

The Daily Star

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## Where are those 'DB' men who beat a bus driver to death?

Police should not soft-pedal this issue

IT seems odd that a group of men would intercept a bus on a highway and beat up the driver so mercilessly as to cause him to succumb to his injuries, and get away with it—with the law enforcement agencies unable to do anything about it in three years. In April 2019, that is exactly what happened to a Shyamoli Paribahan bus driver in Chattogram city's Shikalbaha area. He was set upon by plainclothes men, who claimed to be police detectives, and done to death in front of passengers and the helper of the bus. They were looking for yaba, but found nothing after searching the vehicle. It seems they vented their spleen on the driver for failing to net their target—as if it was the driver's fault that there was no yaba on the bus.

It is not surprising that the case has not made any headway in three years, and given the circumstances and the alleged perpetrators, one doubts whether the culprits will be identified, let alone brought to justice—ever.

The telltale signs—some of them were carrying handcuffs, walkie-talkies and pistols—betray the identity of the men involved in the driver's death, apart from the fact that they had themselves declared their identity as Detective Branch (DB) personnel. What is unacceptable, therefore, is the inordinate delay in finding out exactly who they were that day on April 22, 2019. The Chattogram Metropolitan Police (CMP) are quoting records and CCTV footage to support their claim that none of their DB personnel was out on any operations that night. Admittedly, every operation is supported by relevant documents showing time out and in, and the nature and location of operations and the personnel employed in it. Therefore, it should not be a problem to identify the personnel from the records, provided that the records have not been tampered with.

However, if we take the CMP's statement as true, then it begs several questions. Firstly, does it take three years to find out about another "microbus, an SUV and a car of another law enforcement agency crossing the toll plaza of Shah Amanat Bridge's Karnaphuli end and heading towards the city after the incident," as was revealed in the CCTV footage, and acknowledged by the CMP? Secondly, if no law enforcement agencies were involved in the incident that day, should we assume that there are people masquerading as DB men and going about their ways with impunity? That is an equally dangerous scenario.

We believe there is an attempt to hedge the issue and sweep it under the carpet. It is for the police to identify the culprits, because the fingers are pointing at them. The facts are clear, and the perpetrators must be identified and punished for the sake of justice and credibility of the police. Killing is a reprehensible crime—abetting is equally, if not more, so.

## Deliver on road safety promises

Immediately frame the new road safety action plan

IT is outrageous that the government has still not framed a new action plan for road safety, even though the tenure of the last one expired two years ago. Although a draft National Road Safety Strategic Action Plan 2021-2024 was prepared over a year ago, it is yet to be approved. As this newspaper reported on April 3, 2022, the Bangladesh Road Transport Authority (BRTA) placed a draft before a meeting of National Road Safety Council (NRSC) on February 18 last year. During the meeting, led by the Road Transport and Bridges Minister Obaidul Quader, a committee was formed to scrutinise and finalise the draft within one month. Even though the committee submitted its report, having updated the draft, the plan apparently could not be sanctioned as no NRSC meeting was held since then.

At a time when road crashes and the number of their victims have shot through the roof, why is it that there is so little urgency among the authorities to formulate an action plan for road safety? A total of 5,088 people were killed in 5,472 road crashes in 2021, which was 30 percent higher than the previous year, according to a police report. This inexcusable delay on the officials' part exposes how little they care about road safety issues—and to an extent, about the lives of ordinary people.

As recently as March 29 this year, the World Bank approved USD 358 million for a project to help Bangladesh improve road safety and reduce fatalities and injuries from road accidents in selected high-risk highways and district roads. Why is it that, while acquiring these funds, we don't have any comprehensive action plan to that end? Before financing the project, the World Bank in January said that despite the existence of different bodies to ensure road safety in Bangladesh, the number of deaths from road crashes refuses to go down because these organisations are not held accountable. That no one has been held responsible for the failure to frame a new road safety action plan—which successive governments have framed since 1997—for two years is another example of that.

We have heard government high-ups repeatedly making lofty promises in regards to road safety—particularly following the student movement for safer roads—and then failing to deliver consistently. We, therefore, demand that the authorities immediately frame the new action plan and take comprehensive actions to deliver safer roads for people.

# What to look for to make UPS successful



**AN OPEN DIALOGUE**  
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ABDULLAH SHIBLI

THE Bangladesh government recently announced a move to roll out a pension plan, initially named the Universal Pension Scheme (UPS), during the 2022-23 fiscal year. There are several areas—government contribution, investment portfolio, etc.—that need to be sorted out as the responsible government agencies and the pension authority work out the mechanism and institutional and technical infrastructure before the programme is formally launched. The finance minister has provided a few details of the UPS and promised that it will be launched within the next 12 months. My comments are based on the minister's virtual press conference on February 23, where he presented an outline of the scheme.

