

UK election

Is it a rethinking on Brexit?

THAT the result of the British election has come as a shock to Theresa May is stating the obvious, but what perhaps may not be as obvious is the underlying message it has given to the Tories and its leadership. Does the verdict of the voters, and a record number of them were young voters, indicate a rethink of British position on Brexit?

The purpose of calling elections, having assured that there would be no election before the schedule one in 2020, after she took over as the party leader last year, Theresa May had hoped to strengthen her party's grip on power to be able to successfully negotiate Britain's exit from the EU. She wanted a strong hand for a hard Brexit negotiation. The opposite has happened, she has been dealt a weak hand, having lost the majority in the parliament.

We saw two interesting elections held in Denmark and very recently in France. Interesting because the verdicts were a rejection of populism and isolationism, which we saw manifest in US under Trump. The voters had given measured and informed judgement in Denmark, France and now in Britain. The people's choice in France and Denmark has set the direction of the government through their verdict. It is for Theresa May to read the essential message that the result carries.

The Tory loss has been attributed primarily to a weak campaign by Theresa May and her overconfidence. The result is also perhaps the start of the revival of the Labour Party. Three British women of Bangladeshi origin have also done very well on the Labour ticket and we congratulate them on their win.

As for Bangladesh, is there anything we can learn from the way the campaign was conducted on both sides in the general elections in Great Britain or from the manner in which top politicians carried themselves about, and how no major parties shifted from their fundamental alliance and attempted unholy alliances just for poll-time benefits?

A remarkable win for the Tigers

A good all round performance

IT was unbelievable cricket that we watched with bated breath on Friday as the Bangladesh cricket team faced off with New Zealand in Cardiff. A do or die game of the Champions Trophy. Our bowlers performed superbly. It is no mean order to restrict a world class batting lineup within a mere 265. But our top batting order gave us cause to worry, as we lost three for 12 and then four for 33.

That the Tigers fought back from the initial setback and did so dourly speaks of their maturity as a cricket team. The partnership of 224 runs by Shakib and Mahmudullah, which won us the match, also set a new record. It was the highest partnership for any wicket for Bangladesh's ODI history and the second highest in the Champions Trophy. With cool heads in a potentially unnerving situation, they took the helm and saw us home. Shakib justifiably took home the Man of the Match award for his performance.

But in our celebrations, we must not forget to be introspective. We should ask why the top order failed to deliver.

As we proved, we are now a team worth its name, and therefore, our wins should not bring hubris but a resolution to learn from our mistakes. As a nation of cricket lovers, we rejoiced at the Tiger's win. We congratulate our boys for the great show of perseverance they showed, and which ultimately paid off. Now, we look forward to a consistent performance under pressure and take our cricket to new heights.

LETTERS

TO THE EDITOR

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Death of construction workers

Three workers have died in a tragic accident recently in Siddeshwari while working on a construction site that didn't have proper safety measures. The construction company in question was callous, flouting the National Building Code 2014 which mandates that all construction companies follow proper safety measures. Too often we see workers doing risky construction work without sufficient safety equipment. There are no compensation packages for workers who have been injured on the job, or for the family of workers who die from such injuries. It is about time that the concerned authorities ensured that all construction work follows adequate safety measures.

 Mohammad Zonaed Emran
Dhaka

Connecting with nature

We are blissfully unaware of our responsibility to protect our planet. It is time to address environmental issues on a broader aspect in our primary and secondary curriculum to raise awareness among our future generations. At present, environmental problems like air pollution, water pollution, climate change, global warming, ozone layer depletion, and acid rain have been discussed in secondary level General Science and Bangladesh and Global Studies textbooks in a narrow sense. This is not sufficient to develop enviro-friendly attitudes and skills among the future generations to help resolve environmental challenges in the coming days. The concerned authorities should include Environmental Education as a core learning criteria for primary and secondary school-goers.

 Md. Khalid Hasan
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Rescue plan for 2018

For a consolidated state bank

OPEN SKY



BIRU PAKSHA PAUL

WHILE we learned not to put all eggs in one basket, dumping all rotten apples in one basket might seem rather prudent.

