

# How the youth are shaping a new era of meritocracy



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The July uprising in Bangladesh marked a pivotal moment in the nation's history, where the youth rose up against not only economic injustice and political corruption, but also the deeply entrenched system of political elitism. For years, power in Bangladesh has been concentrated in the hands of a single political dynasty. The youth, representing more than half of the population, are now rejecting this system and demanding a new vision for the country—one based on meritocracy, equality, and true democracy.

The youth-led protests in July-August were a powerful response to a system that had long suppressed their potential. The protests, initially about the unjust quota system for government jobs, quickly evolved into a broader rejection of the deeply entrenched power structure as well as cultural narrative. This resonates strongly with Antonio Gramsci's theory of cultural hegemony, where the ruling class maintains power by controlling cultural norms and making their dominance seem like common sense.

Similarly, the shift in the youth's mindset—transforming from passive

acceptance of their oppression to becoming active agents of change—is striking. These young people are no longer just protesting policies; they are fighting against a system designed to keep them in check. Paulo Freire's *Pedagogy of the Oppressed* foresaw this kind of transformation, where the oppressed, once aware of their condition, begin to challenge the very structures that oppress them. Gramsci and Freire both would likely see this as a predictable outcome, where awareness sparks resistance and a demand for real change.

The political elitism in Bangladesh has long been reinforced by a combination of patronage networks, nepotism, and symbolic gestures of reform. The quota system, initially designed to provide opportunities for disadvantaged groups, including freedom fighters' descendants and ethnic minorities, became a tool for consolidating power. Over time, the system was manipulated by the elites to secure jobs for their loyalists and families, leaving many deserving candidates feeling alienated. The youth's rejection of this system represents not just opposition to a specific policy, but a

broader challenge to the hegemonic political structures that keep power concentrated in the hands of a few. The protests were a clear demand for a meritocratic system where leadership and opportunities are based on talent, hard work, and integrity—an evident outcome predicted by the counterhegemonic movement from Gramsci's idea.



The youth-led protests in July-August were a powerful response to a system that had long suppressed their potential. FILE PHOTO: ORCHID CHAKMA

In Bangladesh, the education system has long mirrored Freire's critique, which says traditional education systems often reinforce oppression by treating students as passive recipients of knowledge, rather than as active participants in

their learning. Students are taught to memorise and conform, rather than think critically or challenge the status quo. This has effectively kept the youth disempowered, limiting their ability to question the political and social systems that govern their lives. As a result, many young people have come to view the political process as irrelevant or corrupt,

culture of patronage and favouritism that has permeated the country's political and social institutions. Freire's "problem posing" model of education, which emphasises dialogue, critical thinking and active engagement, is exactly the kind of reform that we need to empower our youth and prepare them to take on leadership roles.

The uprising was also a rebellion against the political elite, which has its roots in a deeper frustration with the contradictions of Bangladesh's democratic system. Elections, often plagued by corruption and manipulation, have not provided the kind of accountability or change that the youth are seeking. To truly address the root causes of political elitism and inequality and to prevent a similar situation in the future, investments must be made in educational reform and political inclusion, giving the youth a real voice in shaping the future.

The education system must be overhauled to prioritise critical thinking, creativity, and civic engagement. Freire's vision of education as a tool for liberation must be implemented, with schools and universities encouraging students to engage with real-world issues, challenge authority, and become active participants in their communities. Only by fostering an education system that promotes independent thought and problem-solving can Bangladesh equip its youth with the skills they need to challenge the political status quo and create a more equitable society.

At the same time, political reforms are essential to break the grip of bloodline politics. Bangladesh must create more opportunities for young leaders to emerge, whether through electoral reforms, greater transparency or efforts to reduce the influence of money and nepotism in politics. Youth participation in politics must be encouraged, and pathways to leadership must be opened to those who demonstrate merit and a commitment to public service.

Finally, the youth must be given the economic opportunities they need to stay in Bangladesh and contribute to its development, rather than being driven abroad by the lure of better prospects. The government must invest in creating jobs, support entrepreneurship, and address the structural inequalities that limit opportunities for upward mobility. By creating an environment where young people can thrive, Bangladesh can stem the tide of brain drain and ensure that its brightest minds stay to build a better future for the country.