The finance minister declared that a person would receive Tk 64,776 in pension until the age of 80 if he or she started depositing Tk 1,000 every month from the age of 18 until 60—i.e. for 42 years. If they start depositing money at the age of 30 and continue until 60, they will receive Tk 18,908 in pension every month. It is not clear if the government will match the contribution of an enrolled citizen.

I believe the announcement of UPS is laudable and—one might add—comes not too soon. The ruling party committed to the scheme during the 2008 general elections, and it has been planning to introduce it since FY2017-18. However, it is going to be a challenge for the government and the new agency responsible for running it, both financially and administratively.

There are three financial parameters and two sociological considerations that will affect this programme's success. The financial parameters are: future paths of inflation, rate of return, and the time value of money (TVM). The concepts of inflation and the rate of return on investment are well-known. On the other hand, the TVM is a basic concept that holds that money in the present is worth more than the same sum of money to be received in the future. If you lend Tk 1,000 today, and the borrower gives you back the same amount in 10 years' time, would you be interested? Is the value of Tk 1,000 today the same as Tk 1,000

at a distant future date even if there is no uncertainty, inflation or alternative investment opportunities? The answer is: No.

The two sociological considerations are: "trust in government" and "savings culture." If the public is wary of its competency, honesty or corruption, they might be hesitant to hand over their savings to the government. Similarly,

January 2085.

If we assume that inflation is zero percent over the next 62 years—i.e. starting from 2023 till the end of 2084—and the government's pension fund is the only investment outlet available in Bangladesh, that's not a bad deal for the pensioner. However, my arithmetic is based on two major assumptions: the rate of returns on investment and the rate of inflation are both zero. Let's relax these two pivotal conditions and introduce financial intermediaries and banks, plus inflation.

**Scenario 2: No inflation and 6 percent rate of return**

First, let's keep the inflation rate frozen at zero, but consider different investment avenues and different rates of return. If the money is regularly put into a savings account or in a fixed deposit which generates a 10 percent annual rate of return, at the end of 42 years, the total amount of savings balloons to Tk 85,67,791.08, thanks to the power of compounding. But this sum is less than the Tk 1,55,46,240, which is the present worth of UPS.

Alternatively, at a 12 percent rate of return, my monthly investment of Tk 1,000 turns to Tk 1,68,75,746.13, which is greater than the present pension value.

Thus, the implicit rate of return offered by the UPS is greater than the rate any savings account in Bangladesh would offer, which is six percent, but less than the 12 percent return for some savings certificates. The judgement here is based on a projected inflation rate of zero.

**Scenario 3: Inflation at 5 percent, real rate of return at 6 percent**

Now let's bring in inflation. For illustrative purposes, if inflation is five percent, then the real value of the UPS is much less after discounting for inflation. The real rate is calculated by subtracting the rate of inflation from the nominal interest rate. In this case, the real rate of return is six percent.

Still worse, if inflation continues at the same rate for 42 years of saving, and another 20 years after that, the discounted value of your total pension is even less. Actually, the purchasing power of Tk 64,776 in 2065 is a fraction of the nominal value if you factor in a five percent rate of inflation, and it keeps on declining further as you approach 80 years of age.

I, therefore, advise the pension authority to keep an eye on the financial and sociological factors in view as they design the new UPS. They will need to build trust among the public to ensure the success of this important programme.



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for a family that is currently not putting away any money for the future, an opportunity to save in a pension fund may provide an incentive to save.

In the following (hypothetical) example, I use some basic mathematics and very simple assumptions to illustrate the principle. I arrived at the conclusion that the incentive for a prospective participant in the scheme is less than enticing, given that there are many other alternatives available in Bangladesh.

**Scenario 1: No inflation and zero rate of return (no investment outlet)**

If an 18-year-old worker joins the programme from day one, say in January 2023, he or she will contribute Tk 1,000 per month. The total over the next 42 years will amount to Tk 504,000 if the money is sitting idle in the government's coffers. According to the finance minister's figures, when this worker turns 60 in January 2065, he or she receives Tk 64,776 in monthly pension and keeps on receiving this fixed amount over the next 20 years. In total, he or she will have received Tk 1,55,46,240 till

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# War or Peace, Barbarism or Hope?

