

So what if taka slides against dollar?



BIRUPAKSHA PAUL

Dr Birupaksha Paul is a professor of economics at the State University of New York at Cortland in the US and former chief economist of Bangladesh Bank.

THERE is nothing to be panicked about if taka slides further against the dollar. It's not only that the market demands it, but it is also the penalty the nation must pay for the government's wrong policy on the exchange rate in the first place. Since the early 2020s, taka was wrongly overvalued, hurting exports and remittances and boosting imports for long. These widened the current account deficits and depleted the foreign currency reserves. Sliding of taka would help reset these trajectories and leave the central bank in a better shape than before.

Some people misconstrue the value of taka and wrongly tie it with the strength of the government. It's the opposite for a developing nation like Bangladesh. Let me explain the case particularly for those who mix taka's value with politics. The exchange rate is the amount of foreign currency that one unit of domestic currency can buy. It's the amount of US dollar that one unit of taka can buy, which is \$0.011494252 (=1/87) or close to 1.15 cents when one dollar is sold for Tk 87.

Next, if one dollar is sold for Tk 91, both the exchange rate and the value of taka go down to \$0.01098901 (=1/91) or close to 1.1 cents. Now, taka's purchasing power has fallen from 1.15 cents to 1.1 cents—which we term as devaluation of local currency. Some people take this weakening of taka as a sign of weakness in the economy, and even go as far as to blame the government for making the nation weaker on the global stage. Is that so?

Like the interest rate, the exchange rate is a tool for the central bank to regulate the economy and guide it in the right direction, so that inflation is controlled and employment is maximised. In any journey, reaching the destination is the main objective. Passengers hardly care about how the driver is using the clutch, brake, and accelerator. Of course, we

always need to appoint an experienced and efficient driver to avoid accidents. And herein lies the importance of policymaking and having the right people in the driving seat.

Since the early 2000s, the government committed to the regime of floating exchange rates. Essentially, it remained highly administered and artificially

VISUAL: STAR



managed—a style often termed as a “dirty float”. The central bank can iron out the day-to-day volatility of taka's value, but it shouldn't stay too far away from the interbank value, or the market value determined by a fair play of demand and supply. The kerb-side or street market value which the brokers determine unofficially is often a reflection of the market value.

To illustrate a case, Bangladesh Bank (BB) assigned the rate for importers—called BC rate or bills for collection rate—at Tk 86.75 on May 9, 2022. This rate assignment is impractical and has no connection with what is going on in the market. Importers had to buy dollars at as high a rate as Tk 95 to pay import bills. Banks were compelled to collect high price for the dollar because the demand far outstripped the supply. BB has a research division that is capable of analysing the dynamics to reflect a

Knowledge or expertise takes a back seat, while obedience to the finance ministry—which is supposed to be guided by political judgment—matters the most. Hence, BB's mistakes in policymaking seem unavoidable.

fair exchange rate. But who cares about research? Knowledge or expertise takes a back seat, while obedience to the finance ministry—which is supposed to be guided by political judgment—matters the most. Hence, BB's mistakes in policymaking seem unavoidable.

Taka has long remained artificially overvalued, and thus deprived millions

BB advisers must come out of that mindset and devise ways on how to ensure a fair play of demand and supply to determine interest rates, exchange rates, and a correct value of taka. A fair price never requires a subsidy or an incentive. Vitamin tablets are redundant if someone takes natural healthy foods. Controls are the mantra of the mediocre because controls make them feel important.

Our foreign reserves stood at USD 46 billion in December 2021, and it has slid to USD 41 billion—equivalent to roughly 6 months' imports given the current pace. It's still fine. But if taka isn't allowed to reflect its real value by sliding further against dollar, foreign reserves will reach an alarming low in a year or so. Why? At the end of FY 2022 in June, imports may hit up to USD 80 billion and exports USD 50 billion. A major part of this trade deficit of USD 30 billion will be offset by the expected remittance of USD 20 billion. Since balance of services is in deficit, the total current account deficits are expected to be USD 18 billion or so. If capital accounts can't offset the deficits, the reserves' coverage length of import bills will shrink further.

But if taka depreciates against the dollar, the rise in both exports and remittances will outpace that in imports, dwindling the current account deficits and boosting foreign reserves. The government's recent ban on luxury imports seems to be politically popular, but it is also losing its import duties which are much higher on luxuries. The widening tentacles of import restrictions will add further salt to the injury of our fiscal capacity, which is one of the lowest in the world. The government will then resort to using more of its favourite tool—Sanchayapatra—another example of non-market pricing and the most expensive deficit financing of the government.

Coming closer to the market in fixing both exchange rates and interest rates is the best answer to avoiding all ad hoc circulars, frills, subsidies, incentives, and restrictions—which engender policing, rent-seeking, and corruption. Taka's value may rise or fall based on its market value, and the economy will either gain or lose at times. But keeping its value artificially too high is foolish. It will do more harm than good to the economy by damaging its balance of payments.

POTENTIAL OVERTURNING OF ROE VS WADE

Let women have agency over their own bodies



GEMINI WAHHAJ

Gemini Wahhaj is an associate professor of English at Lone Star College in Texas, US.

A leaked draft opinion shows that the US Supreme Court is set to overturn Roe vs Wade and Planned Parenthood vs Casey, two Supreme Court decisions that guarantee the federal constitutional protection of the right to abortion. The striking of Roe vs Wade would be the final blow to abortion rights in the US, following several recent state legislations against abortion, including regulation of the stages of pregnancy at which abortion is legal. If Roe vs Wade is overturned, we are likely to see an overhaul of most reproductive rights of American women, resulting in state control, surveillance, and criminalisation of women's bodies.