When two companies of a similar business nature, languish to survive, they opt for a merger that gives additional synergy to help the merged entity run better than before. The same is true for

our six state-owned commercial banks (SOCBs): Sonali, Agrani, Janata, Rupali, Bangladesh Development, and Basic. They are all now bad apples and should be put aside together so they do not ruin the whole banking industry by polluting the other forty private commercial banks (PCBs). Forming a consolidated state bank, bringing together all six public banks, seems to be the most appropriate rescue plan not only for the state-owned banks but also for the beleaguered banking industry that seems destined to a progressive collapse in three years or so.

Every bank has to maintain a minimum amount of capital, which is at least 10 percent of its risk-weighted assets, called the capital to the risk-weighted assets ratio (CRAR). Taking deposits goes to the liability side of the balance sheet of a bank while giving a loan becomes an asset. The bank has to keep Tk 10 as capital if it extends a loan of Tk 100 to a borrower named A assuming that A is a normal person in a safe business. But the bank has to keep capital of Tk 15 if it lends Tk 100 to a risky person named B once the bank has assessed the risk-weighted asset as Tk 150. Now the total capital of Tk 25 is stored against a total loan of Tk 200 whose risk-weighted value is Tk 250.

The CRAR in six public banks have fallen to as low as below six percent while it is above twelve percent in private banks and almost twenty-four percent in foreign banks. The ratio in two state-owned specialised banks: Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) is astonishingly minus thirty-five percent. After 2009, the government has taken almost Tk 10,000 crore taka to refuel the capital of these state-owned banks. Despite all ethical oppositions, the budget has allocated another Tk 2,000 crore for repeating the same practice, an attempt to pour water into a leaky bucket while other national priorities are being starved.

That is not the solution because the leak, which is seemingly created due to mismanagement, corruption, and willful default, is turning into a bigger hole every year. Not only is this short-term measure of recapitalisation with taxpayers' money unfair, but it also signals that we are bankrupt in finding a long-term solution. And hence, the rescue plan of 2018 would be the best alternative that bundles all bad tenants into a single house so control becomes easier and transparent through one set of financial statements.

In the 1980s, the quickest advice to fix a losing state-owned bank was to make it private. But that easy fix would be a blunder right now. Some experts are

suggesting the privatisation of all state owned banks - except for Sonali Bank, the largest state-owned commercial bank that also supports the central bank in treasury management. Despite having good intentions, these experts are ignoring some vital points such as employment, rural development, funding the poor, and extending credit to socially desirable projects - which private banks shy away from due to their excessive profit-maximisation appetite. State owned banks still serve a bunch of welfare and pro-poor operations which we badly need to mitigate ever-increasing income inequality and discrimination.

Six state owned banks employ almost 60,000 people while forty private banks have employed around 92,000 people. Although the number of employment is lower in state owned banks, it is much higher proportionately based on the share of deposit. State-owned banks keep fifty-five percent of their total 3,700

profit motive reigns supreme in their work ethics. In contrast, public banks though inefficient, try to maximise hiring - a much needed action for a hugely labour surplus economy like Bangladesh. Hence, the first thing the society will face if a public bank is converted into a private one is a further rise in unemployment. Theoretically, the higher the capitalist margin, the higher the level of unemployment. Recently, we saw that private banks made a profit growth of more than 17 percent - not commensurate with the growth of their hiring process, which has been negligible of late.

Combining the SOCBs will bring a transformative change in the banking industry, provided that the court decisions on classified and written-off loans are expedited and the government has sufficient political will to pressurise the habitual defaulters. Otherwise, the whole banking industry will head toward a doomsday



PHOTO: AJAY THAKURI/BUSINESS TODAY.IN

branches in rural areas whereas private banks keep only one-third of their total 4,300 branches in rural areas. State-owned banks have more than 2,000 rural branches whereas private banks have around one and a half thousand branches in these areas. Total deposit accounts in state owned banks are close to three crores - slightly less than that in all forty private banks. Still state-owned banks have more loan accounts (Tk 32 lakhs) than private banks (Tk 28 lakhs). Thus, comparing private banks with state-owned ones is inappropriate.

The proposal of a consolidated state bank takes these aspects into consideration. It recommends retaining all state-bank networks as opposed to breaking the network into profit-greedy pieces. A recent study finds that private banks avoid hiring new workers since the

scenario, and this will be more so for public banks. The largest state bank is Sonali Bank, whose total deposit collection is almost Tk 1 lakh crore, but it is trying to survive on around Tk 20 to 30 thousand crore while almost Tk 20,000 crore has gone down the drain. How can a bank leverage that much liability with a much smaller amount?

