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# Increase productivity, contain inflation

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**B**ANGLADESH has been suffering from economic depression. At this moment, we need to adopt an expansionary economic policy so that we can increase production and productivity by increasing investment and decreasing unemployment. Inflation has to be reduced by increasing productivity and supply and by decreasing average production cost. As a result, the overall national production and per capita income, economic growth and employment facilities of the country will increase. The people will be able to lead their life and living by being able to purchase goods and services of necessity.

From the economic point of view, it is not so easy to solve all economic problems at a time. If we adopt an expansionary economic policy, the demand for commodities will increase and to satisfy the increased demand of the buyers, the concerned production will also increase. But at the same time the price of the commodities will also increase which we do not desire. On the other hand, if we adopt the contractionary economic policy, the overall production of the country will decrease and there may be an apprehension of increase in unemployment rate. As a result the government will face more difficulties in order to solve unemployment problem to prevent inflation accordingly. That is, this effort of curing disease only by an increasing aggregate demand will appear as ill-effort. Productivity has to be increased and by increasing exchange rate that has to be kept under

control as alternative way of preventing inflation.

We want to increase the overall production and productivity to decrease unemployment problem and at the same time we also want to keep controlling the price of the commodities through automatic prevention of inflation. As a result, the people will be able to afford and consume everyday essentials, local and foreign standard commodities with minimum price and will live a comfortable and happy life removing their crisis.

ity production and creating an environment of hard work. It will lead to the increase of per capita income and with the help of newly invented technology and developed production system. We can produce many things of standard quality including every day essential commodities. As a result, the unemployment will decrease and a multitude of this thickly populated country will be transformed into manpower. On the other hand, as a result of enhancement of production and supply, the inflation will be prevented, the

foreign exchange markets. As a result of contractionary economic policy, both the price of our commodities and inflation will decrease. Our level of competition will rise in the international markets. It will help increase our export. The supply of our currency will decrease in the foreign currency markets, but the rate of foreign exchange will increase. It appears from the above discussion that as a result of decreasing the inflation there creates a possibility of increasing the rate of foreign exchange. But, due to a

country. With a hope of more interest there will be capital outflow in the environment of open market open economy. As a result of expansionary monetary policy both the demand and the rate of foreign exchange of our currency will decrease in the foreign exchange markets. On the contrary, as a result of expansionary monetary policy both the production of the country and the import will increase. At this situation, the supply of our currency will specially increase in the foreign exchange markets for buying

production and the import increase but there does not exist any control on upward movement of inflation and on downward exchange rate of our currency. We want to adopt the expansionary monetary policy to decrease unemployment problem. We shall adopt either expansionary monetary policy or expansionary fiscal policy or a coordination of the monetary and fiscal policy jointly. It will help increase the income and production of the country, the import of everyday essential commodities, and the buying capacity of the citizens. We have experienced the present inflation as an effect of international inflation. It is not the inflation due to increase in aggregate demand only. This inflation has occurred for the upward movement of the production cost. The exchange rate will usually decrease as an effect of expansionary monetary policy. As a result, we will not be able to buy foreign goods easily. At this situation, we should increase the foreign exchange rate of our currency and control it strictly.

If it is possible to be successful in mixed and coordinating economy and with expansionary monetary policy, we will be able to decrease unemployment problem on one hand, and on the other hand we shall regain our lost purchasing power. We shall also be successful, though partially, in preventing inflation by increasing and supplying related production and productivity.

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***If it is possible to be successful in mixed and coordinating economy and with expansionary monetary policy, we will be able to decrease unemployment problem on one hand, and on the other hand we shall regain our lost purchasing power. We shall also be successful, though partially, in preventing inflation by increasing and supplying related production and productivity.***

It has been stated above that we are suffering from two great problems namely inflation and unemployment. If we adopt contractionary economic policy to prevent inflation, our unemployment will increase. On the contrary, if expansionary economic policy is adopted to remove unemployment, the inflation will increase. As this critical situation we have to adopt double-faced measures so that the unemployment is removed and at the same time inflation is controlled. As a long term solution, we can increase the production and productivity of different commodities through the increase of the rate and standard of education, development of manpower and modern technology and the measures for qual-

buying capacity of the consumers will increase, and the people will be able to consume local as well as foreign goods at a minimum price. Besides, we will be able to earn foreign currencies by exporting low cost goods and services of quality.

To prevent inflation in an import oriented country like Bangladesh, the exchange rate of our currency will have to be enhanced. It is not so easy to implement it. It is necessary to adopt contractionary economic policy with a view to enhancing the flexible exchange rate. It will lead to the increase of the rate of interest. The flow of foreign currency will increase into Bangladesh. Both the demand of our currency and its exchange rate will increase in the

contractionary economic policy the income, production and the supply of everyday essential goods of the country will be decreasing. As a result, to prevent the inflation the unemployment problem will be created as a new problem. Unemployment may make political unrest and economic situation worse in this populated country. So in this article we, by no means, support the contractionary economic policy.

Normally we follow flexible economic policy for decreasing unemployment problem. The foreign exchange rate never increases for flexible exchange rate, rather it will gradually decrease for different reasons. As the supply of money increases, the rate of interest will decrease in the

foreign goods, but the exchange value of our currency will decrease. Though the unemployment problem will be removed and the production and import will increase, yet the upward trend of inflation will appear. The price of our commodities will increase for expansionary monetary policy. The level of our competitiveness will go down in the international markets. The export will decrease but the import will increase. So we are obliged to increase the supply of our currency in foreign change markets to pay the prices of imported goods, which decrease to a great extent, the foreign exchange value of our currency.

It appears from this discussion that as a result of diversified monetary policy both the