

Monetary policy should aim to boost production

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THE purpose of monetary policy is to enhance the economic growth, GDP, GNP percapita, employment creation, equitable distribution of employment and national income between poor and rich, man and woman, old and young, geographical regions in the North-South and East-West areas of the country and tribal people in the hilly area with a broad national objective of poverty alleviation and achieving a good life and living. Another objective is to maintain the balance of trade (BOT) and balance of payment (BOP). The above objectives can be achieved through an expansionary fiscal and monetary policy in a very coordinated manner.

The specific objective of monetary policy is to control credit and inflation. The present remour in Bangladesh is of a heavy inflation or too much to pay for our goods and services of necessity in life. This remour of high inflation is not totally depending on the increase of money supply. For example, a fairly less than 2-digits inflation is not something to be really worried about. Causes of some inflation are not only the reflection of increased money supply. The main cause of inflation is market failure to control the market syndicate or unexpected collusion between large or small sellers or the market agent. In addition, the inflation often gets complicated due to a lack of coordination between fiscal and monetary policy. It is the prime responsibility of government to intervene in this kind of market failure by breaking the business syndicate of all kinds and all sizes and by breaking the collusive attitude of middle-men, broker, commission agent and their illeffects from the market system. Another problem is the recent world depres-

sion and its effect of low saving, low-investment, dis-investment, non-viable investment and withdrawal from business etc. Investment has been shuttered recently due to the industrial infrastructural problems such as gas, electricity, road-communication, roadjam nationwide and in Dhaka in particular.

All these constraints have been working as significant problem to our saving and investment environment, which is some times leading us to have an un-economic investment. Our indigenous technology and hard-working people in Bangladesh are good enough to push up the growth rate of goods and services in both industry, agriculture and service sector ; but we have been unable

services to an acceptable level.

Instead, we can see higher prices of goods and services and inflation as market failure and lack of efficient market intervention by the government. In most cases, we try to blame or discredit the government and its disability for its role play of blood circulation of money supply to a desired level. We have a very bad habit of taking contractionary economic policy or the contractionary monetary policy in particular to control credit and inflation. We should not restrict the monetary expansion any further.

We should take an expansionary monetary policy to a reasonable extent for the optimum utilisation of our indigenous technology, abundant man power and land resources

So, higher supply of goods and services and their fair distribution and increasing the market competition can easily bring-down the prices of goods and services to an acceptable level. Instead, we can see higher prices of goods and services and inflation as market failure and lack of efficient market intervention by the government.

to reach the growth rate of goods and services due to the potential disruption, lack of industrial infrastructure, dishonest game play of business syndicate and the market collusion in particular. The collusive action is leading to create an artificial crisis of goods services and inflation. So, higher supply of goods and services and their fair distribution and increasing the market competition can easily bring-down the prices of goods and

along with further development of industrial infrastructure. The growth and development of our economy and supply of goods and services through an expansionary monetary policy in coordination with fiscal policy must be entertained at any cost.

Because of expansionary monetary policy, we can have a further devaluation that will not be bad, but will expand our export sector by making our goods and services relatively

cheap to foreigners. We will earn more foreign exchange which is the reality we must seek for.

Our national economic objective of a favourable balance of trade (BOT) or balance of payment (BOP) would be achieved. Growth, investment and inflation are inter-related between themselves and are also related to the investment sector through the capital market. Share market in Bangladesh has been suffering from gambling practice, where demand of market share is always more than supply, which leads to an excess demand in the share market. This has to be straightened out by employment of honest, sincere and efficient government officials of non-political attitude etc. In addition, we must have a close watch on their activity and should not give them opportunity of committing any kind of corruption.

Finally, this poor country of Bangladesh with a potential growth possibility can not stand the attitude of the contractionary monetary policy that would be a significant beat to the economy of Bangladesh as another gambling. Once again, let us do not get scared of inflation from increased money supply. Our government must try to improve the law and order situation, strengthen anti-corruption activity and judiciary system, eliminate market syndicate and business collusive behaviour etc. The expansionary monetary policy and the increased inflation will be compensated by higher productivity, higher production and larger supply of goods and services including the reasonable prices of goods of services required in life and living.

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