

## Dialogue a casualty of cacophony?

Speak with one voice to make it happen

THE prospect of a dialogue between the government and the opposition on electoral reform is not congealing largely because the ruling alliance leaders have not yet taken an unambiguous stance on the issue. The point will be made clear by the fact that while Prime Minister Khaleda Zia has almost ruled out the possibility of such a reform, thus obviating the need for a dialogue, BNP Secretary General Abdul Mannan Bhuiyan has said that a dialogue with his AL counterpart Abdul Jalil which the business community has pressed for will be possible only when the proposal comes from the opposition side.

However, what is even more baffling is Mannan Bhuiyan's contention that statements made at public meetings (presumably, a reference to the prime minister's assertions) are not the same as those made during discussions!

The many voices with which the BNP leaders are talking cannot help realise the dialogue prospect. If they want a dialogue with the opposition, they have to go for it without imposing any preconditions such as insisting on a formal proposal in the first place. The secretaries general of BNP and Awami League could meet without any pre-condition whatsoever so that the gridlock around dialogue can be broken and a more substantive series of talks could be held on the reform agenda.

The need of the hour is a dialogue at some level that will help defuse political tension and put an end to unnecessary dislocation of life that confrontational politics almost invariably engenders. Unfortunately, what we watch is a plethora of preconditions that call into question the very objectives of the parties.

Here the ruling party has to shoulder the greater responsibility as it is in a better position to resolve the crisis through inviting the opposition to a dialogue. But its leaders are resorting to tactical semantics or even coming up with confusing explanations of their own statements and positions.

Since the country will be pushed towards a deeper abyss of political uncertainty if the democratic process is somehow derailed, the two major parties have to find a way to keep it on the right track.

## Proshika crackdown

Smacks of persecution!

ONE in a right frame of mind cannot but characterise the subjection of one of the biggest NGO in Bangladesh to mass arrest as an expression of persecution mentality. It is difficult for one to justify an action of the government that is preemptive at its worst, merely on the grounds that the said organisation was allegedly preparing to send a large number of people to participate in the opposition's programme planned for next week. It is a repetition of the treatment meted out to the NGO in 2004.

The point of contention is in the countrywide wholesale arrest of officials of the said organisation; and we are not aware that any specific charge was communicated to the management of the NGO and reportedly no warrant of arrest was shown. Such an act is untenable not only on legal grounds, the arrest of so many officials all over the country of the NGO is morally wrong too. After all, it is not a political organisation, and the arrests of its managerial level officers would certainly result in serious disruption in its working. It not only demonstrates a highhanded attitude of the administration it would also send a very wrong signal to the NGOs and the outside world in general.

The suggestion that any anti-government stance must be put down with a heavy hand does not go with the culture of democracy. While no one is above the law, no one is below it either. Suspicion is not enough ground for what the police are doing with the NGO. By all means substantiate the allegation if there be any; appropriate action under law can be justified only if there is evidence that the organisation has overstepped its terms of reference. We have not been provided that evidence as yet. Till then the action of the government will continue to remain an unjustifiable act.

# Birth of a new prince clouds succession debate

## CLOSEUP JAPAN

The proposal of female succession had also sparked strong criticism from conservative members of Japan's main ruling Liberal Democratic Party, as well as of some members of the extended imperial family. To stop the possibility of any female succession to the throne, some within that conservative circle even suggested possible solutions that were abolished after World War II.

MONZURUL HUQ writes from Tokyo

ANY in Japan were aware last Wednesday that an important announcement was to come from the Imperial Household Agency, the powerful Japanese body managing the affairs of the imperial family, about the birth of a child to Princess Kiko, the wife of emperor's youngest son. But like me, many probably didn't expect the news to come that early. As I was on board an early morning flight to Fukuoka, the in-flight television news focused on nothing else but the birth of a baby boy to Princess Kiko. For the next

couple of days Japan was virtually taken over by the news of the arrival of a male child to the imperial family after a long gap of 41 years. All other important events were side tracked and the media were busy focusing on that single most important issue of the time.

