

Stop this charade of price control

Why expect different outcomes with the same flawed policy?

With prices of essential goods long having spiralled out of the reach of ordinary people, we are frustrated that the government's approach to stabilise the market continues to be short-sighted and ineffective. On September 15, the government fixed the prices of eggs, onions and potatoes as part of a bid to contain the runaway food inflation (which hit a 12-year high in August). But according to our report, none of these items are being sold at the set prices. This comes as no surprise to us – and it shouldn't to the authorities either – as the government's past attempts at price control have repeatedly fallen short of expectations, providing financial windfalls to market syndicates instead.

For instance, every year, the government fixes rawhide prices ahead of Eid-ul-Azha, and every year without exception, traders violate that cap, citing various reasons. In the agriculture sector, too, farmers inevitably end up paying more than government-set fertilizer prices. Meanwhile, LPG cylinders, fixed at Tk 1,284, are currently selling at Tk 1,600. Whether it's the transportation fares, dollar rates, or prices of soybean oil, sugar or IV saline, the story is much the same, with the only ones to have benefitted in the process being the traders.

Why must the government insist on this charade year after year instead of addressing the root causes of escalating prices? Who is it really making a mockery of – its own institutions, whose failure to monitor the market is markedly clear, or the people, whose suffering has increased manifold over the past one and a half years?

Echoing the advice of economists, we have written countless times over the past year(s) advocating a different approach – to take stern action against the syndicates that are monopolising the market and manipulating prices. Yet, for reasons best known to the authorities, they have refused to monitor and regulate the major players who dominate supply chains and engage in monopolistic practices. Over and over, big players, with friends in powerful positions, have won over ordinary people, who have no one to look out for them.

Ahead of the upcoming general elections, the government must take a hard look at its present policies and consistent failure to bring down food prices, and ease people's sufferings. If it insists on setting prices, then it must do the bare minimum of ensuring compliance. But beyond, it is painfully obvious that it needs to ensure a transparent and competitive marketplace to pave the way for efficient market performance.

BCL is totally out of control

Their unchecked criminality is hurting public universities

Over the last 14 years or so, Bangladesh Chhatra League (BCL) has always been in the news for their objectionable conduct across public universities. From harassing and torturing general students and political rivals to engaging in criminal activities, such as extorting and mugging, to intimidating teachers and journalists – there seems to be no end to their criminality. And over time, they have become more emboldened as university administrations hardly take any action against them. And the ruling party seems hardly ever bothered about it so long as the BCL maintains control over campuses on its behalf.

The daily *Prothom Alo* published a number of reports yesterday detailing how BCL leaders and activists are enjoying a free rein in public universities. At Chittagong University, for instance, they frequently clash with each other, often with sharp weapons. They are publicly extorting the contractors implementing development projects at the university, illegally occupying hall rooms, beating administrative officials, sexually harassing female students, vandalising university properties and even threatening the teachers. Even journalists are not spared. Reportedly, on Sunday, some BCL activists severely beat up the CU correspondent of *Prothom Alo*, Mosharraf Shah, for reporting on clashes between two factions of the pro-Awami League student body, which is disturbing, to say the least.

The situation is equally worrying at Jahangirnagar University and Rajshahi University. At JU, BCL leaders and activists recently held the vice-chancellor hostage at his office for about two hours for not appointing a certain BCL leader as teacher. Also recently, a BCL leader from RU suggested, live on Facebook, that it was wrong for the prime minister to appoint that university's VC, pro-VC and others if they did not stand by the BCL's side.

Such audacious comments and activities of the BCL at these prominent public universities – as well as at Dhaka University, where the group has been equally active – are totally unacceptable. Left unaddressed, these activities create fear among ordinary students and disrupt the learning environment. We urge the administrations of public universities and the ruling party to take sterner measures to control the unruly members of the BCL in the greater interest of our country.

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Why Bangladesh failed to contain inflation while others succeeded



MACRO MIRROR

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We have been battling – and failing to contain – high inflation for a while now. We saw the fiscal year 2022-2023 end with high inflation, with the monthly average inflation being 9.02 percent in June. In FY 2023-2024, there is still no sign of the inflation rate declining. Rather, in August, general point-to-point inflation was at 9.92 percent, with food inflation being 12.54 percent – the highest in the last 12 years in Bangladesh.

During this time, several countries (even ones in the subcontinent) have managed to rein in their inflation. Sri Lanka is a case in point and has been much discussed for its success in putting its economy onto a positive trend over about one-and-a-half years. The island country managed to bring its inflation rate down to four percent in August 2023, from as high as 73 percent in September 2022. India, too, has contained its inflation using appropriate policy measures.

While many other countries have managed to reduce inflationary pressure by adopting monetary policy tools, Bangladeshi policymakers have shied away from doing the same. The fundamental priority in times of high inflationary pressure should be controlling the money supply. By raising interest rates, the central bank discourages people from taking loans because this could increase money circulation. This is a contractionary policy with the key objective of controlling people's spending.

Of course, high lending rates pose some challenges. A high cost of borrowing increases cost of production and reduces profitability, which may dampen private investment. Ordinary citizens who want to take out loans may also face challenges, and the amount of their loan repayment instalments may be higher. In such a situation, the economy will stabilise at a lower level, and growth will be affected. But this is a temporary struggle. In times of high inflation, economic growth cannot be the objective of policymakers. Once inflation is controlled, the central bank can gradually reduce interest rates.

