

# Popularising debates on economic reforms

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ECONOMICS, Keynes once wrote, is a "difficult and technical subject, but nobody will believe it". It is frustrating for people to find debates on economic policies too technical and inaccessible, since it is their lives that are affected by these policies. How much of economic ideas are amenable to popular understanding, and what kinds of policy-making are better done in an insulated domain of well-trained economic technocracy? Everyone would agree that economic policy-making needs to be autonomous of pressures from the elite interest groups. But keeping common people in the dark about important economic policy debates is clearly undemocratic. Unfortunately, popularising serious policy debates on economic issues is not easy. As the MIT economist Paul Krugman laments: Where is the economics equivalent of the late Carl Sagan who could make the technicalities of astrophysics accessible and exciting to a wide audience? (After all, consumers do spend billions and billions...and so on).

The World Bank has for long been accused of short-changing popular participation in economic policy-making by imposing economic reforms on client countries through the leverage of aid conditionality. In response to this criticism, the Bank agreed to launch the Structural Adjustment Participatory Review Initiative (SAPRI), which is a tripartite collaborative exercise undertaken by a global network of civil society organisations, national governments and the World Bank itself. Bangladesh is one of the eight countries which agreed to join this exercise. The stated goals of the SAPRI is to improve the understanding of the actual impact of economic policy reforms through a participatory research approach based on consultations with civil society representatives at the national, local and grassroots levels. Such an approach, it was hoped, would help bridge the gap between expert and

lay opinion on economic policy reforms so as to promote transparency, accountability and indigenous ownership of the reform process. While the results of the exercise have been extensively documented and discussed in various forums, I shall make here some general observations, particularly regarding some insights gained from the SAPRI's consultative process.

One of these insights is that common people do not have unreasonable demands or expectations regarding the government's economic policies. It is the electoral competition among political parties that gives rise to economic popu-

laris- vis-a-vis import-substituting industries (at least those hitherto enjoying high rates of protection). Surprisingly, this conflict does not feature prominently in the demands and grievances aired by the entrepreneurial community as a whole in Bangladesh. Even export industrialists do not object to providing 'reasonable' protection to domestic industries; on the other hand, there is a general agreement that the exchange rate should be such as to provide enough export competitiveness in the international market.

Again, in the case of deregulation of interest rates, there is a potential conflict between the interest of

owned enterprises. It remains a curious aspect of the political economy of reforms in Bangladesh that, in spite of huge popular support for measures to deal with such rent-seeking activities, the political obstacles in their implementation remains insurmountable.

Most proponents of the so-called Washington consensus now agree that the choice of an appropriate state-market mix should be based not on ideology but on evidence regarding market failure vis-a-vis government failure (although there will be much less agreement about what that evidence is). The SAPRI consultations have clearly brought

protection, the level of agricultural subsidy, the foreign exchange rate, the rate of interest or the extent of the government's domestic borrowing. The determination of the optimal or desirable levels of these variables in a given economic environment involves analyzing highly complex inter-related issues supported by a great deal of information.

Not surprisingly, it is difficult to get a consensus on these issues even among experts, let alone arriving at a consensus through public debate. For example, since the recent crises in the international financial markets, even the IMF has no particular

liberalisation can increase our import capacity, if at all, only indirectly, by leading to a devaluation of the exchange rate resulting in higher foreign exchange earnings; but that should generally be regarded as a beneficial outcome.

It is, however, not so much the aggregate volume of imports as their composition that is affected by import liberalisation. The removal of quantitative import controls and the lowering of hitherto widely divergent import tariffs to generally lower and more uniform levels change the whole configuration of relative availability and prices of imported goods in the domestic market. Some domestic producers previously enjoying relatively high protection now face stiff competition from imports, and may even find it difficult to remain in business. People may also be dismayed by seeing that a poor country like ours spends scarce foreign exchange on a whole range of inessential foreign goods like biscuits and cosmetics and designer clothes, instead of, say, capital goods and industrial raw materials. The answers to these concerns does not however lie in going back to the old regime of import licences with a highly overvalued domestic currency. There is a whole range of tax instruments available at the disposal of the policy-makers to address the equity concerns regarding the relative prices of consumer essentials and luxuries (imported or domestically produced), while providing desirable levels of incentives to industries serving domestic markets vis-a-vis export industries. But I would refrain from elaborating on these, lest I am accused of sounding too technical!