The birth of a male child to the couple, Prince Akishino and Princess Kiko, had been anticipated for quite sometime and according to the Imperial Household Agency, the princess gave birth to a boy weighing 2.5 kilograms at 8:27 in the morning of September 6. The boy is yet to get an official name, but already has been placed third on the line in the lineage of imperial succession.

The issue of imperial succession has for quite some time been a widely debated topic in Japan that gained momentum when Princess Masako, the wife of Crown Prince Naruhito, had a miscarriage two years ago. Princess Masako's inability to bear a male child eventually contributed to her depression and withdrawal from the public. It now looks like the birth of a male heir to the chrysanthemum throne will definitely shelve, at least for the time being, the important and politically explosive debate over whether women should be allowed to ascend the throne.

According to Japan's imperial household law, only males born

through the male lineage may ascend the throne. As a result, if the law is not amended in the foreseeable future, the newborn prince will become emperor sometime in the coming days. This would be the first time in Japan's modern imperial system that the first born of an emperor would eventually be succeeded by the first born of not the crown prince but his younger brother. The issue itself raises few important questions to which Japan needs to find answers not long after the euphoria surrounding the birth of a new prince dies down. But more pressing probably is the issue of female succession to the throne that seems to have been sidelined with the arrival of the new prince, but has not died down totally.

It should be noted that before Princess Kiko's pregnancy was made public in February, the government planned to revise the imperial household law to pave the way for breaking the male-lineage tradition. Prime Minister Junichiro Koizumi even formed an advisory panel and the panel's recommendation submitted to the prime minister in November last year proposed the revision. In its final

report the panel of experts recommended that women should be allowed to ascend the throne and allow emperors of female lineage, thereby giving priority to the first-born child of direct lineage, irrespective of the sex of the child. As the recommendations of the panel were reviewed extensively by the media and discussed widely among scholars as well as ordinary citizens, many fell in with the idea of female succession, as it also supposed to ensure gender equality at all levels of Japanese society.

But the proposal of female succession had also sparked strong criticism from conservative members of Japan's main ruling Liberal Democratic Party, as well as of some members of the extended imperial family. To stop the possibility of any female succession to the throne, some within that conservative circle even suggested possible solutions that included among others, resurrection of other branches of the imperial family that were abolished after World War II. Prince Tomohito of Mikasa, a cousin of the present emperor went even further and suggested that the

concubine system, which in the past made available to the emperors child-bearing women, should be revived. As the debate was intensifying with both camps coming up with new arguments in favor of their respective positions, then, out of the blue, came the news of Princess Kiko's pregnancy. As a result, there was a logical outcome of taking a back seat and waiting for the arrival of the child. As the date of the birth of the child was drawing nearer, the proposed bill was put on hold and even the prime minister, who earlier sounded enthusiastic about the proposal of female succession, also suddenly took a backward turn and declared that a revision of the imperial household law would not be necessary if the child turns out to be a boy.

No doubt it is those various groups of conservatives who were voicing their strong opposition to the female succession are now mostly pleased with the news of the birth of the boy. For them the birth would not only smoothen the way to male succession, but also would thwart the efforts of those who were willing to see that the gender equality issue also

reaches the highest level of country's system in the long run. And there are no shortage of such enthusiasts too who are feeling extremely relieved with the news of the arrival of a new prince. One of them is the Chief Cabinet Secretary Shinzo Abe, seen by many as the possible successor of Koizumi in coming days. On the same day the news of the birth was announced, Abe effectively called for an end to the proposed revision, saying the debate should proceed carefully and cool-headedly.

Meanwhile, the Japanese government has already announced that it would drop plans to introduce legislation allowing female succession in the imperial line. The government also made it clear that all official discussion surrounding the proposed revision of the law would be shelved for the foreseeable future. As a result, the new born prince has somehow created a division within the Japanese society in which there are also no shortage of those who find it quite strange that the debate over an issue they think to be a very timely one should be put on hold indefinitely

just because a male heir to the throne has been born. Many belonging to this camp simply don't see the issue as one surrounding the inability of bearing a male child by Princess Masako. For them it is more a matter of gender equality and they feel that as long as equality at all levels can be assured, Japan would painfully run short of achieving a very important milestone that might make all other achievements in this particular field empty and hollow.

