

TALKING POLLS AND BEYOND

'We don't have a strong civil society for promoting democracy'

Syed Anwar Husain was born in Bogra in 1947. After graduating from Dhaka University in history in 1968 and obtaining master degree from the university in modern history in 1969, he received MA from Edinburgh University, Scotland in 1975 and obtained PhD from London University three years later. He conducted post-doctoral researches in various universities in the US. He joined the department of history at DU in 1970. He served as director general of Bangla Academy during 1997-2001, and as vice-chancellor of Darul Ihsan University during 2004-2005. Currently the president of Bangladesh Iltihash Samity, he was general secretary of Bangladesh Asiatic Society, and founding president of Bangladesh Association for American Studies and Bangladesh Association for International Studies. He has authored 28 books and 93 essays. He was selected as "Man of The Year" by American Biographical Institute in 1997/2001. **Shamim Ashraf and Rakib Ahammed** took the interview.

How do you see the uncertainty over holding of the parliamentary polls?

To be credible and acceptable, election in Bangladesh has to be participated by all the major parties including the BNP, and we've had examples of elections being rejected if not participated by any major party in 1986 and February 1996. With about one month or so before the parliamentary polls, I don't see the conducive environment needed for polls.

There is a rumour that the CTG will lift emergency after submission of nomination papers...

That's fine as far as it goes. But if the questionable politicians are nominated, the situation remains as it was before 1/11. In that case, I don't foresee any qualitative change in our politics and through the result of the election.

Do you see any shift in the mentality of politicians for qualitative change?

Symbolically, Bangladesh's politics is melamine contaminated and needs cleansing. The present government started off with cleansing politics when it came to power with a big bang because it had tremendous public support.

Do you still see this support?

At the end of its tenure, the CTG may go out of power with a big whimper, without fulfilling people's expectations. It totally messed up everything. Because the politicians were arraigned and incarcerated without strong evidence, and because of the subsequent faulty legal process, all the accused and convicted are coming out before the elections. We do not have any political culture in Bangladesh, and that has to be created.

How can that be done?

It's the job of politicians themselves and can't be imposed from outside. Non-political elements have suggested political reforms, but it has to be carried through by the political parties. But I

haven't seen any sign of effective and meaningful reforms done in any political party. Political leadership will carry out political reforms but the impulse should come from the civil society. History teaches us that without civil society pressure, no country changes properly in the direction of democratisation.

Have you seen any attempt by the politicians to bring reform in their parties?

I have come across a little bit of cosmetic attempts by some parties, especially by the AL. The party has sought opinion from the grassroots for nomination and some young faces have been promoted to be candidates. That's cosmetic and doesn't do away with the basic ills.

Do you think there was an attempt to impose reform on parties?

When the present government came to power, it simply echoed the public sentiment for reforms in politics and attempted to implement it. It's true that such kind of reforms can't be imposed from outside, but there is nothing wrong if the government tells the political parties that they need to reform themselves before the election. I think the government, so far, hasn't done anything to impose any kind of reform. The electoral rules have been reformed, and that will give some clues to this kind of reforms. Some of political parties did follow the changed rules by bringing about some cosmetic changes. The main initiative should have come from the political parties; that's where we have many deficiencies. They haven't done it adequately and properly.

You said impulse for reforms should come from civil society. What's the status of civil society in Bangladesh now?

A civil society, to be a proper civil society, has to be an organisation representing the hopes and aspirations of the people of the country as a whole. If a civil society

is tied to a certain political party, it forfeits its right to be a proper civil society. Unfortunately, our civil society is fractured along political lines. And that's the main problem in our civil society movement.

Why do you think the anti-corruption drive failed?

When the politicians were accused and arrested, there were substantive reasons for doing so. But the problem occurred later because, for processing a case like corruption, one has to have very strong evidence, and there is a legal process for doing this sort of thing. That process has not been followed properly. All the cases became very weak during the trial. Besides, initially the intention was just to catch the corrupt persons. But later, the whole question was dealt with from a political perspective, and that is why all have been freed just before the election. It is because the government needs an exit plan. It wants to have an election and a safe exit.

How do you see the return of the old faces with allegation of corruption through the local election?

The local elections proved the point that we haven't undergone any qualitative or fundamental change. I think the same scenario will be repeated in the national election because whatever information about nominations has come to us confirms the suspicion.

Where does the basic problem lie?

