

B. Erdenebat strives to put Mongolia on the world economic map

By Kh.KHALIUN

The following is a translated interview from the Daily News newspaper with professor from the School of Economic Studies of National University of Mongolia Dr. B. Erdenebat.

-I heard that your work was published in one of the world’s best economic journals. Which magazine was it?

-It published in the economic science journal ‘The Review of Economics and Statistics’. One of the top ten journals on economic science. Every economic researcher dreams of having their research work published in this journal. ‘The Review of Economics and Statistics’ is the who is who indicator of researchers. By publishing your work in this journal you can make the world hear your opinions and views.

-Is there anyone else from Mongolia who has published work in this journal before you?

-I think I am the first Mongolian to have my research work published in this journal. Once, Mongolia had a Socialist economy. Mongolia has had only 20 years of transition to the market economy. It means we’re just researching and studying our economy. But, publishing Mongolian scientists work in the world’s best journal means Mongolia has potential and has reached a certain level.

-The world of science accepts these works. Does it mean the editors are famous and qualified people known around the world?

-Yes, they are Nobel Award Laureates. They have a blind judging system. We have to send our work to 3 or 4 editors. I don’t know who is judging and examining my work the same way the editor doesn’t know whose work he or she is reading. It doesn’t matter whose work it is, just the scientific side of the work matters.

-Did you complete this research work personally or through the university?

-The Bank of England funded my work.

-What was the topic of your research work?

-It was ‘Structural Breaks in the International Dynamics of Inflation.’ My research work consisted of two parts: theoretic and pragmatic. The inflation of European Union countries and Seven Great Countries is included in the pragmatic part.

The newly formulated method, which was invented by me was included in the theoretic part. Everything has a dynamic relation. This relation changes in some cases, but it was not possible to know when and how much this relation changes. In other words, there wasn’t a method to examine and define those changes. I invented a method.

-Could you explain it in more simple terms? How will you use this method to fight inflation, which you emphasized above?

-Every country has their own central bank. Those central banks implement monetary policy, to make inflation as low and stable as possible. They will implement monetary policy and monetary tools. It means they have to look at other countries' monetary policies, how the other countries' policies influence the country.

For example, Mongolia needs to look at the China's monetary policy and define the influence level of that policy in regards to Mongolia. After this, we can create a better monetary policy for Mongolia. Before globalization every country produced and used products domestically. After globalization all countries had narrow relations to each other. Thus, if the inflation rose we have to define the domestic influence percent and outer influence percent.

-The globalization influences everything. Could this method be used in other sectors?

-This is the general method. I just used inflation as an example to explain my method. We could use this method when looking at the macro economy, the total increase of GDP, unemployment level, and other economic factors. Also it's useful in other sectors of science, not just economics.

-Does the Bank of England have the ownership because they funded the research?

-The research work in this journal needs to spread to the world. The Bank of England won't own this work entirely. The journal sells the material to any interested person for USD 10. Anyone who bought the journal can use this method.

-Could the interested person take the material from you?

-Yes.

-Is it possible to translate your method into Mongolia and use it correctly?

-Yes, it's possible.

-Will you accept if the Bank of Mongolia asks to use this method to research Mongolia's current inflation?

-I would do it with pleasure. But, this kind of research work is not one day's work. It requires certain time, labor, and money. The research work, funded by the Bank of England took me 4 to 5 years.

-Are you interested in Mongolian inflation?

-Yes, I'm interested in Mongolian inflation recently. I have started to research it.

-For Mongolia the increase of inflation became typical and the explanation for inflation

also became formal. Everyone thinks the reason is the increase in the cost of fuel, and meat, and cash handouts. What do you think is the reason for the inflation increase?

-The amount of money in circulation causes inflation. This is one of the base evidences of the economy. Inflation will increase if we keep printing money. For me, Mongolian inflation is related to this, but I can't with what percentage it influences inflation because I haven't completed any research yet. The inflation increased because the Government gave 1 hundred billion MNT to people in 2010 and 2011 from the Human Development Fund.

-As an economist, what is the risk of giving cash handouts to citizens?

-It means the economy may collapse. There is word 'the curse of treasure'. We already built the beginning of that curse. Generally, there isn't any profit from mining departments, but we received lots of loans from domestic commercial banks and the Bank of Mongolia and gave it to people. One day product price of goods from the mining sector will decrease. At that time, if the banks will ask for repayment from the Government we will face hard times.

-The definition of inflation is known to some Mongolians but not to others. Could you explain it in simple terms?

-Inflation is what causes you to buy meat for 5000 or 6000 MNT, which was selling for 3000 MNT previously. Inflation affects people with low incomes greatly. Generally, inflation influences food products in Mongolia. 60% to 70% of the income earned by those in the lower class is spent on food.

Inflation affects people with higher incomes much less. They don't spend as much money in the Mongolian economy. They travel, shop and buy cars from abroad. Abroad prices do not increase as much.

-Another thing, which influences inflation, is fuel price. I heard that you started research work on this issue?

-Yes, the National Development and Renovation Committee recruited me to research how the price of oil products influences the Mongolian economy. The results will be ready in the middle of April.

-Does economic development depend on the education of economists?

-In Mongolia we prepare economists in quantity. We need to look at how we prepare these economists. The education structure is not good. In university 40 to 50 subjects are taught over four years. Some are useless. In Europe only 16 or 18 subjects are taught from theory to practice. We need to use this approach.