

Plea for the New Year

Can we please find some common ground?

THE year 2005 kicked off with some unfortunate incidents, both domestically and internationally. The after-effects of the devastating tsunami which hit at the end of the previous year were still very much in evidence and the first few weeks were given over to counting the dead and helping to rebuild the destroyed coast-lines of south and south-east Asia.

In Bangladesh, the month of January ended with the horrific assassination of former finance minister Sham AMS Kibria, which was followed by the postponement of the 13th Saarc summit.

It was a grim note on which to start the year and the year has ended on a note of challenge as well.

2005 will be remembered in Bangladesh as the year in which terrorism moved from the margins to the centre of our lives. The divide between the government and the opposition on this matter remains deep, and with each side blaming the other, there is no political solution on the cards.

Nor is there much light to be seen in the overall political picture, which seems stuck on stalemate and deadlock, with both sides behaving as though they were ruling out compromise and settling in for further confrontation.

Thus we are entering the election year of 2006 with some trepidation.

However, it must be said that, in spite of everything, there were several positive things about 2005 and that there are reasons for optimism as we enter the new year.

Investment in the country is up, and a recent report from a top global investment bank has identified Bangladesh as one of the emerging economies to watch. The RMG sector held firm despite the end of the MFA era, and in fact total exports were \$1 billion more than last year. Remittances from abroad are up as the migrant workers continue to be the economy's unsung heroes, and the economy continues to grow at a steady clip.

So despite all the odds, Bangladesh continues to advance.

As 2006 starts, it becomes clear that the main problem we face as a nation is lack of unity, especially between the government and the opposition. This sends precisely the wrong message, both inside the country to those who would seek to exploit such divisions, and outside the country as well. The cost to the nation from this kind of divisiveness is potentially catastrophic. The key is in the hands of the politicians, and our new year's plea to them is, for the good of the nation, to find some common ground.

What a barbaric act!

It must not go unpunished

THE death of a young garment worker in the city's Mirpur area has raised a flurry of questions, each of them having something to do with the way garment workers are treated, their fundamental rights violated. The lad was reportedly lynched after being found wearing a T-shirt produced in the factory. It was taken as a case of theft by the security personnel who summarily did him to death.

Now, the history of the garment workers' woes is a long one. They were killed in fire, building collapse and resultant stampedes, and there were nothing more than words of consolation for the victims and their families.

The worker might have done something wrong; but why this lynching? There were many ways to deal with the problem. He could have been reprimanded, if found guilty, or even made to pay a fine from his abysmally low salary. But killing a boy for a shirt worth Tk 60 smacks of a mindset that is barbaric, to say the least. It is this attitude towards poor workers that is highly reprehensible -- and we find it utterly unacceptable. The killers didn't even bother to consider the fact that it was a pretty cold day and the boy might have just acted out of an anxiety to protect himself. Something that is worn on the body was so visible that it wasn't meant to be stolen.

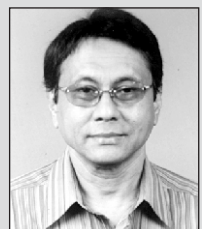
What could be more tragic than this kind of violence on a poor worker? The management must see to it that such a violation of human rights never happens again and that the perpetrators are legally proceeded against for the kind of punishment that they deserve.

The owners of garment industries should think in terms of adopting a more humane policy towards the workers. Their anti-pilferage measures must not include brutal attacks and oppression on the workers. It is more than a legal need.

Adverse selection and moral hazard in politics

NO NONSENSE

The notion of adverse selection has been prevalent as a political quandary at least since Plato, who observed: "The city where those who rule are least eager to do so will be the best governed." Politicians in every society are considered dubious because the individuals most attracted to politics might not be the most desirable rulers. Indeed, one might infer that it is perhaps those most likely to abuse any authority given to them that are most likely to be drawn to the political realm.



DR. ABDULLAH A. DEWAN

IN a democracy, the role of electoral process is twofold: select the benign politicians (serving public interest) and discipline the malign politicians (rent seekers or wheelers and dealers) if they are elected. The malign politicians are entrenched in a conflict of serving interest of family, friends, party functionaries, and not those of the governed. If incumbents are identified as wheelers and dealers they are voted out of office in their re-election bid. However, false and fabricated information about candidates easily generates distortions in electors' behaviour and hence there is no guarantee that under benchmark reasoning a benign government would emerge from the electoral process.