The article is based on the author's address delivered at the inaugural session of the national forum of Structural Adjustment Participatory Review Initiative, Dhaka March 13-15, 2001.

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**Genuine concerns regarding economic reforms are sometimes hidden behind popular economic fallacies... For example, it is widely believed that import liberalisation is harmful to the economy since it has led to an increase in the volume of import, thus flooding the domestic markets with imported goods. But how can we continue to import beyond our capacity as determined by the availability of foreign exchange?**

lism. Farmers do not expect the writing off of agricultural loans. They do not think it realistic that the rates of subsidies on agricultural inputs that were prevalent until the early to mid-1980s could be reintroduced. This does not require them to be aware of the arithmetic that subsidies at those rates would now simply eat up the entire development budget (given the huge increase in the use of modern agricultural inputs since then). But they do expect that there is enough support and help from the government in terms of price support, provision of credit and adequate supply of inputs at reasonable prices, particularly at times of distress.

Conflicts of interests between losers and gainers of economic reforms are much emphasized in the literature on the political economy of structural adjustment. For example, in a flexible exchange rate regime, reducing protection to domestic industries through import liberalisation leads to devaluation that provides export incentives. This should therefore put in direct conflict the interests of export industries

depositors (who are common people) and that of entrepreneurs who borrow from banks. Entrepreneurs do resent the prevailing high lending rates of interest, but they do not expect that we go back to the regulated financial regime that in fact yielded negative real interest rates, net of inflation, to depositors. Instead, the adverse effect of interest rate deregulation is attributed to the failure to remove the inefficiency of the banking system and the resulting large spread between the deposit and lending rates of interest.

One would tend to conclude that conflict resolution of the above types is not the main obstacle to implementing economic policy reforms in Bangladesh. Instead, the politically blocked reforms are of the institutional nature that are intended to improve the quality of governance and to combat economic crimes that generate huge illegal incomes, whether from tax evasion, electricity pilferage, willful default of bank loans, leakage in public development expenditure or corruption in the running of state-

owned enterprises. For example, farmers say that they have now better access to agricultural inputs because of the privatisation and deregulation of the input markets, but they also complain about the marketing of unstandardised irrigation equipment and about adulteration of seeds and fertilizers by unscrupulous traders. It seems that in our haste to privatise the input markets, we ignored what role the government still needed to play to remedy the possible market failures, such as by strengthening market regulation and agricultural extension.

The reform process in Bangladesh is already past the stage of removing large market distortions (such as a highly overvalued exchange rate for the domestic currency or fiscally unsustainable levels of subsidies). The debate on economic management or on further reforms now essentially have to revolve around some notions of 'optimality' regarding a whole range of economic policy variables including the extent of industrial

policy stance regarding the exchange rate regime, which can vary from a fixed peg to a managed float to a freely floating rate. In Bangladesh, we often get into debates about a particular decision to devalue the Taka, without having any notion of what the exchange rate should ideally be, or without looking into the underlying factors that led to the decision. But in spite of all these complexities of the policy debates, it is important that the arguments of all parties are clearly spelt out and are made intelligible to the general public as far as possible.

