

PLEASURE IS ALL MINE

# Bullfight outlawed, our fight is on



SHAH HUSAIN IMAM

Actually, there are only two classes in Bangladesh: the voters and the voted. The voted forget their obligations to the franchise once they are saddled in power or in the opposition. An exception to the general amnesia or anesthesia, if you like, towards voters' sensibilities does occur, though. The ruling party balks at taking hard decisions (that could benefit the majority), lest they lose out votes. This is an inverse deference to a certain voter sensibility and are, therefore, not benign. If a party comes to power with a two-thirds or even greater majority, it develops a sense of self-righteous entitlement to all it surveys. This in no time translates into arrogance of the executive. The law enforcement agencies turn into coercive arms of the state and lower judiciary in particular becomes vulnerable to the influence of executive authority. That is why we see Home Minister Sahara Khatun claim the law and order situation is the best in the last ten years. The law minister adds, disappearances had occurred before and that because the press is more transparent (implying freer) now, the disappearances are taking up more news space. That is why again, Shipping Minister Shahjahan Khan speaks of opening a centre for training journalists, adding if he resigns three million workers will

follow suit. Is it a reflection of what Margaret Thatcher had once said: "I don't mind how much the ministers talk as long as they listen to me?" The opposition, on the other hand, roots for popular support for toppling a legally constituted government by taking to the streets and not the parliament. Their constituencies are left effectively unrepresented in the Jatiya Sangsad. Such a denial cannot be made up for by street demonstrations which are not the stuff of which alternative concept of governance in a democracy is made. Both the major political parties claim that the people are behind them and that they do everything in the best interest of the public. Nothing can be the farthest from truth. Which people are they talking about? An empirical arithmetic shows that their people are their fixed vote banks. The right-of-centre and far-right-alliance and left-of-centre and left parties have more or less equal share of votes. This is true, in spite of the 14-party Awami League alliance getting a three-fourths majority and the BNP-Jamaat tallying



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just one-third, that too inclusive of independents. The electoral results clearly show that even in case of a landslide victory of one party over the other, the margin of difference in the votes polled by the vanquished and the winning candidate is extremely narrow. That explains the 32% vote tally of the BNP during the last poll despite their paltry 30 seats in parliament.

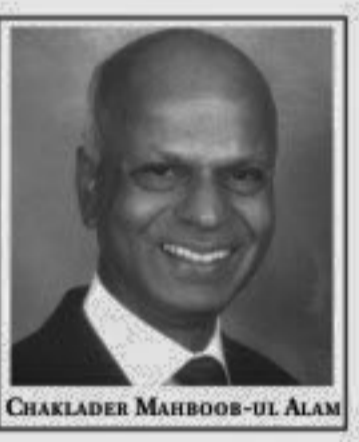
So they should not basically be claiming as they often do that the entire people are with them. This travesty is not encountered in any working democracy in the world. We are unique in overstating our claims. There is no question for them to wean away a single vote or at least a difference-making headcount, from their hardcore vote banks. It is the crucial 20% of the voters, mostly younger generation who carry no baggage, that make or mar the political fortunes of a party in the general election. Politicians should bear that in mind while opening their mouths or acting out party approaches. Winning their hearts and minds calls for a world-class performance either in the government or in the opposition so the table could be turned on each other. It is a no nonsense reality the AL and the BNP need to live up to. Henry Adams, the famous US historian and writer said: "Politics has always been a systematic organisation of hatreds." In our context, the hatreds are neither systematic nor organised, and, therefore,

only self-destructive. The caretaker government red rag to the BNP and the Awami League is a simmering provocation for a "bullfight." The difference between the cruel sport in Spain, since-outlawed, and its political version in Bangladesh is self-evident. Those in the visitors' gallery in Bangladesh sense a certain doom in contrast to the actual bullfight spectators who would have staked money and excitement in the fighting arena for. Anyway, bullfight is getting out of fashion in its home country, but the political version of it has yet to in our country. On the subject of caretaker conundrum, let me sound an optimistic note: It is asserted by the critics that the AL has overused its mandate of an overwhelming parliamentary majority by unilaterally striking the CTG provisions out of the statute book. By the same token, the ruling party can now use its mandate to undo the change and earn the gratitude of the nation. They would still abide by the SC verdict which has allowed for retention of caretaker system for the next two terms if they opted for it with a huge lot of goodwill gains. This can be a good confident beginning in addressing a whole series of reform and reconstitution agenda that will have to be addressed if we are to clear the way to a peaceful transition of power.