The idea that free market economy always produces the best outcome relies on the assumption that what comes to pass in a market is known to all participants. But what happens when knowledge is imperfect, that is, when asymmetric information exists, where one side of an activity has more information than the other side? This is

a pervasive feature of real world markets, which considerably affect how they operate. George Akerlof, Michael Spence and Joseph Stiglitz won the 2001 economics Nobel Prize for their path breaking insights into how markets operate and fail.

The literature is divided into adverse selection, which embodies the upshot of misinformation (that is, hidden information), and moral hazard, which represents the hidden (previously undisclosed) motives consummated after the selection was made. Adverse selection occurs when one party engaging in an activity (say, a car buyer, a banker, a voter, etc) fails to recognize certain relevant characteristics such as honesty of the other party (a used car dealer, a borrower, a political candidate, etc). Under conditions of asymmetric information the former would fall prey to a deception by the latter in an activity they planned to engage in. Hence when an individual or an institution acts based on less than full information, the consequences of adverse selection will set in.

Moral hazard (undesirable outcome) occurs whenever there are inducements for agents, who cannot be easily observed or monitored, to behave in a manner contrary to what is expected of them after being selected. The source of this moral hazard problem is, as with adverse selection, an asymmetry of information. An example of both adverse selection and moral hazard in the context of Bangladesh is the colossal amount of bank loan defaults.

Application of the concepts of adverse selection and moral hazard in politics boils down essentially to a game of incomplete information between political candidates (agents) and representative voters (principles) -- a classic principal agent problem.

In selecting agents in a democratic process, principals want qualified candidates who would work in public interest. If the inducements are large it will inveigle a large number of candidates, some with inadequate qualification and aptitude for the job thus bringing into play the dilemma of adverse selection. Identifying qualified candidates against the shady ones is possible only if qualifications and virtues are easily discernible. The problem, therefore, is one of knowing the traits and motivations of the candidates.

The notion of adverse selection has been prevalent as a political quandary at least since Plato, who observed: "The city where those who rule are least eager to do so will be the best governed." Politicians in every society are considered dubious because the individuals most attracted to politics might not be the most desirable rulers. Indeed, one might infer that it is perhaps those most likely to abuse any authority given to them that are most likely to be drawn to the political realm.

Moral hazard arises when the principal cannot, after entering a contract, fully observe the agent's actions that may affect the outcome. A political analogue is that once elected, and elevated to executive position, politicians face

a myriad of lures. The most innocuous such lure may be to use their authority to advance their own personal agenda, rather than the platform on which they were elected. A more baleful possibility is that politicians use their offices and influence covertly for personal gain or to benefit their families, friends, and business associates, as in Bangladesh.

To the extent that corruption fostered by moral hazard looms as a political problem, it is likely to be systematically related to two important parameters of the delegation relationship.

First, the greater the discretionary power politicians are granted, the more reckless they become in misusing their power for personal gain.

This may explain why, as Susan Rose-Ackerman argues, "political corruption is such a depressingly importunate feature of the world's poorest countries, regardless of the promises that may surround new officeholders. For those who wish to 'better themselves' financially there is simply no alternative to rent-seeking political participation."

Second, the longer incumbents stay in office, the more serious the moral hazard problem may become.

That is because becoming corrupt is a bit like losing one's virginity; there is no going back, the inertia of rent seeking continues unabated. Unfortunately, honest politicians in the system may become corrupt over time, but corrupt ones rarely become honest. This is probably the best argument in favor of term limits for lawmakers, which otherwise may have undesirable consequences for electoral accountability.

The voters of Bangladesh are in adverse selection trap and escaping this trap has become insuperable challenge partly because:

- Most voters are generally non-political and easy to fleece.
- People who are groomed to become politicians while being students are the ones who often lacked the ability to succeed

elsewhere.

- These politicians are often inexplicably willing to sacrifice honesty and moral callings.
- The voters are limited by choices of desirable alternatives.
- A vast majority of our lawmakers are political neophytes listed as businessmen who often use money and official power to dupe voters.

The existence of adverse selection in our political process is well known far and wide. While the WB, IMF and other donors have no business to meddle in our affairs, they have, however been trying to minimize the moral hazard problem that is holding back our Poverty Reduction Strategy (PRS) and overall economic progress.

At the PRS Forum press conference on November 17, WB Vice President Praful Patel explicated, "We told the government very frankly we have become really exasperated hearing time and again that such and such law or commission is in the offing, while the corrupt people are not prosecuted".

