'The interim has failed to curb inflation and unemployment': A rebuttal

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I write this in response to an article recently published by *The Daily Star*, titled The interim has failed to curb inflation and unemployment. The article, written by Dr Birupaksha Paul, evaluates the interim government's economic performance primarily through the conventional inflation-unemployment trade-off, concluding that policy failure explains the persistence of both. In my view, while the argument is internally coherent in a textbook sense, it rests on analytical assumptions that no longer hold and omits critical institutional realities. These omissions are serious enough to mislead public understanding and, therefore, warrant rebuttal.

One may recall that the interim government assumed responsibility amid a nationwide breakdown of law and order, where weakened enforcement and administrative paralysis disrupted commerce, supply chains, and investor confidence, constraining economic stabilisation at the outset.

The central problem with the article is not its use of economic theory, but its choice of theory and its abstraction from context. It treats Bangladesh's economy as though it were operating under normal macroeconomic conditions, where interest rates transmit smoothly through banks, markets are broadly competitive, and inflation and employment respond predictably to policy signals. This premise is unfair. The truth is, the interim government inherited an economy marked by deep financial-sector impairment, excess liquidity without accountability, cartelised supply chains, and severely weakened regulatory credibility. Any assessment that ignores this inheritance risks confusing structural damage with contemporaneous policy failure.

The article's analytical backbone is the inflation-unemployment trade-off commonly associated with the Phillips curve. This framework, once influential in mid-20th-century industrial economies, has long lost empirical relevance in modern economic systems. Over the past four decades, the Phillips curve has flattened or broken down across both advanced and developing economies. Low unemployment has frequently coexisted with stable inflation, while inflationary episodes have occurred without tight labour markets. This is not a temporary anomaly but a structural shift in how inflation and employment are generated in contemporary economies.

Modern inflation is no longer driven primarily by domestic demand pressures interacting with labour scarcity. It is increasingly shaped by supply-side shocks, exchange-rate pass-through, energy and commodity price volatility, market concentration, administered pricing, speculative behaviour, and institutional failures. In Bangladesh's case, syndicate control over essential commodities and distribution networks has played a decisive role in price formation. When inflation is driven by market power rather than excess demand, monetary tightening becomes largely ineffective. Raising interest rates does not dismantle cartels or discipline supply-chain manipulation. The article in question does not engage with this distinction, yet it is central to understanding why inflation has proved persistent during the interim period.

FILE VISUAL: SALMAN SAKIB SHAHRYAR

Unemployment, likewise, has become structurally decoupled from short-run monetary adjustments. Employment outcomes today depend far more on investment confidence, financial-sector health, regulatory predictability, and credit availability than on marginal changes in policy interest rates. Firms do not hire because rates move slightly; they hire when they trust banks, contracts, competition policy, credible enforcement against cartels and syndicates, and the broader institutional environment.

Unemployment, likewise, has become structurally decoupled from short-run monetary adjustments. Employment outcomes today depend far more on investment confidence, financial-sector health, regulatory predictability, and credit availability than on marginal changes in policy interest rates. Firms do not hire because rates move slightly; they hire when they trust banks, contracts, competition policy, credible enforcement against cartels and syndicates, and the broader institutional environment. An economy emerging from years of politically protected loan default, balance-sheet opacity, and regulatory erosion cannot generate employment through textbook stimulus channels. The article's framing obscures these realities by attributing employment outcomes primarily to the interest-rate policy.

A further weakness lies in the article's treatment of monetary policy transmission as intact. The Phillips-curve logic presumes a functioning banking system capable of translating policy signals into credit allocation. But Bangladesh's banking sector, at the time the interim government took over, was severely compromised. Large volumes of liquidity circulated outside productive channels. Loan discipline had been eroded, supervision weakened, and public confidence damaged. Under such conditions, neither tightening nor easing operates cleanly. Monetary policy becomes a blunt instrument, producing weak, delayed, or perverse effects. Evaluating outcomes as if transmission were normal is analytically unsound.

The article also fails to distinguish between policy optimisation and crisis stabilisation. Interim governments do not inherit clean slates; they inherit trajectories. Their primary task is to arrest deterioration, prevent systemic collapse, and restore minimal functionality. Expecting simultaneous reductions in inflation and unemployment within a short horizon—using non-crisis macroeconomic benchmarks—imposes an unrealistic standard. Even advanced economies with intact institutions experience long and uneven lags between policy action and labour-market outcomes. In Bangladesh's case, those lags are longer because institutional damage had to be addressed before policy levers could regain effectiveness.