Politicians and their followers never bother about people's aspirations for corruption-free politics and politicians. So, there is a sort of dichotomy in the political scenario in Bangladesh, where the common people are on one side and the politicians on the other. Because of our electoral scenario, the common masses become victims of corrupt and bad politics. We've seen corrupt candidates distributing money and gifts among the people. If a day labourer receives a lungi, some money, and saree for his wife, he'll feel inclined to vote for the candidate and won't care whether the person is corrupt or not.

What could be the approach for a change in political culture?

The process has to start simultaneously from the bottom and the top. From the bottom, we have to have civil society elements who will engage themselves in civic education, that is motivating the common people not to vote for corrupt politicians. This type of effort might not be effective in a short time. Political leaders have to start off from the top, by fielding respectable candidates without any questionable background. So everything relates to the psyche and orientation of the political leaders. We don't have a strong civil society background for promoting democracy. This point has never been addressed properly, neither by the politicians nor by academic researchers. Advocacy groups and civil society elements should start off with civic education.

Since the middle class plays an important role in the civil society voice, how can they be sensitised properly?

Democracy grows in a country if there's a sizable and strong middle class. But since independence, the middle class suffered a lot due to the wrong policies of the governments. In the last couple of decades, the middle class was hit under the belt because of the terrible economic scenario. This may be one of root causes why the civil society has not grown as expected. Our leaders haven't groomed up a civil society that would sustain democracy.

I want to draw attention to the fact that our Constitution has become undemocratic because of the 14 amendments made to it. Out of the 14 amendments, more than six are anti-democratic. The eighth amendment, which declares Islam as the state religion, is neither Islamic nor democratic. The then president, H.M. Ershad did this to gain legitimacy because religion appeals to public sentiment. If the country's constitution remains undemocratic, how can that country be democratic politically?

Do you think the CTG's timing for change in RPO and electoral rules was right?

The government is in a very difficult and straitjacketed position because of its bad sense of time management. Initially, it was in a stronger position and political parties were on the receiving end; now it's the opposite. The ultimatum to the government is clear proof of that. Whatever changes were made in the RPO were made with good intentions, but good intentions have not been properly implemented. In fact, throughout its tenure, the CTG has always failed to implement properly whatever good intentions it had.

Many said the government distanced itself from politicians at the beginning...

This government has learned a costly and bad lesson. It's a bad lesson because they have learnt that politics is the business of politicians, and it is costly because they have messed up by alienating the politicians. The cost will be borne by the common people.

How do you evaluate the performance of the judiciary since 1/11?

The judiciary has been separated on paper, not rendered independent. That's why the release of all the accused has been done on political grounds. It's apparent that the judiciary has been influenced by the executive. Otherwise, how could hundreds of bails be effected in a day?

Why did it happen during the tenure of a neutral CTG?

Do we have any substantive reasons to think that this government is neutral? All the advisers served in the tenure of the last alliance government and during BNP's 1991-1996 regime in many capacities. While implementing emergency



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laws, the CTG didn't act properly, especially on the Prothom Alo issue and on bringing down of Lalon sculptures. Initially, the move to arrest the corrupt suspects was right. Now all have been released on political ground because there has to be an election, and without them there can't be an election. That's actually what the CTG thinks.

Do you think there was political consideration while arresting the suspects?

Not much. There were sufficient grounds actually. But the show of extraordinary force in arresting Sheikh Hasina and Khaleda Zia was uncalled for.

Evaluate the reforms attempts and success.

The government is going to exit with a bad report card. It did try to do many good things in the beginning, but over-stretched it. The CTG did not have any political power for doing these extra things, because it is an extra-constitutional administration whose only function was to hold a credible election. Most of whatever it has done in many other sectors have failed to bear fruit. They'll be leaving the education sector in a total mess. Some appointments have been made through a questionable search committee to revamp the education scenario. The worst case scenario is reform in handling the market. It has also failed to manage disaster cases properly. Even one year after the Sidr devastation, we have reports that adequate relief works have not been done and many people are still living under the open sky. NGOs and political parties were not allowed to help.

What'll happen if elections are not held in December?

Total frustration. I am concerned about what will happen to us in the future. Lessons of history provide me with some hope and optimism. Back in the past

there were many occasions when Bangladesh did face situations like this but, at every stage, we underwent a transition for the better. We had mobilisation of people at grassroots to effectuate the kind of desired transition during the Language Movement in 1952, the 1969 Mass Uprising, the Liberation War etc. If we could achieve so much in the past, I'm sure we're going to achieve something in the future. But for the time being, we may be in a very delicate situation. People need to be mobilised by proper leadership.