The path forward will not be easy, but the July uprising has shown that the youth of Bangladesh are ready to take on the challenge. By reforming the education system, opening up political opportunities, and creating a more inclusive and merit-based society, we can empower our youth to become the architects of a new, more just and equitable future. It's time to dismantle the old systems of political control and give the youth the tools they need to build a Bangladesh that truly reflects their aspirations.

## RETHINKING BANGLADESH'S DEFICIT FINANCING The case for National Savings Certificate reform



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Financing budget deficits through domestic and external resources is widely practised in many countries, including Bangladesh, to manage fiscal shortfalls and invest in infrastructure to stimulate economic growth. For a large share of its budget deficit, the Bangladesh government primarily relies on two domestic sources: borrowing by issuing i) marketable securities and ii) non-marketable securities. Marketable securities include treasury bills and bonds, and non-marketable securities are largely comprised of National Savings Certificates (NSCs). While these instruments play a crucial role in deficit financing, there are concerns about how they are managed and their impact on macroeconomic stability and overall inequality.

Treasury bills and bonds are sold in open auctions participated by primary dealers on their own accounts and on behalf of clients which are mostly banks. This process is guided by market principles, where interest rates fluctuate based on demand and supply. When demand for government securities is high, the government typically pays lower interest rates. Conversely, when demand is low, the government's cost of borrowing increases. Sometimes, if there is insufficient appetite for treasury securities, the central bank intervenes, a practice known as "devolement." However, this often leads to inflationary pressure, as money is printed without corresponding productive output.

In contrast, financing through non-marketable securities like NSCs presents a different set of challenges. NSCs are sold to individuals at fixed, government administered interest rates, which are typically higher than market rates and add significant costs. For example, the government had to allocate Tk 11,217 crore for savings certificate interest assistance in FY24. Although NSCs provide individuals, irrespective of income status, with a stable savings instrument, it creates uncertainty for the government, which cannot accurately predict how much will be raised from these instruments in any given fiscal year, making fiscal borrowing uncertain.

The current governance and profit structure of NSCs also hinder efforts to achieve both macroeconomic stability and social equity. The amalgamation of NSC deposits, pure savings by individual citizens, within the Treasury Single Account (TSA)—a unified structure of government bank accounts maintained by Bangladesh

Bank—diverges from TSA's function of consolidating government revenue streams and payments. Additionally, conflating interest payments on NSCs with social safety net expenditures complicates public financial management and obscures the true cost of delivering social protection. Moreover, the relatively high interest rates offered by NSCs disproportionately benefit middle- and upper-income individuals.

Volatility in NSC uptake directly impacts government expenditure, whether deposits exceed or fall short of demand. Higher deposits from NSCs result in excess liquidity and increased interest payments, while lower-than-expected deposits hinder budget implementation.

**A key objective of NSCs is to promote savings. For many, NSCs offer essential social protection, providing a safe place to invest hard-earned savings and receive a predictable return. Thus, the government cannot simply eliminate them without risking significant harm to those who rely on this support.**

Additionally, NSCs offer interest rates typically higher than those for government bonds and treasury bills, distorting the financial market and obstructing the development of a vibrant secondary market for treasury securities. These higher interest rates place a growing burden on public finances through rising interest payments. Most importantly, interest payments are made with little regard to the depositor's income level, leading to an uneven distribution of this facility across society.

Given these challenges, should Bangladesh consider abolishing NSCs to simplify its deficit financing strategy? The answer is far from straightforward. A key objective of NSCs is to promote savings. For many, NSCs offer essential social protection, providing a safe place to invest hard-earned savings and receive a predictable return. Thus, the government cannot simply eliminate them without risking significant harm to those who rely on this support.

According to the Bangladesh Bureau of Statistics (BBS), the per capita Gross National Income (GNI) in FY24 was Tk 306,144 in nominal terms. The Household Income and Expenditure Survey (HIES) 2022 reported that the average household income and expenditure were Tk 32,422 and Tk 31,500, respectively, indicating that the households save only Tk 922 per month, or around

Tk 11,000 per year, on average. Under the current NSC rules, individuals can invest up to Tk 15 lakhs and enjoy the highest interest rates. For investments exceeding Tk 15 lakhs, individuals receive slightly less interest than the previous ceiling, although it often remains higher than the market rate. This existing ceiling disproportionately benefits those who can afford to save more, while lower-income households—who can save much less—are left behind.