The WB recently has called off loans worth Tk 68 million against three projects on grounds of sleaze and asked the government to recompense the money already spent against these loans. This is a classic case of imposing "stick and carrot" discipline by the WB to curb the moral hazard problem that has engulfed virtually all private and public sectors.

Addressing the discussion on "WB Bank's role in the Private Sector Development of Bangladesh", the WB Country Director Dr. Christine Wallich on November 20 remarked that compared to India and Pakistan, Bangladesh is more corrupt, justice is worse and education is lagging behind in comparison to India. She recommended that the NBR as well as the PSC be reformed.

Advice to reform the PSC is not in the domain of the WB. However, being an economist, Dr. Wallich knows that BCS exam questions leaking are an archetypal case of adverse selection (least qualified candidates' desperate bid to sneak

into prized civil service). The country will suffer the consequences of moral hazard if they finally get into this highly selective service. Tk 300 billion bank loan default is a classic example of both adverse selection and moral hazard in the business of banking.

The Tuesday Group of diplomats attempt on holding a convention on free and fair election was frustrated by the ruling party on grounds of interference in country's internal affairs, whereas the admonitions and directives of the WB and IMF about grafts and prosecuting the corrupt were joined in by the Finance Minister himself. Might the hidden reason be that knowledge about fair election process (some deterrence against adverse selection) may cost votes to the ruling party whereas WB and IMF's "stick and carrot" stipulation on funds release, although undesirable, may bring votes in favour?

What recourse there is to minimize the twin dilemmas of adverse selection and moral hazard? There is virtually no alternative to a responsible free media and transparency as the foremost resort. Politicization of any form in any branch of the government must be made taboo. BCS exam results if tainted by questions leaking must be declared null and void. Political candidates must put out their qualifications, skills and lifetime records of all activities for public scrutiny and media synthesis and all political parties must expose this novelty effusively if our democracy is to survive and a benign government to come into being.

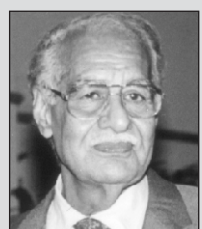
Living with adverse selection and moral hazard as our way of governing for all these years has bestowed the scourge of most corrupt country ranking on us. This will not fade away during Hasina and Khaleda's lifetime, although they have profusely contributed to it.

The author is Professor of Economics, Eastern Michigan University, USA, presently visiting Bangladesh.

It was waiting to happen

BETWEEN THE LINES

Whether the NDA survives after the BJP's abject surrender to the RSS is yet to be seen. However, what can be seen is that the BJP is back to square one: the mandir issue. The country may see secular forces arrayed against communal forces. It is a pity that the Congress is yet to frame its strategy for the battle of tomorrow. And incidents like the one at Bangalore will be used by communal forces to divide the society.



KULDEEP NAYAR
writes from New Delhi

WHEN I met Prime Minister Manmohan Singh and his Security Adviser MK Nayarayan, barely 24 hours before the Bangalore shoot-out, they were worried over the terrorists' attack in the country because such were the intelligence reports. Nayarayan was more specific and said that the target could be Bangalore or Hyderabad because the two cities had come to symbolise in the world India's high technology and fast growth.

The Prime Minister said that despite the promise by President General Pervez Musharraf to him last August not to allow cross-border terrorism, it had not stopped. The training camps were intact and the apparatus of terrorism had not been dismantled in any way. Nayarayan said that the infiltration had increased and the cross-border terrorism was "higher than before."

There was anguish in the Prime Minister's voice when he said that he was prepared to talk to Pakistan on any subject, Kashmir or whatever else, and try to find a solution, but what could he do in the face of unabated cross-border terrorism? "I still have faith in General Musharraf and hope he will do something to stop it," said the Prime Minister.

My plan was to use the entire conversation with the Prime Minister in my next week's column because I wanted to comment on the BJP's session at Mumbai this

week. The terrorists' attack on the Indian Institute of Science at Bangalore made me depart and write a bit about the apprehensions the Prime Minister and his Security Adviser expressed over the terrorists activities one evening before they stuck.

Talking about the BJP, the party is in mess. The 25th birth anniversary coincides with the unearthing of mass burials from the pogrom in Gujarat. The RSS, the party's founder, chides it through its weekly, Organiser, for not having "a clearer vision of its political understanding." The RSS point man in the BJP, Sanjay Joshi, resigns from the party's general secretaryship following the videotapes of his sexual escapades.

