



VISUAL: BIPLOB CHAKROBORTY

A short history of AL’s challenging times



THE STREET VIEW

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MOHAMMAD AL-MASUM MOLLA

The ruling Awami League has proven to be resilient during all kinds of crises – political and economic. The party’s strength is its army of selfless activists (all the way down to the grassroots) who dedicate themselves to uphold its image and glory. The AL has been known for its mastery in conducting strong campaigns on the streets right from the days of its foundation in the pre-Bangladesh era, amid much adversity and under a hostile regime. The party faced a serious leadership crisis when Bangabandhu Sheikh Mujibur Rahman, along with his family members, was assassinated. But the AL rose again like a phoenix. After being out of the office for 21 years at a stretch, the party came to power with the people’s mandate.

Even when the party assumed office in 2009 with a landslide victory, it faced challenges in bringing its internal politics in order. But it weathered through the strife. Barely two months in office, the party also had to contend with the Pikhana tragedy. Soon after, there was the month-long Shahbag protests to deal with. There was also Hefazat-e-Islam’s march towards Dhaka in 2013, which had brought the entire city to a standstill. But Awami League handled all that with a strong hand, so well that Hefazat now is a “friend”. In fact, the Hefazat-e-Islam referred to Awami League president Sheikh Hasina as “Qawmi janani” (“mother of the Qawmi”).

Then, following the annulment of the caretaker government system from the Constitution, opposition parties took to the streets and challenged the government. There were vigorous demonstrations and people were killed. Dhaka city had become virtually isolated from the rest of the country. The situation was as if the government might be toppled at any time before the January 2014 election. But again, the ruling party overcame the situation and formed a government, thanks to the BNP’s boycott of the election.

The opposition was simply clueless as to where to go or what to do. So, the political situation was quite favourable for the Awami League, as there was almost no one to challenge. But the heinous terrorist attacks, beginning with the one at Holey Artisan Bakery, came next. Many foreign nationals were killed and the world was left shocked. The government announced its war on terror and quite successfully stemmed militancy. So, from political opponents to militancy – the ruling Awami League showed its resilience in the face of crisis time and again.

Compared to 2014, the situation in 2018 was far easier for the ruling party as BNP had joined the polls with almost no preparation and the party chairperson Khaleda

Zia was behind bars following a court verdict. That election was not above controversies though, since there were numerous allegations of ballot-stuffing and “voting by night”. But that did not keep Awami League from taking office again.

During its years of governance, the country fared well. Harvests were reasonably good, and food prices never got completely out of hand. The grim power and energy situation of BNP’s last days saw

Amid rising inflation, rampant loadshedding, and a very discontented electorate, the US government announced visa restrictions. Under the new policy, the US will be able to restrict the issuance of visas for any Bangladeshi individual believed to be responsible for, or complicit in, undermining elections through any means. This includes individuals employing measures to prevent political parties, voters, civil society, or the media from disseminating their views in Bangladesh. Current and former Bangladeshi officials, members of pro-government and opposition political parties, members of law enforcement, the judiciary, and security services all fall under the purview of this visa policy.

an improvement quickly after Awami League took over. The ruling party fared reasonably well in international circles as well, solidifying its relationship with India and laying the foundation for a stronger Chinese involvement in Bangladesh. The government also managed to get a grip on the Rohingya crisis, which had all the potential to get out of hand.

But the first serious jolt for the AL government arguably came when the United States imposed sanctions on the Rab and some of its current and former top officials for human rights violations. This has possibly been the most pressure the government has faced in its

three consecutive terms in office. Those sanctions worked, though. Extrajudicial killings plummeted to nearly zero, which encouraged the opposition party members to take to the streets. Then, the BNP held rallies in divisional headquarters with a massive participation. But the party lost the momentum when they tried to hold a rally in Dhaka. Here again the ruling party played a tactical card with its choice of venue for the opposition rally. The ruling party kept the BNP busy over the venue issue and created obstacles at different entry points of Dhaka – as it had done during other divisional rallies – so that BNP loyalists couldn’t join the Dhaka rally.

Although there was no big natural calamity, the Covid pandemic brought about a situation that the world could not have anticipated. Economic crisis was severe in many countries, the weak healthcare system was exposed globally, and the vaccine crisis paralysed many economies. But again, the Bangladesh government successfully tackled the pandemic period by managing the economy and administering vaccines.

But when the world was still recovering from the Covid crisis, we witnessed another polarisation in the form of the Russia-Ukraine war. This led to a record inflation, a dollar crisis, and weakened the economic status of many countries. Bangladesh has been no exception.

Even after this, the ruling party was still quite confident about the next election. But things started changing when the electricity crisis became a major concern, harkening back to the days when the Awami League government had first taken office in 2009. This also happened at a time when the prices of essentials began skyrocketing. To make matters worse, Bangladesh is seeing one of its hottest years with prolonged heatwaves plaguing the population and worsening the power crisis.

