 28 Mame, for one 29 Old horse 31 Shown as true 32 Fencing swords 33 Work breaks

38 Like some cheese

42 Golf position

YESTERDAY'S ANSWER GLAD TRIOS BRANDO RIDE LINKED ORAL GAMECOCK TUBESOCK ENTERS PARSESAUTE LAYMEN IDA CAPSLOCK PUNKROCK GAZING OMAN ARENAS YALE STEER DREW



by Mort Walker I'M THE ONE WHO FLUNKED OUTOF OBEDIENCE SCHOOL .

BABY BLUES

HAMMIE, WHY ARE YOU WEARING)

YOUR COSTUME?

I TRICK-OP-TREATED

A COUPLE OF STREETS

WE DIDN'T GET TO.



by Kirkman & Scott

