



Feminist activist Kamla Bhasin (1946-2021) posing in front of her favourite electric car. PHOTO: COLLECTED

Kamla Bhasin believed in the power of love, not the love of power



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A year ago today, a mentor, guide, sister and friend – not just to me, but to thousands of South Asians across the globe – left the world, leaving behind a gaping hole in our hearts and in the feminist movements in the region. Kamla Bhasin, prominent feminist, gender trainer, writer and poet, was born in Punjab (now in Pakistan) and grew up in India, but she always rejected narrow definitions of citizenship and identified as a South Asian. She would always say, “We want peace in South Asia, not pieces of South Asia.” And truly, she did belong to all of us – she was loved, admired and respected across the region, helping sustain the feminist movements in each of our countries, but most importantly, bringing us all together under a common platform to fight patriarchy, capitalism and jingoism.

I met this incredible person 35 years ago, and perhaps it would be fitting to mention that her friendship, guidance and love changed me for the better. And this is not just my personal experience but that of countless others who had the good fortune to call her their friend and mentor. She left an indelible mark on those she trained or worked with – she planted the seeds of activism in those not previously exposed to feminist thoughts and galvanised those already working on women's rights issues to fight harder against patriarchy and violence against women.

I first worked with this larger-than-life personality in 1996. Proshika, one of the biggest national NGOs back then, had invited her to conduct a series of gender training sessions for their senior management, mainly the male staff members. Kamla Bhasin had long understood that engaging men in the process of transformation was critical. During the sessions,

she didn't need powerpoint presentations, different training methods or pen or paper – she spoke with conviction, provided examples from our everyday lives and found ways to engage with each participant, making us laugh, cry and sing along the way. She moved us all, and made us confront our own biases and hypocrisies, in that characteristic way that only Kamla could.

In April 1998, Kamla designed and facilitated a workshop at Koitta, Bangladesh, where SANGAT – which stood for South Asian Network of Gender Activists and Trainers and later became The South Asian Feminist Network – was first convened, with the aim to bring together experienced and budding activists and academics from South Asia to learn from each other and further the feminist movement in the region. Each year, Kamla would help design and facilitate a month-long gender course, which has now become well known as the most comprehensive and compelling feminist training in the region. While the theoretical discussions facilitated by notable activists and academics in the region broadened our minds, the music, dance and laughter during and after the sessions broadened our hearts and solidified our sisterhood and solidarity. Anyone who attended these trainings would vouch for how their lives changed forever because of it. SANGAT, under Kamla's guidance, played an instrumental role in connecting fragmented movements for peace, justice and gender equality in South Asia. Kamla could have been an executive director of a big NGO or donor agency, or a bureaucrat, but she never wanted those positions. Leaving behind a successful career in the UN, she dedicated her life to inspiring thousands of human rights activists, trainers and friends all over South Asia so that we could work together, setting aside our differences, to create another world.

And she believed that another world was possible. She didn't believe in hierarchy; love was the centre of her life and teachings. She truly believed in the power of love over the love of power.

When she visited Bangladesh, she refused to stay at fancy hotels. She would stay at our house or that of Khushi (Kabir) Apa. She was an extremely organised person and liked to iron her clothes herself meticulously. She loved Bangladeshi food, especially *aloo bharta*, chicken curry and *daal*. She was a brand ambassador for the *gamcha*, and every so often she would ask to be taken to Elephant Road to buy her favourite white crockeries from Shinepukur or white handkerchiefs from Gausia. Kamla, who was a comedian too, would enthrall us all with her never-ending supply of “Sardariji” jokes. She learnt to speak Bangla on her own and insisted on speaking it when she was in the country. She loved Tagore songs and joined in every time we sang.

Kamla was a multi-talented personality. She wrote several booklets in simple English so that development practitioners from different backgrounds could read them easily and understand complex concepts. Her children's books challenged gender stereotypes and offered new ways of exploring and seeing the world. She crafted powerful slogans and legendary songs. She was the mind behind the message, she was the heart of each training she delivered. She spoke the truth, she had the courage to point out what was wrong, and the commitment to work for gender equality, justice and women's emancipation. She was an amazing person with an infectious energy, doing yoga, conducting trainings, writing poems and songs, running around the world with her message of love and solidarity, and supporting small women-headed NGOs and groups.

