

US Central Bank fights back executive manipulation

AN OPEN DIALOGUE



ABDULLAH SHIBLI

If you live in the US, it is hard to miss the ongoing tug of war between the White House and the US central bank, The Federal Reserve System (the Fed). The media is full of stories about the attempt by the current administration, particularly President Trump, to force the Fed to stop pursuing a tighter monetary policy in the coming months. The Fed raised interest rates four times in 2018 and were on course to raise rates at least twice in 2019. It now appears that the Fed has given up any plan to raise interest rate this year and there are speculations that it might even lower the rate.

Those who have not followed the drama, played out in other countries including the EU, may legitimately ask two questions: why was the Fed raising interest rates after keeping it low for many years?

Secondly, why did the Fed reverse its earlier plans to raise rates? Did the White House influence the supposedly independent Fed to take it easy and sit tight until the 2020 elections? For the readers to understand the subtle points of this complicated puzzle, where politics and economics interplay, a little background information is necessary.

The central banks, whether in the USA or in Bangladesh, have a very difficult balancing act to follow. The standard practice is for central banks to raise interest rates when inflationary pressures in the economy start to build up. On the other hand, if the GDP growth rate slows down or is sluggish, central banks typically lower interest rates in the expectation that cheaper credit will stimulate investment and GDP growth, and create jobs.

After pursuing an easy money policy since the last financial crisis in 2008, the Fed made the decision two years ago to start raising interest rates. And for a good reason. The



US President Donald Trump picked Jerome Powell to lead the Federal Reserve, but has launched unprecedented attacks on the independent central bank.

PHOTO: AFP

US economy has been growing at a 3 to 4 percent range each quarter since President Trump won the elections in 2018, and the unemployment rate is at a historical low of 3.8 percent. There are fears that the tight labour market in the US might result in wage increases and stoke inflation. Since the 1980s, the Fed's policy has been to keep the rate of inflation within a narrow band, and never let it exceed 2 percent. In 2016, the Fed announced that it will gradually raise interest rates over the next few years. The Fed raised rates three times in 2017 and four times in 2018. However, it made a sudden U-turn this year leaving the media and the so-called "political pundits" baffled.

It is not clear whether Trump threatened to fire Jerome Powell, the Chairman of the Federal Reserve, whom he appointed only last February. Some critics of the president have accused him of bullying Powell to do his bidding and coerced him to change the Fed's monetary policy. It is true that

last October, Trump had told reporters, "I think the Fed is making a mistake. They are so tight. I think the Fed has gone crazy." According to a report cited by CNBC, President Trump threatened to fire Powell for raising interest rates which the news media characterized as "an unprecedented action by a president against the independent body that could undermine confidence in the U.S. financial system already under the strain of a vicious equity sell-off."

Incidentally, the situation that the Fed faces itself in is not unique. First of all, central bankers everywhere are once again finding themselves in rough seas. There is uncertainty in the world economy due to the trade war and China's economic woes. Secondly, the central bank is theoretically supposed to be independent of the government and its executive branch and politicians. But that's more easily said than done.

Political leaders often promise easy loans

at low interest rates before elections. Central bankers, on the other hand, have a different mandate. They also have to deal with loan defaults, inflationary pressures, and property boom, which are some of the "unintended consequences" of easy money policy. We have seen them in Bangladesh, China, Turkey, and all Western economies.

Coming back to the tug of war between Trump and Powell, readers may recall that the former came to power two years ago by promising to lower taxes to boost the economy. With the Republicans at the helm, the tax cuts were passed by both houses in 2017. However, there are still pockets of unemployment and industrial decay. Not everyone benefitted in the aftermath of the massive tax breaks that Trump lavished on the corporations and the wealthy 1 percent of the US population. For the average person, the guys who voted for Trump in 2016, the prospect of wage increases and well-paying manufacturing jobs has become a mirage. Now, with the primaries for 2020 presidential elections only a few months away, Trump is seeking another boost for the economy and is hoping that lower interest rates might come to rescue the Republicans.

Undoubtedly, if the Republicans could control monetary policy and had his party controlled the US Congress, it is a fair guess that Trump would have tried to print more money to push interest rates down. But the Republicans lost control of the House of Representatives in the last elections, and those in the Senate are pushing back at his attempts to control the Federal Reserve.

So, how much influence does the President have on monetary policy? Not a lot. Trump has since 2017 been broadcasting the benefits of lower interest rates. But, he realises that the interest rate policy lies within the purview of the Federal Reserve Board. He appointed a new Fed Chairman to replace Janet Yellen who was picked by the previous President, Barack Obama. Jerome Powell, being appointed by Trump, was expected to play his tune. But Powell is known to be

an "inflation hawk", a moniker reserved for those who would like to pursue aggressive policy inflation, and raise rates at the whiff of any inflationary pressure.

It is true that as soon as he became the Fed Chair, Powell came under pressure from the White House to shift gears and put its announced policy to raise the interest rate on hold. As I mentioned earlier, the Fed last year became concerned that the economy was overheating and inflationary pressures might be let loose.

But, latest data shows that inflation rates are low in the USA and EU. Core inflation has stayed in a fairly tight range over the past several years. "There isn't enough inflation for the Federal Reserve to resume its gradual rate hikes," according to *Wall Street Journal* (April 10, 2019).

Is the Fed going to lower interest rates which will undoubtedly please Trump? The answer is no. Because economic growth is looking stronger than expected, the possibility of rate cuts is remote. This sentiment also runs across the Atlantic where Mario Draghi, the outgoing President of European Central Bank said that inflation was not picking up as quickly as officials had expected.