The BJP has also the distinction of having in its ranks six MPs who were ousted from the Lok Sabha for accepting bribe for asking question in the House. And relatively lesser known person, former UP chief minister Rajnath Singh, takes over

the reins of the party from LK Advani who quit the presidency unceremoniously but assures the RSS that it was like water without which the BJP, a fish, could not survive.

Yet, the party confidently says that it is the only alternative to the ruling Congress. The BJP believes that people will turn to it because, between now and the next general election in three and a half years' time, even a miracle cannot change the plight of the common man. He may vote negatively but will be to the BJP's gain. The economic angle may well be true. Benefits of the 7 to 8 per cent annual growth in the 18-month-old Congress rule have not trickled down to the lower half. It is also true that the BJP has emerged over the years an all-India party with 137 seats in the present Lok Sabha.

Here the BJP's calculations go awry are in its failure to appreciate the strength of India's secular ethos as well as the constitution. The party was defeated at the Lok Sabha polls lost 43 seats and it was mainly because of its parochial Hindutva image. The party's HRD Minister Murlidhar Manohar Joshi created scare among the minorities when he changed history books and appointed the RSS-minded people to top position in the field of education. Indeed, Gujarat chief minister Narendra Modi's planned killing of Muslims in the state was another reason to drive the minori-

ties and a substantial number of lower castes to the Congress.

No doubt, he won Gujarat but made the BJP lose the rest of India. The party is averse to criticise him even when mass burials have been unearthed because the RSS, which provides the BJP with workers at the grassroots, is behind him. Modi is a typical example of an order where one man changes people. He has proved to the BJP that ethnic cleansing is the way to polarise the society and get votes. But how can the party which wants to come to power at New Delhi afford to do so? No single party can get a majority in the Lok Sabha in the foreseeable future.

The National Democratic Alliance (NDA) which the BJP leads and which has ruled the country is shaky. Nitish Kumar, who defeated Lalu Yadav in Bihar, has distanced himself from the BJP. This was seen in the last session of parliament. Chandrababu Naidu of the Telugu Desam in Andhra Pradesh parted company with the BJP several months ago. The National Conference in Jammu and Kashmir jettisoned the BJP the day it lost power at the centre.

In fact, the BJP is impaled on the horns of a dilemma. It cannot do without the NDA. Nor can it cut its umbilical cord with the RSS. Most of its members who have imbibed the Hindutva from the childhood find themselves without clothes in the absence of links with the RSS.

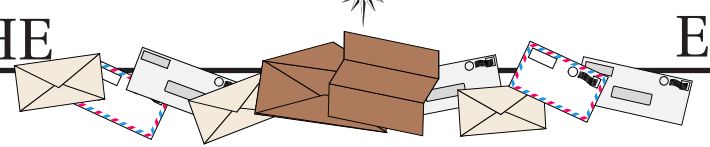
The BJP has also a grievance against the secular forces. They did not support it when it was keeping itself aloof from the RSS.

Giving an undertaking to the NDA constituents not to build a temple at the site where the Babri masjid stood before destruction was a big affront to the RSS. So was the promise not to touch Article 370 which gave a special status to Jammu and Kashmir. The two are the main planks of the RSS. Still the BJP kept them aside to form the NDA government. However, the BJP found to its dismay in the last general election that its image continued to remain as a Hindu party. The BJP does not realise that the reason for its defeat was the suspicions about its secular stance. The party has not been bold or consistent enough to confront the RSS. Its one stern glance makes the BJP look for cover.

Whether the NDA survives after the BJP's abject surrender to the RSS is yet to be seen. However, what can be seen is that the BJP is back to square one: the mandir issue. The country may see secular forces arrayed against communal forces. It is a pity that the Congress is yet to frame its strategy for the battle of tomorrow. And incidents like the one at Bangalore will be used by communal forces to divide the society.

Kuldeep Nayar is an eminent Indian columnist.

TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR



Letters will only be considered if they carry the writer's full name, address and telephone number (if any). The identity of the writers will be protected. Letters must be limited to 300 words. All letters will be subject to editing.

Remix music

Remix, a trend in musical composition, has now been given a new look in the field of art. For this, we can see a tendency developed to recreate old and traditional music either classical or folk, with modern touch to the accompaniment of combination of old and modern instruments such as the beat of drum and tabla, tingling of guitar and sitar together. But there is a major problem regarding this sort of musical presentation that although the intention of composers is to promote and rejuvenate the heritage of traditional music in modern structure, in most of the cases they fail to do it as these musical notes lose rhythm. And these are sometimes absolutely out of tune, not worth listening to and a sort of distortion of finer and subtle melodies.