I miss you Kamla Bhasin, and I feel there are not enough people born in this world like you. You were a lighthouse in this sea of injustice. You will remain in our hearts and minds, wherever you are. As Tagore, whom you admired, said, “Let your life lightly dance on the edges of time like dew on the tip of a leaf.”

Bangladesh's currency conundrum: What role can interest rates play?



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Bangladesh Bank, under the guidance of Prime Minister Sheikh Hasina, had set the goal of a single-digit interest rate regime for all loans and borrowings in 2019. A low interest rate regime means lower borrowing costs and enhanced demand for investments by households and private sector businesses. The Bank's goal was definitely pro-poor and intended to unlock access to capital at lower costs for a large number of borrowers. Incidentally, Bangladesh has also observed a surging flow of inward remittances since then. The inflow of current account receipts further accelerated as the pandemic significantly curtailed economic activity and slowed down investment demands. The country accumulated a record USD 48 billion of foreign exchange reserves by the end of August 2021. It was also a period when the central bank lowered the repo rate by 125 basis points and injected a massive volume of liquidity into the financial system. It was done primarily to ensure that households and businesses can access credit at low costs and stay afloat.

As the pandemic subsided and the economy reopened by mid-2021, the public policy of single-digit interest rate led to a resurgent growth in private sector credit. It fuelled the domestic demand for imports, and trade account and current account deficits soared to USD 37 billion and USD 18.7 billion respectively in 2021-22. Bangladesh Bank initially tried to defend an overvalued exchange rate of the taka against the US dollar, but a fast depletion of foreign exchange reserves forced the central bank to quit the exchange rate peg. As a result, the taka has devalued by more than 40 percent in the kerb market since January 1, 2022.

Now, a critical policy question is how the central bank can credibly defend its currency against further devaluation risks with a cap on interest rates in place. An interest rate cap implies that a central bank will have perfect foresight to bring about equilibrium between demand for and supply of real money balance. This job is practically impossible since the central bank controls neither prices of goods and services, nor the supply of real money balance for a small open economy like Bangladesh's.

Even nominal money supply is not static for many reasons. For example, if the central bank sells

account deficits of the country, and so the resultant volatility in the foreign exchange market. In all likelihood, a continued low interest rate regime will cause a resurgent credit growth in the private sector and so in the demand for imports. Under the current circumstances, it must avert a persistently large trade account deficit and hence, a current account deficit. Any meaningful defence of the taka against further devaluation and exchange rate volatility must be based on substantial slowdown of imports. A monetary contraction and rising interest rate will help slow down import demand, thus improving the external account imbalance.

How does a market determined interest rate help resolve external account imbalance? It works through a variety of channels.

First, a rising interest rate will depress credit demand across borrowers and demand for new investments by firms. It will encourage households and the government to redefine their respective budgets and keep their spending within limits. Now consider the aggregate volume of imports. Imports are everywhere in the sense that they constitute parts of household consumption, government spending and private sector investment. Each of these variables is critically dependent on interest rates. A low interest rate will stimulate aggregate demand, and so imports. If a central bank really wants to reign in imports, it must increase interest rates, pursue an equilibrium exchange rate, and make borrowing costlier. Both interest rates and exchange rates are powerful determinants of current account deficits.

Second, an artificially managed low interest rate will cause illicit capital mobility across borders. Local financial instruments, including shares, corporate bonds, bank deposits and others, are mostly denominated in taka, as are the returns on them. A currency devaluation makes all taka-denominated financial instruments to be less valuable in terms of their international purchasing power. In other words, the dollar rate of return on taka-denominated financial instruments will decrease as the taka depreciates. As households and firms read into the ability of a central bank to defend the home currency, the risk of devaluation will prompt them to find other ways to convert their taka assets into foreign currency-denominated assets, such as through the so-called hundi. Note that such speculative behaviour arises from a fear of devaluation. Sri Lanka, Pakistan and Turkey have all suffered from this crisis. At the heart of it is low interest rates in the presence of an unsustainable external account imbalance.