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## LETTER FROM EUROPE

# Crisis in the banking sector



CHAKRABARTI MAHABOW-GIL ALAM

WRITING on the ongoing economic crisis which started in the United States in 2008 and later engulfed most of the Western world with devastating consequences, New York Times columnist Joe Nocera commented: "What is killing the economy is lack of credit. In the aftermath of an asset bubble, invariably the result of too-loose credit, banks don't just tighten their standards; they practically shut down." How did the banking crisis start and more importantly how to fix it? In the olden days, banks used to take deposits and promote economic activities by giving loans to businesses which, when successful, created jobs and increased production and consumption. Their activities were completely transparent. But over the years, as their activities became more and more complex, they became increasingly opaque. It is unbelievable that the current crisis started with something as simple as giving loans to home-buyers without checking their solvency status. The lenders loosened the standards to such a level that loans were given to people with no income, no job or no other collateral except the house on which the mortgage was given. Everything hinged on the false assumption that house prices would never fall. So if the worst came to the worst, the bank would simply take possession of the house through foreclosure and eventually recoup the loan by selling it. This was not a prudent way to run a banking business, but under this system banks could at least keep track of individual loans, repayments made, outstanding balances and defaults. But the process became far more complicated when taking advantage of the slack regulatory system, the ever-innovative financiers, the so-called investment bankers who were adept at financial engineering, found a way to trade these sub-prime mortgages as complex derivatives to investors across the world. The mortgages were sliced, diced and packaged into bundles of Collateralised Debt Obligations (CDO) or Mortgage Backed Securities (MBS), making it impossible to know their real value at any given point of time. As Robert G. Wilmers, the CEO of M&T Bank, one of the most successful commercial banks of the United States, put it: "Mortgages were originated by one firm,

packaged by another, sold by a third and serviced by yet another, but none of them worried about whether mortgages would be repaid, because they did not hold them in their books." Yet banks, hedge funds and insurance companies, with the blessing of the rating agencies, merrily used them to swap loans and risks with one another without bothering to update their real values. Again quoting Wilmers: "This growing market for synthetic mortgage-backed securities inundated the country with credit that combined with historically low interest rates, exotic new mortgage products, fuelled the housing bubble, turned our financial markets into a virtual casino. In the collapse that followed, billions of dollars' worth of mortgage-

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backed securities were written off." As the rating agencies belatedly downgraded the CDOs, the turmoil spread to other parts of the securities market, creating a huge liquidity crisis because financial institutions became reluctant to lend money not only to outsiders but also to each other. In spite of the fact that central banks pumped billions of dollars into the market to avoid a total collapse, a collective loss of faith in the financial system still persists. What can be done to restore this confidence so that credit can start flowing again? One sure way of rebuilding confidence would be to ban the activities of this "shadow banking industry" which basically engage in trading and speculation. But time has shown that this shadow industry is so powerful that it is impossible to ban its activities. Moreover, today, even though the commercial activities of most of the large traditional banks are better regulated, many of them have also developed trading activities and now earn more money from these activities than from traditional banking. Therefore, under the circumstances, for the sake of better transparency, the regulators should separate the commercial and trading activities in separate companies and control their debt, leverage, capital and reserves separately. As Wilmers pointed out: "The depres-

sion era Glass-Steagall Act that separated commercial and investment banks should never have been abolished, and the derivatives need to be brought under control." The recently passed Dodd-Frank Act and the FASB's revised accounting rules relating to sales of financial assets will go a long way in meeting Wilmer's demands. These measures, when implemented, together with the Fed's monetary policy of quantitative easing will hopefully restore confidence in the American financial system which, in turn, will allow it to extend credits to its clients. Unfortunately, the banking situation in Europe is even worse. Whatever happens to Europe's banks will affect the American banking system as well. (Unfortunately, the huge market in credit default swaps, which affect banking on both sides of the Atlantic remains unregulated and still operates in the shadows.) No one could describe the European situation better than Gordon Brown, the former British prime minister. He wrote: "European Banks were, in fact, more vulnerable than American banks, they were far more highly leveraged and far more dependent on short-term wholesale funding. In fact, half of America's toxic sub-prime assets had been bought by reckless institutions in Europe." Reading the financial statements, it is difficult to ascertain whether adequate provision has been made by the institutions for potential losses on these assets. Therefore, it is imperative that once and for all they make full disclosure of these risks. Second, Europe's sovereign debt crisis is posing an even greater threat to the stability of the European banking system and the Euro. Although most of Europe's large banks seemed to pass the recent stress tests with flying colours, the tests among other things did not measure the banks' ability to manage through a possible Greek default, no matter whether it is controlled or uncontrolled. Moody's has downgraded the creditworthiness of two of France's largest banks because of their exposure to Greek sovereign debt. There is no doubt that in order to feel secure enough to issue credits most of Europe's banks need massive recapitalisation. A huge stabilisation fund is also needed to save the Euro. The prospects for the future do not look bright. An urgent and concerted effort by the EU, the US, China and the IMF can still save the economy from a total disaster.

