

Keep nuclear plants out of war

Russia should remember the Chernobyl tragedy

THE attack by Russians on a nuclear power plant in Ukraine on Friday has raised questions as to why President Putin would go for such an extreme action. We are sure a veteran statesman like him has a clear idea what a damaged nuclear power plant can do to the entire region's population and biodiversity. Putin and his military commanders must be aware of the Chernobyl nuclear plant disaster that took place in 1986 and its tragic aftermath. It too was located in Ukraine. Besides causing deaths to hundreds of citizens, it spread deadly radioactive contamination across Europe.

We are, therefore, shocked at the Russian decision to target the Zaporizhzhia Nuclear Power Plant which caused a fire in a part of the building. The people in charge there, with the help of Ukrainian soldiers, have been able to extinguish the fire, and so far there has been no report of radiation leakage. It surely was a close call that otherwise could have been of nightmarish consequences. We are further alarmed by the news that Russian forces have seized control of the power plant after a battle with Ukrainian troops on the ground. Ukraine's nuclear establishments have been a major point of concern since the Russian invasion of the country. And the fear of damage to one of these establishments came true on Friday.

The Ukrainian president termed the attack as an unprecedented "nuclear terror" and his allies in the West accused Moscow of endangering millions of lives by launching a full-blown war on Ukraine. Many of them called upon Putin to withdraw all troops and engage in diplomatic efforts to resolve the issues. But as the latest developments indicate, there is no sign of Russian forces withdrawing from any place under their occupation. Rather, they are carrying on with their offensive on multiple fronts and targets. Meanwhile, the number of civilian deaths is mounting, while refugee numbers have crossed over 1.2 million already. Bangladesh also condemns the unprovoked rocket attack on one of its commercial ocean liners, while left one of the crew members dead and the ship badly damaged. We are, however, relieved to learn that the rest of the crew members have been taken to a safe zone.

While we strongly condemn the Russian action on the nuclear power plant in Ukraine, we insist that all nuclear sites everywhere be kept safe and secure so that no disaster like Chernobyl can happen ever again. With the memory of some tragic nuclear disasters still fresh in our minds, we urge President Putin and President Zelensky to give peace a chance by starting a dialogue sitting across the table.

Why is old survey being used to calculate food inflation?

BBS data underestimates the actual condition of the poor

IT is deeply troubling that official inflation figures in Bangladesh do not reflect the actual situation in the country, as a recent study has found out. The study, done by the South Asian Network on Economic Modeling (SANEM), reveals that food inflation faced by the poor is more than twice what the official data claims. This is mostly because the state-run Bangladesh Bureau of Statistics (BBS) still calculates inflation based on the old Household Income and Expenditure Survey (HIES) of 2005-06, which is really surprising given that the latest data of HIES 2016 has been available since 2017. Because of using data from the old base year, the stress that economically marginalised households are suffering in the wake of price hikes remains underestimated.

According to the BBS, in January this year, food inflation in the urban and rural areas was 4.85 percent and 5.94 percent, respectively. But the SANEM study found that it was actually 11.36 percent in urban areas and 11.21 percent in rural areas. The study has found that the food consumption baskets of the selected marginalised household groups are concentrated on much smaller items than the food baskets used by the BBS. The consumption patterns of the households calculated by the BBS were derived from the HIES of 2005-06—in which 422 commodities were included in the urban consumer basket, while the rural basket consisted of 318 food and non-food items. But the meal patterns of people have changed a lot since 2005-06.

The SANEM study also found that the average food consumption is 61.13 percent of the total consumption expenditure of urban marginalised household groups, and 65.36 percent of the total consumption expenditure of rural household groups. These are much higher than the food shares used by the BBS in their CPI (Consumer Price Indices) calculation: 45.17 percent for urban areas, and 58.54 percent for rural areas.