Unfortunately, this theoretical scenario did not play out in Bangladesh. Starting in April 2020, Bangladesh Bank imposed caps on both lending and deposit rates, which were fixed at nine percent and six percent respectively. Economists advocated withdrawing the interest rate caps and leaving the rates to the market. But there has always been pressure from the powerful business

lobby, who have vehemently opposed higher lending rates, arguing that high lending rates would reduce private investment and affect economic growth. But, strangely, even with a nine percent interest rate cap, private investment did not increase. Indeed, private investment has been hovering around 23 percent for many years. In the revised budget for FY 2022-2023, private investment was estimated to be 21.8 percent. This can be explained by the fact that private investment is not only influenced by interest



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FILE PHOTO: RAJIB RAIHAN

rates, it also depends on several other factors such as good infrastructure, technology, human resource skills, absence of bureaucratic tangles, policy continuity, political stability, and good governance. The trend of private investment in Bangladesh clearly corroborates this theory. In the recent past, the lending rate was lower than the inflation rate, implying that the real interest rate was negative and money was cheap. But cheap money did not boost private investment. Rather, it increased money supply in the economy.

The other source of money supply

Besides, there is also a large sum of money in circulation, which is easy money. This is money that has not been earned by individuals or known sources such as employees or businesses. Brokers, middlemen, and rent seekers in various sectors of the economy have accumulated a lot of money without being involved in any productive activities. Corruption and wilful loan default are also contributing to increased costs of living. Loan defaulters are not interested in investment in industries or any productive ventures which can create jobs. A portion of their

high inflation and low fiscal space. In the run up to the national election, public expenditure may increase. Hence, the success of the monetary policy is uncertain. There should be coordination between monetary and fiscal policies. Instead of spending on things that don't demand urgency, the government should enhance support for poor and low-income households and strengthen social protection to ease inflationary pressure on them. If high inflation persists for a longer period, the inequality in Bangladesh will escalate further from its already high state.

Legal amendments will help universities thrive



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Last month, news came that the government is considering a bill to amend the Private University Act, 2010 to fit the needs of the academic environment, to combat corruption, financial irregularities, and profiteering, and to improve governance. Notably, the bill proposes having a third of the trustee members be from academia, which would be a welcome change. While the bill is in discussion, let's look into some key areas that may benefit from amendments.

To make the whole system more effective, faculty members from within the university should be included in the trustee board to ensure a fairer share of governance. In Western countries, the board comprises the faculty senate representing the core faculty, and the university administration, which is not part of the senate. This ensures academic freedom. We should incorporate this concept into the new bill now or in the

future.

A university's core faculty is the heart of the institution's community. These teachers define the identity of the institution and provide vision and leadership, and their work also contributes to meritocracy and branding. For example, Cambridge and Oxford are famous for their liberal arts core; Harvard is known for the business, medical, and law faculties; Chicago and UPenn brag about their business schools; and Yale and Johns Hopkins excel in medicine and social science. Also, core faculties are links to the alumni – a long-term thread that binds the university with society.

In Western countries, both in public and private universities, job security through a tenure system has favoured the development, growth, and sustenance of core faculties. The system has been able to establish a unique "creative culture" where conflicting ideologies are able to flourish under the same umbrella,

facilitating the development of quality academic programmes.

Public universities in Bangladesh carry a legacy of the Western education system. They have been very fortunate to have developed a core faculty that enjoys tenure. Comparatively, the private universities, as newcomers, did not have such faculties to start their programmes. They relied heavily on a large pool of part-time faculty members, some of whom were with public universities. National and foreign teachers have filled the gap in between. The faculty attrition rate at private universities is very high.

Despite the negatives, some of the private institutions have been able to develop a good faculty pool that has served for over six years, the typical time required for tenure in US universities. Perhaps, it is time that private universities consider offering tenure to bring stability in their academic system. The new or future bills should incorporate specific amendments and guidelines that would encourage the tenure system.

Developing a core faculty starts with a faculty pool. This is where we have fallen behind. There is a nationwide shortage of qualified faculty members in both public and private universities. Lately, universities have not been able to attract meritorious students to join academia. The price mechanism or economics is not in their favour. Higher

paid jobs in other sectors (business) and job security (BCS or military) have been able to take away a big portion of the meritorious pool. Such a big issue needs a comprehensive approach.

Lately, the demand for starting PhD programmes at private universities has been raised. This is a timely and laudable idea. The doctoral programmes would fulfil the need for quality faculty. To launch such programmes, we should take a long-term approach. First, develop a core faculty in respective fields and then allow them to develop the programmes. Job security or tenure is paramount for that. Short-lived floating faculty may not be able to offer quality doctoral programmes.

The role of the core faculty should be taken cautiously. It is possible that, in the name of building a core, academia would build a self-serving exclusive circle. Such groups are likely to reject contrarian viewpoints. A classic example is the group that rejected Karl Marx's radical ideas. This defeats the very purpose of a university.

What is desirable is a core faculty that would engage in a "creative reinvigoration," facilitating learning in the process. The university administration can ensure this by being open and flexible. Hopefully, the new bill and future amendments would be able to bring such changes.