To address this issue, the NSC schemes can be redesigned. One proposed solution is to create a small savings fund with a separate account outside of TSA to avoid the amalgamation of government receipts and payments with individuals' savings. Also, a separate authority to manage NSCs can mobilise savings from low-income individuals by issuing small-denominated savings instruments considering low-income people's affordability. This authority will also act as a primary dealer and invest in treasury auctions like other primary dealers. This way the government can more accurately predict its borrowing needs for meeting fiscal deficit while

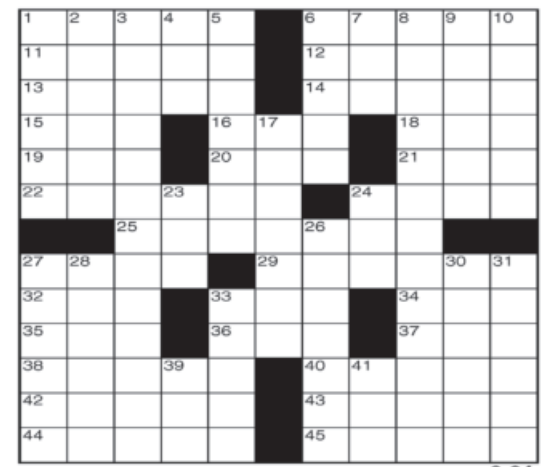
maintaining a reliable savings tool for the low-income group, and it can reduce the distortion in the financial market.

One concern with the proposed model is that interest rates on NSCs could become market-based, potentially disadvantaging low-income savers. To mitigate this, the government could introduce targeted subsidies for small savers. Investors up to a certain limit, based on the country's median income, should receive the highest interest rate, supported by a government subsidy. This subsidy would be classified as a transfer in the government's budget, preserving the social safety net without distorting interest expenditure. This targeted approach would ensure that the savings scheme truly benefits low-income individuals.

Bangladesh's current approach to deficit financing, particularly through NSCs poses risks to macroeconomic stability and social equity. Restructuring NSCs by establishing a separate account outside of TSA and creating a dedicated authority with targeted subsidies would enable the government to continue encouraging savings and providing social protection. This would help reduce fiscal uncertainty and maintain proper public financial management. On top of this, the proposed reform will also address the inequality that the current system exacerbates.

## CROSSWORD BY THOMAS JOSEPH


- ACROSS**
- 1 Kitchen gadget
  - 6 Harold of "Ghostbusters"
  - 11 Be penitent
  - 12 Before, in Brest
  - 13 Crucifixes
  - 14 Best Picture of 1955
  - 15 Squid's squirt
  - 16 Truck part
  - 18 Gadot of "Wonder Woman"
  - 19 Biol. or geol.
  - 20 First número
  - 21 Tea cooler
  - 22 Didn't ignore
  - 24 Crumb carriers
  - 25 Casablanca setting
  - 27 Domingo song
  - 29 Short jacket
  - 32 Second número
  - 33 Ornate vase
  - 34 Yale student
  - 35 Place to park
  - 36 Plunked down
  - 37 Guitarist Wood
  - 38 Pol's concern
  - 40 "Luther" star Elba
  - 42 Hog rider
  - 43 Caribou's cousin
  - 44 Appears
  - 45 Fairy tale monsters
- DOWN**
- 1 Parson's domain
  - 2 Right away
  - 3 Beginner's blunder
  - 4 Purpose
  - 5 Firefighter, at times
  - 6 Stallone role
  - 7 Director DuVernay
  - 8 Poll calculation
  - 9 Unbroken
  - 10 Fashions of Spain
  - 17 Neighbor of Spain
  - 23 Film noir classic
  - 24 Trick taker, often
  - 26 Peseta division
  - 27 Ignores the script
  - 28 Dorm sharer
  - 30 Precocious Plaza resident
  - 31 Fries of suds
  - 33 Manual readers
  - 39 Opal or onyx
  - 41 Pound occupant



**SATURDAY'S ANSWERS**

C	O	S	T	S	G	E	N	E	S
S	U	M	A	C	E	X	A	L	T
A	R	O	M	A	T	I	M	M	Y
K	E	R	M	I	T				
A	G	E	L	I	T	S	A	P	
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S	E	T	J	A	B	E	E	R	
			H	A	R	O	L	D	
P	A	G	A	N	W	O	O	E	R
A	M	A	Z	E	E	L	U	D	E
T	I	B	E	T	D	A	T	U	M

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