The danger of such inaccurate and exaggerated data cannot be overestimated, as official response almost always depends on the BBS data. It also means that while the pandemic has been continuously affecting people's income and employment, creating new poor and increasing their vulnerabilities, the poor are having to struggle with huge inflationary pressure. This is totally unacceptable. We urge the government to undertake proper assessment of the market's demand and supply situation. Also, the government's social protection coverage needs to be expanded to include all old and new vulnerable segments of population in its schemes.

Can rising interest rates really tame inflation?



AN OPEN DIALOGUE

Dr. Abdullah Shibli
is Senior Research Fellow at the US-based
International Sustainable Development
Institute (ISDI).

ABDULLAH SHIBLI

RUSSIA'S military attack on Ukraine has unquestionably thrown the global economy off balance. Newspapers are full of stories about the long-term impact of this war. Obviously, I share many of the dire predictions being made, but for this article, I choose to address another equally burning and long-term issue: the role of rising interest rates. In simple terms, it revolves around the question: "How high does the interest rate have to rise to dampen inflation?"

We know that the interest rate determines the price of holding or loaning money. Banks pay an interest rate on savings to attract depositors. Banks also receive an interest rate for money loaned from their deposits. When interest rates are low, individuals and businesses tend to borrow more from banks, thereby increasing the money supply. As a consequence, inflation goes up. On the other hand, higher interest rates tend to lower inflation.

While this is a very simplified version of the relationship, it highlights why interest rates and inflation tend to be inversely correlated.

There is growing concern among economists that the rate of interest that borrowers pay is soon going to shoot through the roof and short-circuit the post-pandemic economic recovery. So, why is the interest rate going up? How does it affect other macroeconomic variables, particularly the price level? Can rising interest rates really curb inflation? I cannot answer all these questions here due to space limitations, but hope to pique the interest of readers so as to enable them to pursue the riddle in greater depth over time.

A central bank can use interest rate variations as a tool to battle inflation. It does so by setting the short-term borrowing rate for commercial banks—known as the repo rate in Bangladesh—and then those banks pass it along to consumers and businesses. That rate influences everything from interest on credit cards to mortgages and car loans, making borrowing more expensive. On the flip side, it also boosts rates on savings and certificates of deposit (CD), and encourages savings.

During a period of inflation, a central bank aims to make borrowing more expensive so that consumers hold off on purchases, thereby cooling off demand



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Treating inflation with high interest rates is like treating cancer with chemotherapy. You have to kill parts of the economy to slow things down.

ILLUSTRATION:
COLLECTED

is under increasing pressure to raise the bank rate again. The US Federal Reserve is expected to begin raising the benchmark rate, known as the Funds Rate, at the next meeting of the Board of Governors on March 15-16. The European Common Bank might raise rates selectively, and it is a foregone conclusion that countries in Asia will follow suit, although there might be a slight lag.

What's new about this upward trend is that many central banks in North America and Europe had brought down their respective interest rates to near-zero levels in an effort to achieve the targets of maximum employment and price stability. Unfortunately, inflation has recently reached a high level in the wake of rising demand and supply chain bottlenecks. The central banks have now decided to apply the brakes on aggregate demand and money supply to dampen inflationary pressures.

The critical question here is whether the observed movement in the two variables—interest rate and inflation—exhibit any causality, or is it merely a coincidence? Of immediate relevance is the question: Will merely raising the interest rate bring down the rate of

inflation? In addition, how high and how fast does the interest rate have to rise to make an impact on inflation? For instance, if needed, can the Fed raise interest rates to 5 percent, 10 percent, or as in the 1980s, to 20 percent? Is this even calculable or predictable in advance? The answer to these questions is no.

Raghuram Rajan, former chief

economist at IMF and governor of the Reserve Bank of India, dismissed interest rate as a "blunt" tool in a situation where the real culprit is the creaky supply chain. Interest rate is a blunt tool also because aggregate price indices alone don't tell us specifically which prices are changing, for what reasons, or to what effect.

"The government should take action to protect the poorest through stronger price caps and direct financial support, while increasing investment in green projects to end our exposure to volatile fossil fuel prices, and dampening demand among those who can afford it through wealth taxes," Rajan adds.