Genuine concerns regarding economic reforms are sometimes hidden behind popular economic fallacies, as was found during the SAPRI consultations. For example, it is widely believed that import liberalisation is harmful to the economy since it has led to an increase in the volume of import, thus flooding the domestic markets with imported goods. But how can we continue to import beyond our capacity as determined by the availability of foreign exchange? Import

Lest we forget

## Dada Bhai: A pioneer of children's movement

MOHAMMAD AMJAD HOSSAIN

TODAY (9 April) we pay tribute to late Rokonuzzaman Khan, popularly known by his pseudonym 'Dada Bhai' on the occasion of his 76<sup>th</sup> anniversary of birth. Kachi-Kanchar Mela, the children's organisation he founded, plans to observe his birth day to recall his works for which he will always be remembered. It may be recalled that he expired on 3 December 1999.



Extortion of money, kidnap people for ransom, raping of girls and women and killing of human beings day in and day out create intolerable situations in the country, certainly caused irritation in the mind of Rokonuzzaman Khan, who dedicated his life to inculcate in the children values and tradition of our beloved country and develop a strong sense of devotion, commitment and patriotism. At the last stage of his life Rokonuzzaman Khan lamented that today we hardly find any young man with commitment to work for the society selflessly. He also felt pain as he saw some of the branches of Kachi-Kanchar Mela gradually dying down.

He succeeded in founding Kachi-Kanchar Mela on 5 October 1956 at the residence of late Poet Sufia Kamal against the backdrop of chaos and conflict in the political arena following dissolution of Joint Front government in East Bengal, despite it had won landslide victory against Muslim League.

In an interview with this writer in 1983, which appeared in a section of

vernacular press, Rokonuzzaman Khan said that Kachi-Kanchar Mela was established to imbibe in the children progressive thinking and love for the country and its people. He further said that they would be inspired to participate in literary and cultural activities, apart from physical exercise; that this children's organization would remain independent and should not be a tail of any political party. Rokonuzzaman maintained the independent status of the Mela despite pressure from different circles till his death. The organisation remains so till this day. Being inspired by his ideals

the members of central Kachi-Kanchar Mela concentrate on building the organisation from strength to strength to make it the finest children's organisation one can ever dream of.

On a purely personal note, I would like to state that I met Rokonuzzaman Khan in 1961 and since then I have been associated with this organization. Many fond memories have been associated with Rokonuzzaman Khan. I have had the honour to travel along with him in organizational trip around the country on many occasions and I noticed the amount of attention he paid to minutes of the programmes and the suggestions he put forward for the improvement of the Mela.

To day we wish each member of this organization find avenue to beautiful life of a worthy citizen of the country, as dreamt by its founder of Rokonuzzaman Khan (Dada Bhai).

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- Lung cancer may cause the following symptoms*
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  2. Blood in the sputum.
  3. Chest pain may occur in association with a chronic cough.
  4. Recurrent chest infection, fever and weight loss.
  5. In many cases, the cancer has spread to the other parts of the body causing secondary changes such as liver enlargement, pallor (lack of blood causing the patient to look pale), lymph node enlargement etc.
- Tomorrow: More about lung cancer and other tips.

## Excerpts from the 'declassified' main report of Hamoodur Rahman Commission

### POLITICAL BACKGROUND-XVIII

FROM the account that we have been able to piece together of the March negotiations at Dacca it would appear that disagreement finally centred round the mechanics of the transfer of power rather than on any substantial issue. How did we reach this sorry end, which in turn was allowed to lead to all the horrors of war with the tragic sequel of the separation of a part of the country? Who and in what measure was or were responsible for this end?

To a large extent, of course, the danger, if not the certainty, of this result was inherent in the provisions of the Legal Framework Order and the thinking of the authorities that preceded and followed it. We refer to the deliberate omission in that Order of any provision as to the voting procedure and the apparent absolute indifference displayed by General Yahya to the meaning of the Six Points Programme and the question whether it conflicted with the provisions of the Legal Framework Order which guaranteed the solidarity and integrity of the country. Indeed we are not persuaded that the General did not understand what the Six Points meant or could mean. Even if we assume, what we do not accept, that he was a simple soldier unversed in legal subtleties and, therefore, did not understand the meaning of the Programme, he had available to him at all times the