Another notable omission is the absence of temporal analysis. The article implicitly treats outcomes as contemporaneous products of interim decisions, rather than as lagged consequences of earlier distortions. Inflationary momentum, excess liquidity, and investment paralysis do not dissipate instantly when governance changes. They unwind slowly, often asymmetrically. By ignoring these dynamics, the article compresses time and assigns responsibility without acknowledging deeply rooted institutional inertia.

Of course, none of this implies that the interim government should be immune from criticism. In fact, criticism is both necessary and appropriate where warranted. But accountability requires proportionality and analytical precision. Criticism grounded in outdated frameworks and incomplete context does not enhance public understanding. When economics is stripped of institutional realism, it risks becoming elegant but misleading. The issue here is not whether inflation and unemployment has declined fast enough, but whether the analytical lens used to judge performance is appropriate to the reality being assessed. Applying a mid-20th-century trade-off model to a 21st-century economy marked by financial fragility, market capture, and governance breakdown is a category error. It evaluates the patient with the wrong diagnostic tool.

A more credible assessment would begin with what the interim government inherited: a weakened banking system, distorted markets, eroded regulatory credibility, and broken transmission mechanisms. It would then ask whether deterioration was halted, whether minimal discipline was restored, and whether conditions for future policy effectiveness began to re-emerge. Only after those foundations are rebuilt does it make sense to judge performance against conventional macroeconomic benchmarks.

This is why a rebuttal is necessary. My disagreement here is not ideological but analytical. Inflation and unemployment today are multi-causal, institutionally mediated, and globally augmented phenomena. Treating them as mechanically linked through an obsolete curve risks mistaking inherited structural decay for present-day policy failure. A serious public debate deserves better diagnostic tools and better contextualisation.

Why is our logistics policy failing to deliver on its promise?

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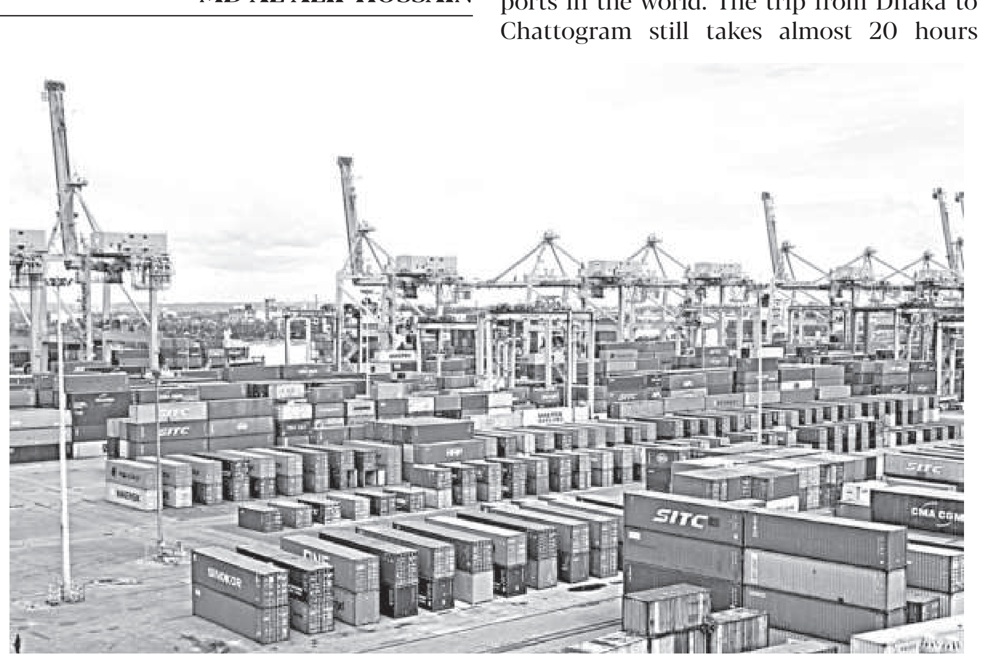
In 2024, Bangladesh announced its first National Logistics Policy, a crucial reform for an economy where logistics costs devour 15-20 percent of GDP—nearly double the global average. The policy envisions a future characterised by increased efficiency and competitiveness, which are vital as the nation approaches its graduation from Least Developed Country (LDC) status. However, our field research uncovers a significant gap: the policy's objectives have scarcely been realised in practice. At a time when Bangladesh must accelerate its progress towards global integration, the widening gap between policy and implementation is emerging as a significant national vulnerability.