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ANIS CHOWDHURY and JOMO KWAME SUNDARAM

THE spectre of "stagflation" threatens the world once again. This time, the risk is the direct consequence of political provocations and war.

Stagflation is a composite word implying inflation with stagnation. Stagnation refers to weak, "near zero" growth, inevitably worsening unemployment.

The term "stagflation" was supposedly first used in 1965 by Iain Macleod, then UK Conservative Party economic spokesperson. It caught on in the 1970s, when high inflation and unemployment ended an economic era dubbed the "Golden Age of capitalism" describing the post-World War 2 boom.

Normally, in a recession, the inflation rate—i.e., the overall rate at which prices increase—falls. As unemployment rises, wages come under pressure, consumers and businesses spend less, reducing demand for goods and services, slowing price rises. Similarly, when the economy booms, the labour market tightens, pushing up wages, in turn passed on to consumers via increasing prices. Thus, inflation rises and unemployment falls during a boom.

However, stagflation poses a dilemma for central banks. Normally, when economies stall, central banks try to stimulate growth by cutting interest rates, encouraging more borrowing, and thus spending. But that could also fuel further price rises and higher inflation. On the other hand, if they raise interest rates to check inflation, growth may slow even more, further worsening unemployment.

The growth of world trade after WW2 increased demand for the US dollar,

the de facto world currency under the 1944 Bretton Woods (BW) international monetary agreement. During the 1960s, US economic growth was increasingly sustained by government military and social expenditure. Spending increased for both "defence", especially the Vietnam War, and President Lyndon B Johnson's social programmes.

As LBJ was reluctant to acknowledge the rising costs of the Vietnam War, it was difficult to raise taxes to pay for his "swords and ploughshares" spending. Instead, spending was financed by government debt, from selling US Treasury bonds. Thus, the world financed US government spending, including the war.

US monetary policy was obligingly expansionary. Unsurprisingly, inflation shot up from 1.1 percent during 1960-64 to 4.3 percent in 1965-70. Higher inflation also eroded US competitiveness, further worsening its balance of payments deficit, and undermining US ability to honour its BW commitment to maintain full convertibility to gold at USD 35 per ounce. This obligation did not go unnoticed by foreign governments and currency speculators.

As inflation rose in the late 1960s, US dollars were increasingly converted to gold. In August 1971, US President Richard M Nixon ended the exchange of dollars for gold by foreign central banks, effectively violating its BW commitment. A last-ditch attempt to salvage the international monetary system—through the short-lived Smithsonian Agreement—failed soon after. By 1973, the post-WW2 BW international monetary arrangements were effectively done with.

Oil exporting, European and other countries which held reserves in US dollars suddenly found their assets worth much less. With Venezuela, the Middle East-led Organization of Petroleum Exporting Countries (OPEC) reacted by dropping their earlier willingness to keep oil prices low.

In October 1973, "nationalist" Saudi monarch Faisal embargoed oil exports to nations supporting Israel. The oil

price almost quadrupled—from USD 3 to nearly USD 12 per barrel when the embargo ended in March 1974. This rise was paralleled by great increases in other commodity prices during 1973-74.

Commodity supply shocks and higher commodity prices increased production costs, consumer prices and unemployment. As rising consumer prices triggered demands for higher wages, these in turn increased consumer prices. Thus, wage-price spirals accelerated price increases and inflation.

The 1979 Iranian revolution triggered a second oil price shock. The resulting "great inflation" saw US prices rise over 14 percent in 1980. In the UK—then deemed the "sick man of Europe"—inflation averaged 12 percent a year during 1973-75, peaking at 24 percent in 1975.

In the 1960s, unemployment in the seven major industrial countries—Canada, France, West Germany, Italy, Japan, the UK and the US—rarely exceeded 3.25 percent. But by mid-1982, it rose to 8 percent, exacerbated by interest rate hikes, ostensibly to fight inflation.

In October 2021, the International Monetary Fund, the European Central Bank, the US Fed and other such institutions believed the factors driving inflation were transitory. None of these authorities saw an urgent need for interest rate hikes.

But in the last month, the war in Ukraine and sanctions against Russia have driven up the prices of commodities such as wheat and oil. This will exacerbate rising inflation in much of the developed world.

This time, 'stagflation' is the direct consequence of political choices, especially for war, not unavoidable economic trends. Developing countries are fast learning where they really stand in this unequal world of endless war, e.g., from the European treatment of Ukrainian refugees.

Peace is therefore imperative. The alternative is the barbarism of conflict among big powers in which most of us have no vested interests.

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