Do you see soul-searching by politicians for their failure that led to the 1/11 changeover?

I don't think they have responded properly to the people's expectation for a qualitatively changed politics. I also don't expect them to respond properly in the future. How can I accept Ershad and Hasina sitting together and making an electoral alliance? The AL and the BNP tried to take him into their alliances before the elections, scheduled for January 22. Back in 1990, Hasina and Khaleda were against Ershad, and that led to a large people's movement to bring down the tyrant. At the same time, how can I accept the scenario of Dr. Kamal Hossain and Badruddoza Chowdhury making an electoral alliance, saying that they will effect a qualitative effect in politics. This is absolutely an alliance to get into power. This is bankrupt politics, which doesn't have any thought for the people's interest.

What lesson does the 1/11 changeover leave for the politicians?

Since the 1/11 changeover, the administration and the politicians have only created a sort of bad political legacy for us. I'm not expecting any positive outcome from the election, if it is held at all.

Crumbling conceit

With such Biblical faith in the "extended order," coming "spontaneously," it was no wonder that he was opposed not only to socialism but also to government interference in the capitalist system in general. He called such interference a fatal conceit. In two decades, his ideas themselves were to look almost fatally conceived.

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THESE are dire times for the world financial system. With its fault lines in sub-prime lending in the US housing market, the crisis has spread like a tsunami throughout the world. Banks and other financial institutions, many of which were never supposed to fail, collapsed. Some of these swooned into the arms of their more solvent counterparts. Others were rescued by governments in operations of a scale never been seen before.

The first major casualty of the crisis was not a US institution, as might have been expected but a bank far away, in UK. In February, Northern Rock, a major British mortgage lender, had to be nationalised after a large credit infusion from the Bank of England failed to stem the run on supposedly rock-solid bank, showing once again that names matter little in this business. The bank had entered sub-prime minefield in a liaison with Lehman Brothers, the US investment bank. That proved fatal.

But the murderous tide returned with vengeance to its origins in the US. In what looks like merely a precursor, in March Bear Stearns, a major Wall Street bank, allowed itself to be taken over by JPMorgan Chase with active help and persuasion from the Federal Reserve.

Freddie Mac and Fannie Mae, the two giant government-sponsored mortgage lenders, were teetering on the verge of bankruptcy. The two are said to be among the prime suspects among those who brought on the sub-prime crisis in the first place through lending to millions of households that had little capacity to repay the loans. In September, both were taken over by the US government. By mid-September Lehman Brothers, one of the largest investment banks in the world, went bankrupt.

At almost the same time, another Wall Street giant, Merrill Lynch, supposed to be indestructible, let itself be bought by Bank of America to avoid bankruptcy. An arguably greater imponderable was the near collapse of American International Group (AIG), the giant insurer.

To let the institution sink was something unimaginable, and the Federal Reserve was forced to come forward with an \$85 billion credit line in a virtual Treasury takeover of the Group. By mid-November AIG was asking for some more. The nationalised Freddie Mac and Fannie Mae were in need of massive government assistance.

The stock market reacted violently from the onset of the crisis. Among wild gyrations, there were sharp drops in stock prices throughout the world. In the US, the week of October 5 saw prices decline by some 18%, the biggest loss in the coun-

try's history. Despite spurts of recovery, most stock markets ended the month of October with declines not seen in two decades. In the first half of November, stocks throughout the world recorded fresh falls.

Government intervention of the scale just cited in the financial markets had never been seen. But much more was to come. A critical need was to clear "toxic" mortgage-backed securities that clogged the flow of credit from the banks' books. A \$700 billion rescue package, christened Troubled Assets Relief Program (Tarp), was hurriedly if frantically passed by the US congress to do exactly that. In an almost unbelievable turn of events, in November, Tarp was virtually abandoned and the money directed to capitalisation of banks and shoring up consumer credit.

This, however, was only a beginning. A breathtaking slew of action followed worldwide. In Britain, three of the largest banks were nationalised to prevent their collapse. In Belgium, France, the Netherlands and Switzerland, too, the governments rushed to the rescue of banks and Germany had to come to the aid of a large real estate lender. This was after the German finance minister had openly mocked the liberal Anglo-American financial model.