The government should think ahead to rescue this industry if we really do not want another stock-market type collapse of the state banks. Proper homework to put all the bad apples together must be initiated so that we can generate investment vibrancy in the economy from 2018.

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The snap election trap

RAJ PERSAUD and ADRIAN FURNHAM

THE Conservative Party's loss of its parliamentary majority in the United Kingdom's snap election has proved political pundits, pollsters, and other prognosticators wrong once again. And, once again, various explanations are being offered for an outcome that few expected.

For example, many have pointed out that Theresa May, the Conservative prime minister, campaigned poorly, and that pollsters' models underestimated turnout by younger voters. At the same time, Jeremy Corbyn, the leader of the

examined British general-election polling data and results dating back to 1945, decisions by prime ministers to hold an early election often backfire.

By holding an election three years ahead of schedule, May seems to have made a serious, though hardly unprecedented, miscalculation. She assumed that the popular support she had when she announced the election would translate into actual votes.

Former British Prime Minister Harold Wilson made the same mistake in May 1970, when he tried to take advantage of Labour's popularity. During the ensuing

wane in the run-up to the vote. His analysis shows that the more popular a leader is when calling an early election, the more likely it is that he or she will lose support during the campaign.

When May called a snap election in April, she was riding so high in the polls that she and the Tories had expected to win in a landslide. But as Smith argues, an early general election is a psychological poker game in which the electorate often calls a leader's bluff.

May thought that she had a strong hand, because she has more information than the average voter about the country's future prospects. As prime

opposite of May's.

In 1982, Thatcher was at the height of her popularity, having just declared victory in the Falklands War. And while she was not required to call an election before May 1984, she could conceivably have parlayed her enormous popularity into another five-year term. Public opinion polls from 1982 suggest that Thatcher almost surely would have won had she called an election that year. Instead, she waited, despite the risk that future policy failures might erode her popularity.

How Thatcher assessed that risk depended on her own anticipated performance in the coming year. If she was convinced that she would have effective solutions to problems that might emerge, then there was little risk in waiting to be tested at the polls. On the other hand, if Thatcher had not been confident about her policies, she would have had a stronger incentive to cash in on her popularity by calling a snap election, lest she jeopardise her chances down the road.

Thatcher eventually called an election for June 1983. Later, in their autobiographies, she and her chancellor of the exchequer, Nigel Lawson, explained that their timing had been influenced by fears about inflation in the coming year. By calling the election a year early, they avoided a scenario in which worsening inflation would have sapped the Conservatives' popularity.

The key takeaway is that the timing of elections can reveal how well incumbents expect to perform in the future. All else being equal, competent governments will wait longer before going to the electorate, whereas insecure leaders will try to capitalise on their popularity when they have it.

According to Smith's theory, any leader who calls a snap election should expect to see his or her support decline, as has just occurred in Britain. May has proved to be a far less confident leader than anyone had expected. She led an uninspiring campaign in which her promise of "strong and stable leadership" rang hollow. But her humiliating defeat could have been predicted before the campaign had even begun.

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Protestor wearing a Theresa May mask is seen the day after Britain's election in London, Britain June 9, 2017.

REUTERS: CLODAGH KILCOYNE

opposition Labour Party, managed to appear competent and confident. But these explanations may all be irrelevant, because they focus strictly on how the campaign was conducted.

A better explanation comes from the field of psychology. If pundits had paid attention to a well-established theory about the psychology of snap elections, they could have foreseen the UK election's outcome. According to research by New York University political scientist Alastair Smith, who has

campaign, Labour's support collapsed, and the Conservatives ended up winning 330 of 630 seats.

Similarly, in 1997, former French President Jacques Chirac's decision to call an early parliamentary election resulted in large electoral gains for opposition parties on the left. The same thing happened in Australia in 1998.

In a 2003 study published in the *British Journal of Political Science*, Smith concluded that popular support for leaders who call early elections tends to

minister, she has been fully briefed on the UK's near-term economic conditions and the probable outcome of the Brexit negotiations with the European Union.

But, as Smith's theory shows, May's decision to hold an early election tipped her hand to voters, who probably suspected that she was exploiting her informational advantage to reinforce her own political position. To illustrate this point, Smith uses the example of Margaret Thatcher, whose own strategy in the election poker game was the