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With Bangladesh’s forex reserves dwindling fast, the high fuel prices, no visible respite from a power crisis (worsened by an uncharacteristic stretch of heatwaves), and political opponents freely flexing their muscles, could it be that the Awami League has run out of its amazingly long streak of good luck? The next few months are perhaps going to be the toughest test for Awami League’s resilience in recent history.

IN MEMORIAM OF ROBERT LUCAS JR

A pioneer of modern economics who popularised ‘rational expectations’



AN OPEN DIALOGUE

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ABDULLAH SHIBLI

A titan in the field of economics, Robert Emerson Lucas Jr (known to his devotees as “Bob”) passed away on May 15 in Chicago. He was 85. Bob Lucas was awarded the Nobel Prize in Economics in 1995 for his seminal contribution to macroeconomic theory. During his rich and very productive career, Lucas served as a professor of Economics at the University of Chicago and is best known for his path-breaking work on the “rational expectations” concept, which revolutionised economic policymaking. The Swedish Royal Academy of Sciences cited him as “the economist who has had the greatest influence on macroeconomic research since 1970.”

One of the joys of being an economist is participating in the ritual that surrounds the announcement of the Nobel Prize in Economics towards the end of each year. You learn about new developments in the field and reconnect with the economic theories and economists you have known since your graduate school days. However, there is a downside. Economists whom you’ve admired since your youthful days leave this world, and then you spend a few days reflecting on their work and how it affected your life.

So many memories come to my mind as I write this tribute and grieve the passing of Bob Lucas.

When I was a graduate student in the US and was cramming up Keynesian models and policy prescriptions, we learned about the Phillips curve model, which showed that government spending could lower the unemployment rate. However, in real life, it was emerging that government intervention does not necessarily get the economy out of a rut. Why? Well, if there is no excess capacity, or the consumers expect higher price levels, government spending will only lead to inflation. The term stagflation became fashionable in the 70s and 80s, and baffled economists.

Bob Lucas became a household name as economists struggled to find a way to get out of stagflation. Until the 1970s, governments were guided by the policies popularised by John Maynard Keynes. But the high inflation and high unemployment that characterised much of the 1970s simply could not exist concomitantly in Keynes’ world, and the Chicago School, led by Milton Friedman, challenged the Keynesian framework.

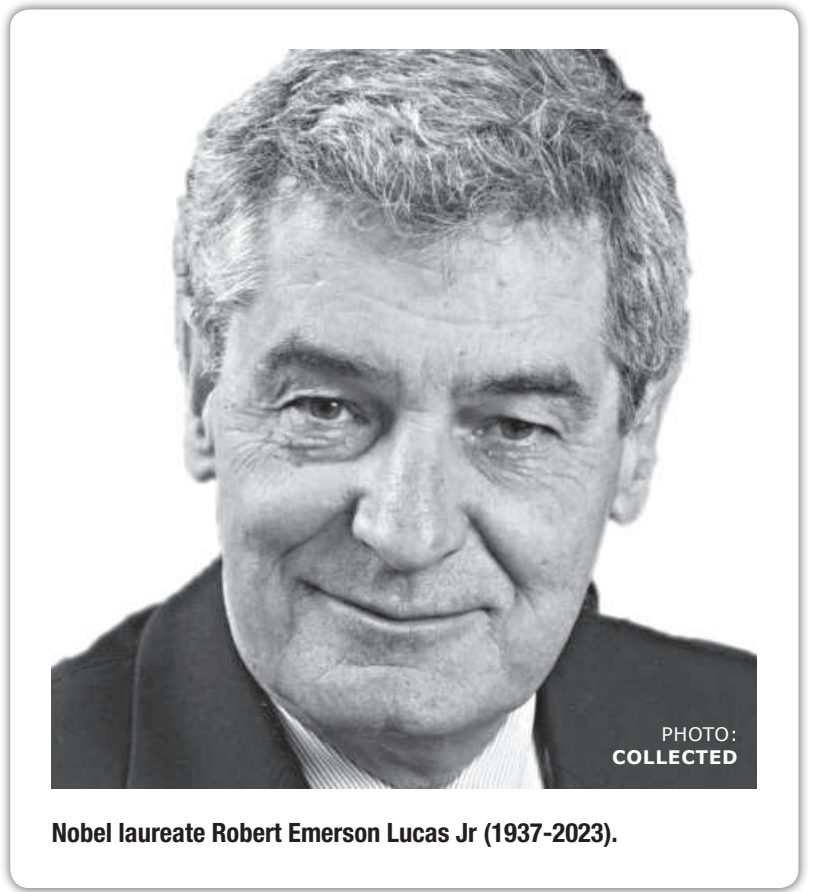
Bob was a student of Friedman, another Nobel laureate, who paraphrased Abraham Lincoln in explaining his position on monetary policy: “You can fool all of the people some of the time, and some of the people all of the time. But you can’t fool all of the people all of

the time.” A central bank can have an occasional impact on the level of economic activity by controlling interest rates. But if this power is used too often, firms and households will adjust expectations of price changes and neutralise any impact on real activity. That is the core of monetarism and the basis for the rational expectations theory.