advice of both Professor G W Chowdhry, on whom he relied heavily, and that of one of the most distinguished jurists in the country, namely Mr Justice A R Cornelius. He himself reiterated, on the 26<sup>th</sup> March, 1971, that for those who feared for the integrity of the country, the Legal Framework Order was a sufficient guarantee. We cannot, therefore, avoid the suspicion, if not the certainty, that so far from being unconscious of the implications of the Programme, he relied upon it, as a last resort, for avoiding the unpleasant necessity of transferring power, on the ground that he could not authenticate a document in contravention of the Legal Framework Order. That finally he himself fell from power was the result but hardly the calculated result of his own actions. On these matters, however, we have expressed ourselves in other parts of this Report and do not think it necessary to say more here.

Given the situation created by the election results, what did General Yahya do? If he had till then no reason to believe that the Six Points Programme was mischievous in intent or disastrous in result, he should obviously have convened the National Assembly for as early a date as was practicable. If however, he thought a preliminary agreement or a least consultation between the leaders of the Awami League and the

Pakistan Peoples Party was necessary he should have summoned them both for a very early meeting. He did neither and only on 6<sup>th</sup> January, 1971, did he visit Dacca for a meeting with the Sheikh which he followed up by a meeting with Mr Bhutto on the 17<sup>th</sup> January. The Dacca meeting ended, as we have seen, on a note of harmony; the President saw nothing wrong in the Six-Point programme and proclaimed Mujibur Rahman his future Prime Minister. It is true that he warned Mujib that the latter would have to carry the West Pakistani leaders, which the Sheikh purported to be confident of doing. It is to be noticed that neither the Pakistan People's Party nor Mr Bhutto were mentioned by name. Since the president proposed to see nothing wrong in the Six Points why was it necessary for him to visit Mr Bhutto at all; in any case why was it not possible to convene the Assembly forthwith? Nothing had been said to Mujib, much less had the latter said anything, about the need to meet Mr Bhutto before the Assembly met or a date for its meeting was fixed.

General Yahya was aware at all times, as few in West Pakistan were, of the mounting tension in East Pakistan. He was being advised constantly by his own representatives there that the postponements were increasing the feeling against West Pakistan and, after the 1<sup>st</sup>

March, when the Assembly was postponed sine die that the situation was getting entirely out of government's control and that Mujib was virtually setting up a parallel government. With this background, the General should have known that if the March negotiations did not succeed in achieving an acceptable solution, the only alternative to accepting whatever Mujib chose to demand was to run the inevitable risk of the secession of East Pakistan by main force. The alternative of military action was real alternative only if it was intended to restore conditions conducive to political negotiation. If this was the purpose then we can see no reason why the situation should have been allowed to escalate even up to the 25<sup>th</sup>. The failure, to negotiate with the Awami League, therefore, and indeed the absolute refusal to talk to Mujib, who after the 25<sup>th</sup> was a prisoner in West Pakistan, indicates clearly that this was not the purpose of the military action. Even if the later open intervention by India was not anticipated (and we really cannot understand why it should not have been anticipated) how long did General Yahya mean to keep East Pakistan by force of arms?

Nor can we see that the talks did break down in the sense that a point came when the opposing factions agreed that they had failed to find a solution. General Yahya departed

into the Constitution. PSO said I could meet Dr Kamal Hussain if I wished, but it would be on my own responsibility. Having little time to make arrangements for departure the next afternoon, and it being by no means easy to get into touch with any Awami League leader, I decided to do nothing about the proposed meeting, and left the next day for Karachi by the 1.30pm plane. In the interval before I left, I had no contact with PSO or Colonel Hassan, and did not see the President. I learnt at Lahore, on the evening of the 26<sup>th</sup> March, from the President's broadcast, what action had been taken in East Pakistan. I was not consulted with regard to the speech or the order banning the Awami League."

TOMORROW: POLITICAL BACKGROUND XIX

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