The shifting political field and the price of permanent war

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It has been a week in almost complete shutdown. Once again, a reasonable and peaceful student movement has ended in grotesque violence. This time, however, it seems that everyone bit off more than they could chew. The landmark verdict is now out: a 5 percent freedom fighters' quota, 1 percent for indigenous communities, and 1 percent for people with disabilities and those identifying as third gender. It has come at a hefty price; media reports suggest close to 200 deaths nation-wide, many of them students. The campus attacks, raids, beatings, and shootings definitively turned the tide against the government, and a dangerous section was clearly ready to seize the moment. The ensuing chaos has left thousands injured, massive destruction of public property and infrastructure, and over 4,000 arrests.

Many (including the BCL) expressed their solidarity with the movement just before the verdict. Many veteran political leaders and cultural activists who had become ensnared by the misconceived and unfortunate "Razakar" rhetoric and deemed it an anti-state, anti-Liberation War movement just days ago have now declared the verdict a victory for all. How fast the tables have turned! Such a dramatic reversal should make us wary for two reasons: one, our senior leadership's repeated inability to read the political field; and two, the foreclosure of any serious conversation about the issue of quota reform itself.

We are a nation with selective amnesia. The students taking to the streets today have known nothing but one-party rule. They have not seen the fight against autocracy or the AL-BNP cycle, and 1971 is in the distant past. But they did grow up with Shahbagh, no-VAT, quota-reform, and the fight for road safety. A new form of student politics has taken shape over this cascade of movements that explicitly rejects the party/student politics of old, which for them represent only campus violence and corruption; this is a generational shift that our leaders are still failing to grasp. Each of these movements has built on the last, producing leaders and carrying visceral memories. They remember being crushed and met with sheer indignity every time, left alone to fend for themselves in the face of repression, being tagged as pawns of enemy forces, and the repeated hijacking of their causes. Above all, they have learned to trust no one.

What did our students demand? The chance to have a dignified and secure life. What did they receive? The same delaying tactics, the inevitable othering and the wrath of the foot-soldiers. Only those with permanent blinders could see nothing but "BNP-Jamaat" when looking at the thousands of committed students; they could not see that it is the ruling party's intransigence and trigger-happiness that always provides an opening for their enemies. This regime has been in power for 15 consecutive years. No other party can claim as much experience in parliament and on the streets. Is it not enough time to start relying on consent over coercion? Is it not easier to defeat your enemies in parliament than to be permanently on the warpath against some shapeshifting enemy?

FILE PHOTO: PALASH KHAN

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The people, state and civil society form an integral triad, and each node must understand their position within the shifting political field. Gone are the days of ideologically-led political movements. For over two decades, we have been witnessing a global wave of populist mobilisations, from the Arab Spring to our own Shahbagh uprising. These movements reflect a loosely-organised, issue-based transversal politics, often embodying majoritarian sentiments. Articulated as contests between "the people" and some "power elite," such sentiments can sway from left to right at any time and are just as amenable for absorption by the forces of "un-civil" society. State and civil-society institutions must be prepared to confront such sentiments with care or risk their weaponisation into the kind of all-out war we witnessed on Friday. Middle-class desperation has now been displaced by a "lumpen" class angst against a state/regime that many feel permanently excluded from, and who care nothing for mega structures. What allows such a rage against the machine and how it is being moulded are structural questions we need to address.

In all this madness, we have forgotten to take the significance of the quota-reform debate seriously. It is heartbreaking to see our students ready to die for the chance to be part of the same state apparatus that sees them as disposable, to join the same civil service whose corruption and incompetence we endlessly vilify. Quota or not, thousands of our graduates will not get government jobs; what will they do? Will our public universities be factories for producing clerks, still committed to the colonial ideal of the wage-earning middle class running the state? When will we dream of becoming scientists, artists, even industrialists?

It is also unfortunate to see a whole generation believe in the neoliberal magic of "meritocracy." From the beginning, misogynistic, majoritarian attacks on quotas for women and minorities had slipped in alongside the demand for reform. The fetishisation of "merit" allows those who lose out among the middle classes and dominant/majority groups to blame their misfortunes on the apparent preferential treatment of others. This is a convenient fantasy. "Merit" depends at least as much on environment and opportunity as hard work and talent, and the former are not distributed equally. Only 2 percent quotas for the structurally disadvantaged is not a fitting end for a "movement against discrimination." Based on what data did we dismiss the quota for women? Since when do all districts offer the same opportunities? Should such decisions be so amenable to popular pressure?

That is a fight for another day and by other means. This movement-repression cycle cannot be our only recourse, letting the space for democratic dialogue shrink even further. Toppling a government cannot be our ultimate yardstick for success. The state must learn to negotiate without unleashing its forces or cowering to majoritarian sentiment. All the millions invested in intelligence and surveillance technology could not prevent these deaths and the destruction of public property. Perhaps now this regime will understand that they cannot claim a monopoly over the nation-state, that their history and demonstrations of development do not automatically entitle them to reign.

Most of us are neither in positions of power nor capable of swindling banks to build a second home elsewhere. Some of us are sticking around, trying to build institutions and communities instead of giving in to despair. Those who claim to govern must realise that their power is on lease, no matter how long the terms. There are tectonic shifts happening beneath us. Many of our citizens are desperate and at the tipping point. They have no regard for their personal safety and are ready to unleash with the slightest instigation. Their collective agency is up for grabs for a favourable ideology or for the highest bidder. All of us need to wisen up while we still can. Many of us still believe in the People's Republic of Bangladesh. We have only one nation and only one lifetime to fix it.