But the effect of the law will not be the same everywhere. The language of the draft opinion is very deliberate that the court will be returning the power of abortion legislation to elected representatives in the states. The fate of women's access to abortions will be dependent on the political affiliation of their state. If the 1973 decision in Roe vs Wade is overturned, abortion will likely become illegal in at least 26 states, leaving abortion legal in the coastal blue states. As in the days before Roe vs Wade, the removal of the constitutional right to abortion will have a disproportionate effect on the young, on poor women, and on women of colour. Wealthy women will still be able to travel to safe places for abortion.

US Supreme Court Associate Justice Samuel Alito's draft opinion and recent court battles rely on the personhood of a foetus to bring charges against pregnant women for ending their pregnancies before birth, thus stripping their civil rights. Law professor Michele Goodwin pointed out on Democracy Now that black and brown women were already being criminalised for terminated pregnancies. Pregnant women have been charged with crimes of attempted feticide, manslaughter, or endangerment of a foetus when their pregnancies ended after falling down the stairs or in a shooting.

If the Supreme Court overturns Roe vs Wade, we are likely to see an intensification of the efforts to strip abortion rights that are already present in several anti-abortion bills. Alito's opinion

cites the Mississippi bill, which aims to make abortion illegal after 15 weeks of pregnancy. In 2021, the Supreme Court upheld an anti-abortion law in Texas banning all abortions after six weeks of pregnancy. In 2022 alone, 82 new abortion restrictions were introduced in 30 states.

The language in the leaked opinion

at dangerous psychological and physical risks, especially in communities with high maternal morbidity.

Some activists are saying that many women in the US have never had real access to abortion. Abortion is already restricted at the federal, state, and local levels. Almost immediately after Roe vs Wade passed, abortion rights were

the filibuster with 50 votes, but two Democratic senators, Joe Manchin and Kyrsten Sinema, may not vote to end the filibuster. Meanwhile, powerful democrats like Nancy Pelosi and Jim Clyburn have endorsed anti-abortion Democrat Representative Henry Cuellar against the progressive pro-choice candidate Jessica Cisneros in an important primary election in Texas.

Abortion has always been marginalised on all sides of the political spectrum. In his presidential campaign, President Barack Obama promised to codify Roe vs Wade into law, but he did not do so during his term when Democrats held a filibuster-proof 60-40 supermajority in the Senate, saying it was not his highest legislative priority and that abortion was a divisive issue. Instead, he focused on reducing teen pregnancy. In 2016, presidential candidate Hillary Clinton chose the anti-abortion Tim Kaine as her running mate. And President Joe Biden voted against Medicaid funding for abortion in 1977, voted against federal workers using health insurance on abortion in 1983, and openly opposed abortion many times as a devout Roman Catholic.

Many young people are saying that no matter how many times you vote or seek to reform through elections, people's choices will never be reflected. How can we seek reform through the Supreme Court, when the court has itself imposed cruel rules? The leaked opinion argues that the court can only make a decision based on the rights already protected by the constitution and historical precedent, but America is a country with a deeply troubled, racist past still codified in law.

Black, brown, and poor women, whose reproductive rights will be most affected by an overturn of the decision in Roe vs Wade, are already denied access to abortion and other reproductive rights. Black women not only have an extraordinarily high maternal mortality rate, but also suffer from systemic racism, lack of safe water, food and shelter, incarceration, and police violence. Indigenous women are routinely abducted, raped, and murdered. Women in Appalachia suffer from horrific reproductive health outcomes and high environmental pollution, from fracking, water and air pollution, and earthquakes. Many women don't even have access to healthcare. In a country with so little regard for the reproductive rights of its black, brown, and poor women, the overturning of Roe vs Wade would only be the final strike against women's freedom, dignity, and well-being.



hints at the attempt to use pregnant women's bodies as sources of supply of infants, by pressuring women towards adoption through illusive claims of safe child welfare programmes that profit off taking away children for adoption. This language to move from abortion to adoption proposes that young mothers carry a pregnancy to term and then give up their babies for adoption. Trump judge Amy Coney Barrett suggested that abortion is unnecessary since mothers can use the safe haven law to safely give up their babies. Activist Rebecca Nagle tweeted that crisis pregnancy centres often act as decoy centres to persuade women through deception and coercion to give up their babies for adoption instead. Soon, anti-abortion states will dictate that a pregnant woman should carry her pregnancy to term. Aside from the loss of freedom, the dictate to carry a pregnancy to term will put young women

Abortion rights protesters participate in nationwide demonstrations following the leaked Supreme Court opinion suggesting the possibility of overturning the Roe vs Wade decision, in Los Angeles, California, US, on May 14, 2022.

PHOTO: REUTERS

regulated out of existence for poor women when the Hyde Amendment passed by Congress in 1976 (and in effect since 1980) blocked federal funds from being used for abortion—specifically Medicaid-funded abortion. Writer Yasmin Nair writes, “Abortion rights were watered down long ago. Restrictions on access to abortion clinics can be incredibly onerous, requiring some women to make long trips, return for second visits, or observe waiting periods of up to 72 hours.” Even the draft opinion concedes that state legislation in some states has always tightly restricted abortion at all stages of pregnancy.

Democrats now control the House and the Senate, but they don't have the 60 votes necessary to codify abortion rights into law (Democrats only have 50 senators). The filibuster is a Senate rule that requires 60 votes to pass most legislation. Democrats could end