To better understand the logistics industry's operations and challenges, one of our research teams from North South University (NSU) visited multiple logistics companies and interviewed their CEOs. However, we discovered that the same systemic issues persisted across firms: unpredictable clearance times, fragmented regulatory processes, chronic port delays, and an implementation gap that prevents logistics policy from translating into real-world efficiency.

We visited The Eagles Company, a disciplined, internationally aligned firm that policymakers frequently highlight as proof of private-sector readiness. Eagles uses ISO-compliant methods, digital warehouse management systems, electronic documentation, and collaborates with worldwide networks such as UFS, Spedman Global Logistics, and 1UP Cargo. Their internal operations are coherent, well-controlled, and technologically advanced. However, the ecology in which they operate is not.



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The current logistics delays are undermining competitiveness at a time when global buyers are increasingly seeking faster and more reliable supply chains.

Discussing recurring port congestion and inconsistent clearance times, CEO Rais Uddin Ahmed said, "If delays happen outside of our control, our whole plan can fall apart. We're working hard in a system that can't keep up with us." The problem is bigger than any one company. When outside processes are unpredictable, internal efficiency doesn't mean much.

These delays are not just a coincidence. The World Bank's Container Port Performance Index (CPPI) Report (2023) ranked Chattogram port 334th out of 348 ports in the world. The trip from Dhaka to Chattogram still takes almost 20 hours on average, even though it's only 220 kilometres. More than 80 percent of goods are moved by road, which is the slowest and most expensive mode. Even if a company is disciplined, these structural flaws cause demurrage costs, cargo delays, and problems with planning for businesses.

A similar pattern emerged when we visited INTASL Logistics Ltd, a mid-sized operator working across freight forwarding, customs brokerage and warehousing. The success of their business hinges on reliable clearance windows and the efficient transit of trucks through port terminals and along highways. However, the landscape in which they function is characterised by unpredictability.

Mahaboob Mokammel Romel, group managing director of INTASL, said, "We've grown despite the system, not because of it. If the logistics environment became predictable, companies like ours could scale much faster." While mid-sized operators want to grow, they lack the necessary infrastructure to facilitate expansion.

The Review of Maritime Transport highlights that Bangladesh's reliance on feeder services and its restricted deep-sea capabilities result in lead times ranging from 40 to 45 days to reach significant Western markets. The current delays are undermining competitiveness at a time when global buyers are increasingly seeking faster and more reliable supply chains.

The National Logistics Policy presents a series of robust commitments, including the establishment of a National Single Window (NSW) for clearance, harmonisation of licensing processes, development of multimodal freight corridors, modernisation of cold-chain logistics, and the implementation of comprehensive digital documentation from start to finish. Companies have repeatedly indicated that the pace of implementation continues to be sluggish or goes unnoticed. Numerous individuals have characterised the policy as one that "exists but isn't felt."

Fragmentation across over 20 government entities continues to result in duplicate approvals and inconsistent processes. As a result, even sophisticated businesses are caught in manual clearance operations with uncertain timelines. According to Eagles' CEO, "Every agency talks about logistics modernisation, but when you need a simple approval, you realise how fragmented the process still is."

Bangladesh's regional competitors have demonstrated the remarkable outcomes that can result from effective execution. The customs process in Vietnam has undergone significant digitisation, leading to a remarkable reduction in clearance times. India has initiated private involvement in freight rail corridors, leading to significant improvements in efficiency. Türkiye and Malaysia enhanced their ports by implementing automation and streamlined clearance systems. Bangladesh faces the threat of losing its competitive edge, not because of insufficient private-sector capabilities, but rather because of sluggish coordination within the public sector.

Throughout our discussions, not a single company mentioned subsidies or incentives. They demand predictability—understanding of the duration of clearance processes, the timing of container releases, and the expected length of trips. Their demands are reasonable, yet they continue to be out of reach. "We don't require incentives to expand. We need a system where we can plan with confidence," summarised INTASL's group managing director.

As Bangladesh approaches its graduation from LDC status, the looming unpredictability could emerge as the nation's most significant challenge. With the fading of tariff benefits, countries are now vying for supremacy in efficiency, speed, and reliability—three crucial domains where logistics influences outcomes.

Companies such as Eagles, INTASL and others will be able to scale rapidly and compete effectively if Bangladesh can integrate its logistics governance, digitise the entire clearance process, and increase multimodal freight access beyond highways. If these improvements remain stagnant, even the most well-managed businesses will continue to struggle with inefficiencies that they did not cause and are unable to control. Now is the time for Bangladesh to take action.