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IMF's assessment and the real risks for Bangladesh's economy

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The International Monetary Fund (IMF) occasionally makes headlines in Bangladesh, the most recent being in June this year. But that already seems to have been long ago. And this is simply because the work they did at that time appears to have been overshadowed—to some extent, at least—by recent events.

It may be recalled that against the backdrop of multiple challenges (viz., balance-of-payment deficit, depletion of foreign exchange reserves, depreciation of the taka, and rising inflation) faced by the economy, the government went for the easy solution of a loan from the IMF. And a credit programme for $4.7 billion was agreed upon in January 2023. The loan, whose duration is 42 months, is to be disbursed in seven instalments—subject to satisfactory review by the agency. In June this year, the second review was successfully completed and the third tranche of $1.15 billion was released.

The loan, of course, came with conditionalities that include attaining a certain level of foreign exchange reserves (four months' imports), raising tax revenues, periodic adjustments in the prices of petroleum products and electricity, scrapping of the fixed interest rate regime, moving to market-determined exchange rate, etc.

As part of the second review of the credit programme, the IMF came up with a risk assessment for the economy in which nine risk factors, local and international, have been identified. Such assessments are useful even under normal circumstances. And when the going gets tough, it is more so. The assessment, therefore, is welcome.

However, given the multifarious challenges, the complexity of the situation, and expectations from a partner like the IMF, a few questions arise. What, for example, is the value of the exercise? Does it remain focused on the key issues and attach priority to them? How well do they address the key challenges faced by the economy? More importantly, have the real risks been identified and ways of addressing them explored? While some of such risks are structural (to be discussed presently), some come as unforeseen shocks—like the current situation—whose roots are also structural.

Interestingly, risk assessments of the kind done by the IMF are not usually done by the government, although it would have been desirable to have a homegrown exercise reflecting the national context and priorities more closely.

To be useful, a review of challenges and risks faced by the economy would have to be cast against their genesis and evolution. It is by now well-known that wrong policies were pursued for several years in the areas of exchange rate determination and interest rates. They helped keep imports as well as capital cheap. Exporters were compensated in various ways. Credit at a low rate of interest encouraged capital flight. Uncertainty in the business environment led exporters to park their export earnings abroad.

Not only were wrong policies pursued, necessary corrective measures—and some half-hearted—were adopted with considerable delays. Even now, the uncertainty in the policy environment has not been overcome completely.

The situation was compounded by political economy forces and interests of influential groups. Valuable time was lost in 2023 in the run-up to the national election. Even after that, concrete steps to reform exchange rate determination were taken only in May 2024. The real risk for the economy lies in such policy inertia of the government and continuation of protection for its cronies. Add to that the possibility of sudden shocks from unforeseen events.

FILE VISUAL: SALMAN SAKIB SHAHRYAR

For the economy to come out of the current abyss and for growth to turn around, the crisis of confidence will need to be overcome and basic conditions for growth restored urgently. And for that to happen, the foreign exchange reserves will have to start rising, which, in turn, would depend critically on not just export flows but also on prompt and full return of the export proceeds and normal flow of remittances. Only then will the regime of import compression give way to normal business and growth. That is also needed to fight inflation, which is an issue of immense concern.

The rate of inflation has been rising steadily since 2021, and the annual inflation rate has been hovering near a double digit figure for some time. Inflation can be caused by a variety of factors operating from demand and supply sides, and Bangladesh is no exception. In fact, the recent IMF review of the economy (June 2024) acknowledges this and estimates that half of the recent price increases can be attributed to the "pass through" effect of exchange rate depreciation. And yet, the organisation recommends monetary tightening as the measure needed for fighting inflation.

The Bangladesh Bank has abandoned the policy of fixed interest rates—even though the decision came later than warranted. It started a policy of monetary tightening in 2023 and is continuing that stance. But that does not seem to be producing the desired effect on the inflation rate. The proponents of this approach are mentioning the delay in the adoption of this policy as a reason for its ineffectiveness, and are suggesting further tightening. Under the loud chorus produced by this group of policy analysts and the international backers of the approach, voices for pragmatic solutions to the problem are getting drowned. We are forgetting that even economists like Olivier Blanchard and Ben Bernanke are attributing inflation to both demand and supply side factors.

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In Bangladesh, it has of late become customary to cite other countries and say that they have succeeded in containing inflation by raising the policy rate and Bangladesh has not because of not using the instrument at the right time. While doing so, we forget that one size does not fit all. Among the major developed countries, for example, the success the US has achieved is not matched by countries of Europe and the UK. Also, the latter have not been able to avoid slowdown in their economies and recession in the process. Even in the case of the US, the extent to which monetary policy has contributed to the success in fighting inflation is being debated by researchers. In India, although the policy rate has been raised substantially in 2022 and 2023, it did not have an adverse effect on credit growth because of a variety of factors.

While dealing with macroeconomic issues of immediate importance, major structural issues like employment—especially jobs for the youth and first-time job-seekers, and livelihoods of the low-income people have either been ignored or relegated to the category of "also." The potential risk from such a narrow focus has been ignored by the external agencies as well as by the government. And when issues come to a fore, the usual response is to bury them under the refrain of "destructive forces." The danger of doing so is illustrated by the shock inflicted on the economy by the current situation.

Unfortunately, the Bangladesh government has never come up with a clear thinking on either the macroeconomic issues like inflation, or on jobs and livelihoods of the poor and low-income people and approaches to fighting such evils. The real risks here are continued dependence on (or adoption of) "policy advice" from outside, adoption of half-hearted and one-sided measures, ignoring the potential shocks arising out of deeper discontent, and the lack of a clear and coherent approach on the part of the government.