Rubab Abdullah
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Politics and trade

In our class we have been taught that trade is good for the economy as a whole, though it does not treat everyone equally. When a US Senator visited our campus to talk about trade and politics, a student in our class asked the Senator, "Why are there still barriers to trade? And why cannot there be more free trade?" The senator simply answered, "Welcome to the world of politics" and then said that the trade policies and models, in practice, are dominated by political consideration, rather than consideration of national costs and benefits.

Nurul Abrar
University of Miami, Florida

Killing the innocent

To kill the innocent is forbidden in any religion. But why does the JMB carry out bomb blasts and continuously threaten to blow up the

cities? They should've known about the real teachings of Islam before resorting to this kind of brutality. I don't know what they are trying to prove. They are undermining our religion by assassinating civilians.

Their kingpins are not going to commit suicide. They are exploiting the illiteracy and gullibility of poor youths.

But our politicians seemed to be quite oblivious of the threat that we are facing.

Rajful Hasan
Sydney

A crisis

Thirty four long years have passed since that very winter evening of December 16, 1971. To millions those moments symbolised hopes, freedom and independence. They inspired people living under poverty and injustice delivered by foreign domination for

such a long time. The establishment of the independent Bengali nation was the dawn of a new era for the people of this land. However, independence didn't bring full freedom nor did it bring the elimination of poverty and injustice, the very essence which drove Bengali nationalism.

In the years following 1971, came assassinations, coups and elections. Instability is the word to describe it. The assassinations of the founding father and a president, the martial law of the military and the corruption brought forward by our so-called democracy have all plagued the nation that is today Bangladesh, and now we stand on the edge of civil anarchy.

Terrorism has taken its toll on us; in the name of Islam they are pursuing their murderous ideology which has no connection with this great religion. The forces which support and harbour these terrorists are the very traitors who envy our nation's freedom. The

anti-liberation forces have put the liberated nation's independence and freedom at stake.

Md. Umran Bin Kamran
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Bangladesh

Bangladesh economy

During the past few months or so, Bangladesh has been visited by some very influential people. Ratan Tata was here to discuss investment plans involving two and a half billion US dollars. There was Sheikh Nahyan from the Emirates who showed interest in tourism and telecommunications. Saudi Prince Walid bin Talal also expressed interest in doing business in Bangladesh during his visit.

These are great signals for a progressive economy. We need FDIs and we need to create an investment and business-friendly environment. We also need to seek their partnership in develop-

ing our tertiary sector. If they can bundle up training and education with their investment plans, it will be great for our economy. Bangladesh earns more than three billion dollars from remittance income. But countries like India and the Philippines earn four or five times the money Bangladesh gets from the export of services. All the developed countries have progressed in the service sector, and they have developed means of faster trade. Its good to see so many private banks in Bangladesh, but it's sad that Bangladesh is so much of a cash economy. We need faster credit facilities and swift means of trading must be developed.

Moreover, the visits of Ted Turner and Bill Gates were also very significant. Growth in IT and ICT is also important for Bangladesh, not to mention the generous help that they will also provide. I hope the government takes up and handles these matters seriously.

Rizwan Shamim

Ramna, Dhaka

Get united

The nation is under attack. Attacked by people who do not know the values of Islam, attacked by a community who do not know the values of humanity. They remembered their targets, but they forgot us, the Bangladeshi men and women. We fought for our language, fought for our freedom, and can fight for peace. For us there are two options --to step up or to step down. Stepping down means being silent, seeing more blood. Stepping up means to fight with whatever we have-- arms, pens or voices.

It is very surprising and indeed disappointing, after watching the havoc wreaked by the terrorists across our homeland, politicians are playing a cat and mouse game. From schools to courts, from homes to streets, bombs are being

planted by misguided youths who believe killing people will open the gates of heaven. They don't know they are wrong, wrapped in mistakes and falsehoods. The doors of heaven will be closed for them who take innocent lives and produce chaos in society and follow the orders of the evil forces. According to Islam, attempting suicide is a great sin; a sin which the Lord may not forgive. A true soldier cannot take his own life; he will fight until his last breath. Those who attempt suicide are cowards; Islam says not to give up, not to step back.

As patriots we can fight real Jihad against these terrorists who are not a just a threat now, they are our enemies, enemies of our flag, enemies of our religion. Now we must be fearless and get united as a resistance force.

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