Elsewhere, in the G20 countries inflation rates are very low, falling to its lowest level in eight years last June, according to OECD. The last time the monthly inflation rate was that low was in October 2009 where it was 1.7 percent but the economies were emerging from the global economic downturn.

So, the verdict is, while Trump tried to influence the Fed and put pressure on Powell to lower interest rates, it is now clear that Powell was not influenced by Trump. The Fed is holding off any further increases in light of the state of the US and global economies which show no signs of inflation.

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Can judicial decentralisation become a reality in Bangladesh?



AIMAN R KHAN

The Supreme Court of Bangladesh is the highest court of law in the country consisting of two divisions, the High Court (HC) Division and the Appellate Division. The only Supreme Court of Bangladesh sits at the capital city while subordinate courts are present in every district of the country. The Supreme Court is where people from all over the country come to get the ultimate solution to their grievances. This creates a backlog of cases which is why the judges are organised into "benches". These permanent divisional benches allow more cases to be handled in less time. The Judges of the Supreme Court of Bangladesh hear proceedings in these benches all year long, located in Dhaka.

A "Circuit Bench" is, however, High Court branches established in other districts of the country. Judges may move once or twice a year to these circuit benches. It is a common practice around the world, but even when granted by its Constitution, it is yet to be permanently established in Bangladesh.

from time to time appoint." It was included by the Father of the Nation Bangabandhu Sheikh Mujibur Rahman in 1972.

The Bangladesh Supreme Court Rules of the High Court Division also talks about Circuit Benches in its third chapter. It states that "in exercise of its several jurisdictions of the High Court Division, one or more judges may hold session(s) at such place or places and at such times as the Chief Justice may, with the approval of the President, determine under Article 100 of the Constitution."

HM Ershad, after coming into power in 1982, decided to establish permanent benches of the High Court in each divisions of the country. Through a Martial Law Proclamation (2nd Amendment) Order of 1982, three permanent benches of the HC were set up in Jashore, Rangpur and Cumilla. Two years later, three more divisions, namely Barishal, Chattogram and Sylhet got their own High Court benches. This bold move by the then-president to decentralise the judiciary reduced the sufferings, time and cost of litigation in favour of the masses. To make such changes permanent, the Constitution was amended (7th Amendment) to legalise these benches. However, the joy was short-lived.

The decentralisation affected the lawyers' interest as their client base reduced drastically. A reputed Barrister filed a petition challenging the legality of the six circuit benches but that was turned down. Eventually, lawyers all around the country formed an alliance and demanded withdrawal of the benches. After a series of protests over the years, the Appellate Division had finally nullified the decentralisation in



1989 to restore peace in the legal arena.

Circuit benches around the world
Circuit benches or Circuit Courts are temporary courts established for a specific time of the year. England and Wales are divided into six regions for the court system, for example, the Northern Circuit, Western Circuit or Midland Circuit. Members of these courts are High Court Judges, Circuit Judges and District Judges.

In India, there are 24 High Court benches present together with the Supreme Court of India. The jurisdiction of each High Court is over a state or a union and is governed by Article 214 of Chapter V of the Indian

the Chief Justice that it will help quicker disposal of cases and will save time and costs for the litigants of the port city. They even formed a "High Court Circuit Bench Bastabayan Parishad" (High Court Circuit Bench Implementation Council) whose convener stated that out of 28 lakh cases in courts, 1.75 lakh were filed in Chittagong city. Chattogram City Corporation mayor AJM Nasir Uddin also underscored the need for such a bench and requested the ministry concerned to take the initiative to establish a circuit bench in the city.

There have been top-level assurances about setting up a HC bench in Sylhet as well. Moreover, Law Minister Anisul Huq had a similar opinion when asked about circuit benches at the Q&A session of the Parliament. He stated that since the judiciary is now independent, the government has little role to play. Hence, this remained limited to only statements having no signs of execution.

A circuit bench in every division of the country would make steady disposal of cases. The litigants would be able to save time and expenses as they could access the High Court easily without having to travel to Dhaka. The burden of cases at the Supreme Court would considerably be reduced. People from remote areas of the country would have easy access to the benefits of the judiciary. If this is not the spirit of our Liberation War, then what is? Our past mistake of rejecting the idea can be rectified by our collective efforts and unity at present. The Bangladeshi legal fraternity must look beyond their personal interests for the greater good of the citizens.

Aiman R Khan is an advocate at the Dhaka Judge Court.

QUOTABLE Quote

STEVE SAINT
(1951-present)

Ecuadorian-born author and business entrepreneur

Your story is the greatest legacy you will leave to your friends. It's the longest-lasting inheritance you will leave to your heirs.

CROSSWORD BY THOMAS JOSEPH

ACROSS	34 Had supper	7 Hogan dweller
1 Tennis great Arthur	35 Mine rock	8 Primitive primate
5 Turner and Fey	36 Cain's mother	9 Sipping aids
10 Have the ability to	37 Home run hitters	11 Serve a sentence
12 Make suitable	do it	14 Get beached
13 Seek safety	40 Prepare for a game	19 Abner's father
15 Id -	41 Wasn't thrifty	20 Musical chord
16 Chiding sound	42 Like some questions	24 Stars
17 Dr.'s org.	43 Go by	25 Know-it-all
18 Enter via cracks		26 Science study
20 Turn to slush		27 Sports settings
21 O'Neill forte	DOWN	29 Poseidon's domain
22 Howard and Silver	1 Field units	30 Refuges
23 Joe of "Goodfellas"	2 Blotto	33 Exams
25 Ginger cookie	3 Orion, for one	35 "Dear me!"
28 Moor plant	4 North Pole worker	38 Badge metal
31 Painter Cassatt	5 Diplomatic skill	39 Phone download
32 Tritite	6 Wedding words	

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BEETLE BAILEY by Mort Walker

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