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# Bangladesh and global politics

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INTERNATIONAL politics is changing fast, perhaps faster than estimated by the experts. Like all politics, it is a struggle for power, which is always the ultimate aim. The following elements control it: Geography; Natural resources, (i) food & (ii) raw material; Industrial capacity; Military power; Population; National character and strength of mind; Diplomatic skill; Sports policy; and Culture A country needs strength to protect its national independence, sovereignty and security. Without strength a country cannot have an influential policy. Due to sudden development of certain events the change in global politics has become very rapid. What was stated by US President Barack Obama some one and a half years back has proved to be sham. He is incapable of taking any decision against the interest of Jewish population of US and Israel. He has not hesitated to oppose the entry of Palestine as a full member of the UN. He has conveniently forgotten his clear statement that no peace is possible in the world without taking Muslims into the equation. No longer can the moderate Muslims remain silent and suffer. Signs of restlessness are being seen in Egypt and Turkey. Even Israel has shown restraint against the provocations. No longer is the Eurozone economy safe. Greece, Spain and Italy are suffering. They are actually looking forward to assistance from Asia, particularly from China. Just like the protesters against the iron rulers of the Arab world the unemployed of Israel have also come out to the streets. Some political analysts are apprehending a disastrous economic depression in US and Europe. As such, they (US & EU) are showing friendly attitude towards the countries considered as enemies by them. Though US desires the safe exit from Afghanistan the new look of terrorism has created difficulties. Pakistan is showing unfriendly attitude toward the US. Though India wants to take advantage from US-Pakistan estrangement, its domestic problems may not make that possible. Another interesting development is

the recent Indian gesture toward Iran through a meeting of Iranian President Ahmedinejad and Indian Prime Minister Manmohan Singh. Indian politics is warming up for the national election in 2014, when Rahul Gandhi of Congress will contest against BJP leader Narendra Modi. Due to high rate of poverty (about 14% of population) and high consumption of wealth by about 5% of the population, India is proceeding toward serious political discrimination. Hindu fundamentalism is increasing, Israeli influence in India is growing and the central government of India is adopting different strategies to withstand the pressures from state governments. There is economic change along with change in political situations in the world. The US and the western world have to face the challenge of Palestine membership in the UN. Even Bangladesh may be affected by this development. Throughout the world, the heads of governments are adopting different strategies to tackle the internal politics. They are striving hard to face the challenge themselves as far as possible. It is regrettable that we are looking toward India or USA to solve our economic problems. Whatever may be the limit of friendship, our problems like high inflation, unemployment, deteriorating law and order situation have to be solved by us and not by our friends or neighbours. Despite various odds we have been able to achieve some success, but we can do a lot more if mutual confidence, respect, and tolerance among our political parties can be developed. If that cannot be achieved, we may be heading toward extreme misery. As per estimate of the World Bank seven of the big powers out of ten would be from South Asia. Around us, China, India, Japan, Thailand, Indonesia and South Korea would be most dominating. Bangladesh has almost all the elements needed for controlling international politics. We could, perhaps, become one of the front-ranking states in South Asia if we could be more courageous and confident. Our country is passing through economic crisis. In August 2011, the rate of inflation touched 11.29% on point-to-point basis. Food items have the highest rate of inflation -- 12.70%. There seems to be a feeling that Bangladesh election may be won by the party that will be supported by US and India. However, we should not ignore the fact that before extending support these countries would examine carefully the extent of support of the people to the party. Thus, it would be proper for the parties to seek the support of the people first.

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