Women in Japan have by now been guaranteed many of the rights that in earlier days were the exclusive prerogatives of men. Women also are making significant contribution to the society. It should be noted that more than half of all Japanese households now depend upon two incomes and women account for ten percent of seats in national legislature. Yet, Japanese women are now set to go a long way to break many more taboos that in places seem to be extremely hard to crack.

Monzurul Huq is a Daily Star columnist.

# Social capital Back seat or front?

## BENEATH THE SURFACE



ABDUL BAYES

The state should see that a community's creation of social capital is not constrained by its (state's) over-enthusiastic interventions, causing distortions. Rather, the state should help to further education, strengthen local government institutions and infrastructure, and improve law and order so that people can depend on their own talents and resources for eking out a living. Mafia, cartel, military rules and business syndicates etc. are negative social capital -- although created through interaction and trust -- but the state should step in to stop such social capital. All that glitters is not gold.

THESE days we are observing a renewed interest among economists on the role of social capital in economic development. The ripples of that resurgence seem to have reached two of my esteemed economists, Yujiro Hayami and Mahabub Hossain. The former sent me a paper on social capital that he wrote recently, and the latter intends to insert a chapter on social capital in the forthcoming book about the rural livelihood system in Bangladesh. Both of them, thus, aroused my "sleeping interest" in the topic, but with a big question mark: why should social capital take front seat in today's discourses on development?

The basic argument for invoking interest in social capital is that distribution of productive resources per capita cannot fully capture the differences in per capita income across countries. A part of the explanation lies with institutions, different forms of social capital, public policies, etc. which are deemed to be no less important contributing factors to growth than physical or human capital. In simple terms, social capital refers to the connections among individuals through norms and networks, with a sense of reciprocity in actions among the actors in the society. Social capital may generate benefits to the society

mainly in four ways: (a) by reducing transaction costs; (b) by facilitating the dissemination of knowledge and innovation; (c) by promoting cooperative and/or socially-minded behavior; and (c) through individual benefits and associated spin-offs.

For a pretty long time, the concept of social capital was confined to the corridors of sociologists and political scientists. Economists have long been blaming sociologists for "over-socializing" the issue of social capital, while sociologists blamed economists for undermining, or undervaluing, its role. Nobel Laureates Kenneth Arrow and Robert Solow are reported to have advised abandoning the term with the remark that the metaphor misses the core meaning of capital used in conventional textbooks of economics. Of course, they admitted the usefulness of social capital in reducing market failures.

Ambiguities around the concept, seemingly, persisted. Of late, however, Yujiro Hayami took up the issue with a modified version of social capital from the angle of economists. In fact, Hayami seems to have mediated a marriage between sociology and economics by devising a new definition of social capital. Hayami reckons that the

failure of economists to develop a consensus appears, to a significant extent, to be based on insufficient efforts to duly translate the terms and concepts developed in other disciplines into the standard terms of economics. He, thus, translated the definition by a political scientist into an operationally useful definition for economists as follows: "Social capital is defined as the structure of informal social relationships conducive to developing cooperation among economic actors with the effects of increasing social product."

An example of this comes from an anecdote of David Hume (as quoted by Putnam). Suppose a farmer says: "I will help my neighbour to finish harvesting his crop before it perishes, because I trust him to reciprocate by helping me when my crop ripens." This trust, according to Hayami, certainly constitutes a component of social capital.

The distinction between human and social capital is straight forward: the former is owned and used individually, whereas the latter is owned and used jointly. But is it appropriate to use the metaphor of capital for social capital? Hayami argues that social relationships conducive to developing cooperation in society

can be considered to be a stock of resources which contributes to increases in social products over time -- as the anecdote of the two-farmer cooperation has illustrated.