To understand how rational expectations changed our understanding of markets, economic

expectations. He used the term “rational expectations” to describe the many economic situations in which the outcome depends partly on what people expect will happen. As another example, the value of a currency and its rate of depreciation depend partly on what people expect that depreciation rate to be. That is because people rush to desert a currency that they expect to lose value, thereby contributing to its loss in value. Similarly, the price of a stock or bond depends partly on what prospective buyers and sellers believe it will be in the future.

Lucas picked up on this idea and questioned the theories of Keynes, who had pushed the policy prescription that government intervention could help steer the economy. Lucas’ work on rational expectations in macroeconomics transformed the thinking surrounding the



Nobel laureate Robert Emerson Lucas Jr (1937-2023).

behaviour, and economic policy, let us consider the well-known “cobweb theorem”, which generations of economists have memorised in their undergraduate years. The model assumes that farmers decide on next year’s (or Year One) supply decisions on the basis of the previous year’s (Year Zero) price, which they presume will remain the same. Assume now that Year Zero’s price was high and farmers expect the price in Year One to stay high and plant more acreage and produce more; this will flood the market and lower the price! Consequently, the following year (Year Two), there will be a cutback – reducing production – and this will increase the price again, leading to the perpetual upward and downward cycle (or, disequilibrium).

A US-American economist named John Muth challenged the assumption that farmers expect Year One price to be the same as that in Year Zero. He proposed that farmers learn from the past and make their decisions based on forward-looking

relationship between inflation and unemployment, pointing to the ineffectiveness of policy in the long run, despite possible short-run impacts on unemployment.

The eponymous “Lucas critique” also pointed out that it is naïve to predict the effects of a change in economic policy entirely on the basis of relationships observed in historical data, particularly aggregate data. People are smart and make their decisions by taking into account all available information, including future price expectations.

“Anything that happens in the economy happens because people do this or that or something else,” Lucas wrote. “If we’re trying to understand that, we have to get inside those people and ask what they’re thinking. The rational expectations answer is they’re thinking what they should be thinking. If they’re making a forecast they’re probably doing it well. People know their own business better than outsiders like economists do and we want to try and get into that.”

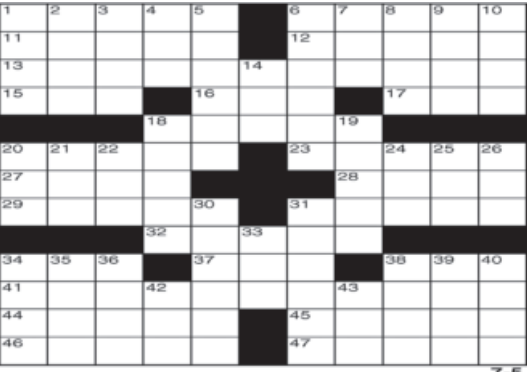
CROSSWORD BY THOMAS JOSEPH

- ACROSS**

 - 1 Mamas’ mates
 - 6 Texan tree
 - 11 Vigilant
 - 12 Without others
 - 13 Movie theater snacks
 - 15 Top rating
 - 16 parrot or puppy
 - 17 Touch lightly
 - 18 Ring competitor
 - 20 Yucatan native
 - 23 A bunch
 - 27 Line of symmetry
 - 28 Half of a sextet
 - 29 Jeans material
 - 31 Wasn’t serious
 - 32 Chump
 - 34 In the past
 - 37 Period
 - 38 “The Raven”
- DOWN**

 - 1 Treaty
 - 2 Lotion additive
 - 3 Ivy League school
 - 4 Curved path
 - 5 Trample
 - 6 Soft color
 - 7 Yale rooter
 - 8 Hen pen
 - 9 “Frozen” princess
 - 10 Bird abode
 - 14 Kinsey topic
- 18 Cook’s herb
 - 19 Copter part
 - 20 Furious
 - 21 Lumberman’s tool
 - 22 Yang’s counterpart
 - 24 Bible boat
 - 25 Conk out
 - 26 Lawn material
 - 30 Classic Ford
 - 31 Stuff thrown overboard
 - 33 Sinking signal
 - 34 Plays a part
 - 35 Ruffian
 - 36 Aware of
 - 38 Seed holders
 - 39 Burden
 - 40 Spot
 - 42 Way off
 - 43 Swearing in words

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YESTERDAY’S ANSWERS