Of course, it will take some time for any action a central bank takes to impact the economy and curb inflation. That's why the policy-making groups need to carefully watch economic data to decide how much and how frequently to raise rates.

And the biggest challenge is to find the optimal level of interest rate increases without pushing the economy into a slump. Treating inflation is like treating cancer with chemotherapy, as an expert said. "You have to kill parts of the economy to slow things down. It's not a pleasant treatment."

What Ukraine needs



Ivanna Klympush-Tsintsadze
is chair of Ukraine's
Parliamentary Committee on
Integration of Ukraine to the EU.

IVANNA KLYMPUSH-TSINTSADZE

ALTHOUGH Ukraine's armed forces are outnumbered by those of Russian President Vladimir Putin invading our country, we take heart from the growing support we are receiving from friends abroad. Nobody should forget that this is not just an unprovoked invasion of Ukraine; it is an assault on the free world.

Putin has been at war with the free world for decades. He has ordered the assassination of Russian exiles on foreign soil, in democratic countries such as the United Kingdom. He has interfered in democratic elections, both in the United States and across Europe. He and his cronies have looted Russia and laundered the cash abroad. He has propagated disinformation worldwide, and crushed dissent at home. In 2008, he sent Russian forces into Georgia, where they continue to occupy large swaths of that country. And most recently, he has occupied Belarus—now a launchpad for his war on Ukraine.

In Ukraine, Putin's forces have exhibited appalling cruelty, bombing apartment blocks, hospitals, schools, and other essential civilian infrastructure that is critical to urban civilian life. The bombing of Freedom Square in Kharkiv and the use of cluster munitions in cities are unambiguous examples of war crimes. Russian troops are committing acts of genocide against the Ukrainian people. Because Putin's troops have overrun



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A blast is seen in the TV tower, amid Russia's invasion of Ukraine, in Kyiv, Ukraine on March 1, 2022.

PHOTO:
REUTERS

Putin's objective extends beyond Ukraine. He wants a return to the 1945 Yalta Conference, when world leaders carved up post-World War II Europe according to Western and Soviet spheres of influence. Just last week, the Kremlin spokesman issued direct threats against Sweden and Finland—two countries that, like Ukraine, are European but not members of NATO.

The free world has begun to wake up to the magnitude of the threat Putin poses. For too long, the global response amounted to too little, too late. But by barring several Russian banks from the SWIFT financial messaging system, freezing a significant share of Russia's foreign-exchange holdings, and supplying

us with advanced military hardware, the free world is helping Ukraine drive Putin back.

We are grateful to Poland and other Western neighbors for doing all they can to accommodate Ukrainian refugees—though we now understand that Russia is deploying paratroopers to terrorise these people and to close our western borders.

To resist Russia and save Ukraine, we need more help immediately. For starters, Western powers could enforce a no-fly zone over Ukraine to prevent the continued aerial bombardment of civilian population centres. Second, other countries must impose an oil and gas embargo on Russia, to cut off its primary revenue source. Third, governments should expel Russian diplomats, deny Russia landing rights, and ban all Russian media channels. And, finally, Russia's veto at the United Nations Security Council should be revoked, followed by a special war-crimes tribunal to prosecute Putin and other culpable officials for the crimes against humanity that have become a staple of Russian policy in Ukraine.

Putin's terrorist army may inflict horrific damage on our cities, but it will never take control of Kyiv, our Ukraine's capital and spiritual home. He can try to erase our city from the map with bombardments, but we will never capitulate.

As I sit here on the outskirts of Kyiv, Ukrainian politicians of all stripes have rallied together with civil society leaders and foreign parliamentarians to counter Putin's outrageous attack on our country.

While our brave armed forces and citizens are resisting Putin's criminal invasion in the cities and forests of Ukraine, we will continue doing what we can to defend ourselves. We know that we have truth and freedom on our side. All free countries must know that the fight Putin has forced upon us is not ours alone.