But the fact remains that measurement of social capital is more difficult than measurement of either physical or human capital. It is because the ordinal attributes of social capital -- trust, fellow feeling, cooperation -- can hardly be measured through numerics. More importantly perhaps, unlike the case of physical capital, market price tags are not attached to the components of social capital for valuation and aggregation. For this difficulty, Theodore Schultz proposed estimation of human capital from its yields rather than its costs. Although difficult, the same approach will be necessary to construct direct quantitative measurements of social capital, beyond making indices using various indirect proxies.

Community has been brought into the discourse by Hayami as a substitute for network used in sociology, and in general, to cover all informal organizations that the Coleman-Putnam tradition took cognizance of. It could be tribes or villages also but, to represent a typical developing country, the

concept of community was invoked. The community has a group of people held together by intensive social interactions. Its members' utility function embraces reactions of others within the community. Consumption and production externalities of a community, thus, disdain any deviations from social norms and conventions.

For example, one may not catch fish in a pond, if it is prohibited by the community, for fear of negative utility from neighbours in terms of social opprobrium and eventual ostracism that one's family might face for immoral acts, if discovered. In fact, it is this mechanism through which communities constrain violation of social norms, and thus keep up social capital. In Bengali literature or cinema, for example, we see how malicious gossip -- by peasant women bathing in rivers or ponds -- about others' immoral acts become a source of enjoyment for them, but brings social shame to the perpetrators' families.

There are three actors in an economic system to control -- with some overlapping though -- economic activities for a socially desirable result. These are: community, market, and state. The market coordinates profit-seeking individuals through competition under price change; the state forces, or coerces, people to adjust resource allocation through commands, and community is the organization to ensure coordination of division of labour through close personal ties and mutual trust. "Generally speaking, the comparative advantage of a community lies in the supply of 'local public goods' which benefits a particular group, as compared with the market's advantage in the supply of private goods and the government's advantage in the supply of global or public goods."

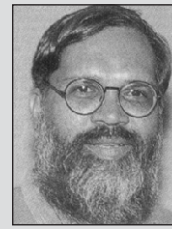
The local public goods that communities supply fall under

three categories: social safety nets to protect disadvantaged members from eventual subsistence crisis, conservation of common-pool or common-property resources, facilitating transactions by helping to enforce trade contracts. Transactions within an ethnic group are considered to be efficient and cost-effective due to mutual trust. And, therefore, it is also a local public good. By and large, through intensive interactions, the community could escape from free-loaders and spoilage of resources, and, thus, could contribute to social capital which is unlikely to be attained merely through formal contracts or stipulation of laws.

The state should see that a community's creation of social capital is not constrained by its (state's) over-enthusiastic interventions, causing distortions. Rather, the state should help to further education, strengthen local government institutions and infrastructure, and improve law and order so that people can depend on their own talents and resources for eking out a living. Mafia, cartel, military rules and business syndicates etc. are negative social capital -- although created through interaction and trust -- but the state should step in to stop such social capital. All that glitters is not gold, but a government should generate gold through good governance and through providing more global public goods as a complement to the local public goods generated by the community.

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# False steps on land and capital



PRAFUL BIDWAI writes from New Delhi

During the East Asian crisis, strong "Tiger" economies saw their financial markets go under. Their currencies were beaten down by speculators like George Soros. Eventually, they had to abandon their autonomous model of industrialisation, adopt neo-liberal policies, and under-sell precious assets. Only Malaysia emerged relatively unscathed. The reason, as the Bank and Fund grudgingly acknowledged, was that Mahathir Mohammad strengthened capital controls and withstood the currency speculators' pressure.

Monetary Fund hesitates to advocate it. Former World Bank chief economist, Joseph Stiglitz, says that it is one of the worst neo-liberal dogmas.

The reason is simple. In an economy, where other factors of production -- land and labour -- aren't fully mobile or tradable, it is both illogical and extremely risky to remove restrictions on capital flows.

CAC's greatest risk is capital flight, especially of speculative investment in search of quick profits. This can cause serious disruption and collapse of financial markets. This has happened repeatedly -- in Brazil, Thailand, Russia, Argentina, and in more advanced economies like South Korea, and even Germany.