Thirdly, the fear of devaluation will also encourage non-resident Bangladeshis and local



VISUAL: KAZI TAHSIN AGAZ APURBO

foreign exchange reserves to support the home currency against speculative attacks, the nominal money supply contracts. The supply of real money balance will contract further if aggregate price levels keep rising. For a given demand for real money balance, the interest rate will have to rise in order to clear the money market. A policy to cap interest rates below nine percent will either require printing new money or cause a disequilibrium in the money market. If the central bank keeps printing money, the inevitable happens: uncontrolled inflation, or hyperinflation.

On the other hand, if the central bank chooses to cap interest rates, disregarding money market equilibrium, a liquidity crisis will ensue and de facto credit rationing will begin in the financial system. The very goal of equity in access to capital would be lost. It may also push weaker banks and financial institutions into man-made insolvencies. This is because a predetermined interest rate will reduce net interest margins for banks and financial institutions. In an environment of weak regulatory oversight, the policy may further worsen problems of adverse selection and moral hazards in credit markets. That is why central banks shouldn't target interest rates. It can better target inflation rate or growth in monetary aggregate for financial sector stability.

An important question for Bangladesh Bank now is how an interest rate cap will affect current

exporters to either cancel or defer transfer of their foreign exchange earnings to the home country. Attempts to under-invoice exports or over-invoice imports will also mushroom if the taka has a volatile exchange rate.

Fourth, international capital flows, in the private and public sector, will critically depend on future sustainability of balance of payments and stability of the national currency. Either a persistent current account deficit or a national currency susceptible to devaluation, or both, will diminish the prospect of international capital flows into the economy.

Finally, the current account deficit is equal to the excess of gross domestic investments over gross domestic savings. Does the government or the private sector have ample space to bring in foreign capital to finance their excess of investments over savings? The answer is “very unlikely” in the current state of the world economy. It therefore implies that a persistent current account deficit will cause further depletion of foreign exchange reserves or a problem of debt sustainability. The volume of foreign exchange reserves is now below USD 40 billion. If one takes into account rapidly rising external indebtedness of the private sector, the pressure on dwindling foreign exchange reserves will likely persist, leading to high risks of further taka devaluation. In this situation, Bangladesh Bank can better fix the currency turmoil by freeing both interest rate and exchange rate to adjust over time.

CROSSWORD BY THOMAS JOSEPH

- ACROSS**
- 1 Autobiography
 - 7 Hunted animal
 - 11 Go by
 - 12 Bee's home
 - 13 Louisa May
 - Alcott book
 - 15 Car type
 - 16 Fishing need
 - 18 Tiara adorns
 - 21 Small seabird
 - 22 “Forget it!”
 - 24 “Exodus” hero
 - 25 Try for office
 - 26 Put down
 - 27 Tyrant
 - 29 Quite uncommon
 - 30 Time in office
 - 31 Egg layers
 - 32 Man of morals
 - 34 1980 Fellini
- DOWN**
- 19 Italian city
 - 20 Battle souvenirs
 - 21 Wee bit
 - 22 Pistachio or pecan
 - 23 Retina setting
 - 25 Juliet's love
 - 28 Grace, for one
 - 29 School paper
 - 31 TV's Mandel
 - 33 Dirty Harry's org.
 - 34 Truck part
 - 35 Glacier makeup
 - 36 Uno plus due
 - 37 West of films
 - 38 Series-ending abbr.
 - 39 Tennis need
 - 40 Land unit
 - 41 Sea rover
 - 42 Keg contents
 - 43 Notice
 - 1 Singer Torme
 - 2 Quarterback
 - Manning
 - 3 Yoga need
 - 4 Chooses to participate
 - 5 Key
 - 6 Oboe part
 - 7 Gave a ring
 - 8 Brink
 - 9 Genesis name
 - 10 Hankering
 - 14 Hayride need
 - 16 Floppy cap
 - 17 Get up



YESTERDAY'S ANSWERS