One of the two urgent needs appeared to be a rapid recapitalisation of the banks in distress. Following a British lead on recapitalisation, the US government announced a \$250 billion package to enhance the capital base of selected banks, and by the end of October \$125 billion had already been handed out. A spate of rescue packages ensued in Europe, amounting to a staggering \$2,500 billion.

The other, and closely connected, need was enhancing liquidity in the banking

system. Some central banks had already been cutting interest rates and lending enormous amounts of money directly to banks. In early October, six major central banks announced coordinated interest rate cuts. Further cuts followed soon enough by these banks as well as by others.

What is going on? A huge amount of hand-wringing has ensued in high places. And the dire times have led many to severe scratching of the head, the sound of which is almost audible around the world. The worry now is not just that the world finances are a shambles but also that the world economy is possibly descending into the deepest recession since the Second World War.

It has been only two decades since Friedrich A. Hayek, Austrian-born British economist, published *The Fatal Conceit: The Errors of Socialism*. Hayek was a fervent believer in the efficacy of an unfettered market system. That system, which he describes as the "extended order of human cooperation," resulted not from "human design or intention but spontaneously," and it "enabled (human society) to be 'fruitful, and multiply, and replenish the earth, and subdue it' (Genesis 1:28)."

With such Biblical faith in the "extended order," coming "spontaneously," it was no wonder that he was opposed not only to socialism but also to government interference in the capitalist system in general. He called such interference a fatal conceit. In two decades, his ideas themselves were to look almost fatally conceived.

Is the global economy in such a mess because of government interference in the system? This seems hardly likely. The decades since Hayek talked about conceit were ones of very significant deregula-

tion. In fact, the start of the Ronald Reagan-Margaret Thatcher era of deregulation predates Hayek's book. Deregulation has, thus, a fairly long history behind it.

Nowhere has liberalisation of the market been as sweeping and its consequences, with hindsight, seem as momentous, as in the financial markets. Liberalisation in this market, too, has a fairly long history, but the repeal, in 1999, of the Glass-Steagall Act of 1933, which had divorced investment banking from commercial banking operations, was a landmark. And it took a crisis of the present proportions to get even its most ardent exponents to wonder if faith in unfettered working of the financial markets wasn't itself conceit.

The most prominent among them must be Alan Greenspan, the former US Federal Reserve chairman. Mr. Greenspan has been credited, till recently, with having presided over one of the longest periods of economic prosperity in the United States. But he has also been blamed, particularly in recent months, for having kept interest rates too low, which contributed to the housing bubble. Most importantly, he has opposed regulation of the increasingly innovative derivatives markets that, among other things, allowed packaging and repackaging of mortgage-backed securities, including sub-prime ones.

The largely unregulated and increasingly complex derivatives markets ballooned to tens of trillions of dollars over the past decade. In a remarkable expression of mea culpa, Greenspan had this to say in his testimony before the US Congress in October: "Those of us who looked to self-interest of lending institutions to protect shareholders' equity, myself included, are in a state of shocked

disbelief."

Only slightly less remarkable is this admission from John Reed, former chairman of Citigroup in a letter to the *Financial Times*: "(Among the misjudgments made by leaders of finance that date back to the 1990s was) to assume that markets could better manage and absorb risks than institutions."

Most of us believe that markets are the best at allocating capital. It is easy to take the next step and assume they will also be superior at managing financial risk." Such statements from the two chairmen do indeed suggest how overdone was the idea that an unfettered market was always right.

But how about the accusation, quickly made by right-wing Republicans in the US Congress, that it was the attempt to tamper with the housing market through government-sponsored agencies like Fannie Mae and Freddie Mac that led to the housing bubble and the sub-prime crisis in the first place? The former Fed chairman promptly punctured that idea. He was firmly of the opinion that Wall Street, rather these institutions, was far more to blame for the sub-prime crisis.

What now? It is perhaps safe to say that a new orthodoxy is beginning to emerge that will seek to regulate the financial market more stringently. The hope must be that, once the immediate crisis has been contained, policymakers will opt for better regulation rather than more regulation. Human ingenuity, derided by Hayek, could yet work out a system that preserves the fundamentals of the free markets but avoids their excesses -- and look out for conceits of its own.

Mahfuzur Rahman is a former United Nations economist and an occasional contributor to The Daily Star.