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tively unscathed. The reason, as the Bank and Fund grudgingly acknowledged, was that Mahathir Mohammad strengthened capital controls and withstood the currency speculators' pressure.

India has a special reason to be wary of CAC. Almost half its foreign portfolio investment (investment in shares and bonds, etc.) comes through "participatory notes" (PNs), which are certificates issued for clients with undisclosed names. PNs represent sleaze money that "round-trips" back into India. PNs will be the first to flee India.

Even the IMF warns that "growing reliance on portfolio investments to finance the current account deficit leaves India more susceptible to reversals."

IMF chief economist, Raghuram Rajan, argues that "in the long run, capital account opening is unlikely to help poor countries grow by providing resources. Foreign capital is no panacea for capital-poor countries." Even China, a much stronger economy than India, has stiffly resisted CAC.

SEZs, so eagerly promoted by

the UPA, are turning into a *Great Land Grab*, with giant corporations gobbling up mind-boggling quantities of agricultural and urban land. This has ignited popular resistance, especially in Dadrí in Uttar Pradesh, and in Haryana, Punjab, and Maharashtra.

The VP Singh-led movement against the Dadrí SEZ is creating big political divides in UP. SEZs have precipitated tensions inside the UPA. Soon, the UPA might rue what could be one of its greatest blunders.

SEZs have been cleared at a furious pace -- at one time, almost one a day! Today, the approved number stands at 150.

Many are multi-product SEZs, each of which will colonise 10,000 to 35,000 acres. The promoters include foreign and Indian corporates like the Ambanis, Unitech, Sahara, DLF, Tatas, Mahindras, etc.

SEZs are duty-free enclaves and considered "foreign territories" for the purpose of trade and tariffs. SEZ units can import goods without licence or duties. Profits can be repatriated freely.

SEZ tax concessions are hand-some even by Banana Republic standards: 100 percent tax holiday for five years, 50 percent tax-break for another five, and a further five-year tax-break on production based on reinvested profits. SEZ developers will pay no taxes for 10 years.

All this will inflict a Rs 90,000 crores loss on the exchequer, according to the finance ministry -- obscenely large for an investment of Rs 100,000 crores.

SEZs will be used as tax havens. They'll bleed the larger economy too. The IMF's Rajan has warned: "SEZs also offer firms an incentive to shift existing production to the new zones at substantial cost to society."

Fully three-fourths of SEZ land can be used for non-core activities, including elitist residential or commercial properties, shopping malls and hospitals. This represents a humongous urban property racket favouring builders like Marathon, Hiranandanis, Rahejas, Unitech, and City Parks.

The global experience with SEZs isn't a happy one. Only a handful of SEZs, of the hundreds that exist, have generated substantial exports. A Comptroller and Auditor General report says India's export processing zones caused a customs duty loss of Rs 7,500 crores against a "net foreign exchange earning of Rs 4,700 crores."

Going by experience, the promise of a million new jobs in SEZs seems illusory. As for quality of employment, no labour laws will apply to SEZs. Workers will enjoy no

rights, including the fundamental rights of association and protest. SEZs will be exempt even from environmental impact assessment and obligations to employ locals.

SEZs will deplete groundwater and other resources. They will be islands of prosperity amidst deprivation and agrarian distress.

SEZs are being established through special land acquisition Acts. Earlier laws required a public purpose for acquisition. But the new Acts allow acquisition for private profit and without land-for-land compensation.

There's at least a three-fold difference between market rates and the compensation offered in Dadrí, and an even higher disproportion in Gurgaon.

Gurgaon (25,000 acres) will be India's largest multi-product SEZ. It'll cut through two highways and a railway line. The zone abuts the Sultanpur National Bird Park, one of India's ten most important bird sanctuaries. It will violate the norm that no industry should be allowed within an 8-to-10 km radius of a sanctuary. Birds will be disturbed and their flight-paths blocked.

Haryana is likely to witness a serious confrontation on SEZs. Maharashtra too is seething over RIL's Pen SEZ.

SEZs will uproot lakhs of farmers and send land prices skyrocketing. The resulting discontent will discredit the UPA. It must correct course.

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