Economic Liberalisation and the Political Economy of Sustainable Terrorism in Bangladesh

Md. Aminur Rahman

In 1928, George Bernard Shaw's ardent plea for socialism was expressed through his remarkable book, *The Intelligent Woman's Guide to Socialism, Capitalism, Sovietism and Fascism*. Seventy years have passed and now in 1998, this is the high time for capitalism. The fashion of current world economic order is characterised by Globalisation, Integration and Liberalisation. As the political leaders, planners and policy makers have realised that Bangladesh is not an isolated island, they have become very much busy to shaping the country in line with the current economic fashion. Thus, economic liberalisation is very much in the heart of the development strategy of Bangladesh. This paper is a layman's attempt to investigate in a non-technical way of what the term economic liberalisation really mean for development. Can a poor country like Bangladesh really be benefited by joining into the free market bandwagon? Is liberalisation a real panacea to the crisis of existence? Millions of people have been deprived for so long from the fruits of development which often raises the question *To Whom the Development Concern*. In the process of analysing not the financial accounting of the government but the human consequences of day to day life that have been achieved through the tireless efforts of economic reforms towards liberalisation, attempts are also made to identify the socio-politico-economic reasons of sustainable terrorism by which the vigour of the youth has been decayed.

Why Economic Liberalisation?

Economic liberalisation is a component of the comprehensive two-phase economic reform programme which is the agenda of action of the so-called *Washington Consensus* that has been implemented in more than 100 countries in the world since 1980 following their external debt burden. The phase-one of the programme mainly under
the stewardship of the International Monetary Fund (IMF) known as short-term macro-economics stabilisation deals with devaluation, price liberalisation and budgetary austerity in order to getting macro-economic policy right, keeping budget deficits small and resolving balance of payments problems. According to the development paradigm of Bretton Woods Institutions (BWIs), the realistic exchange rate (achieved through devaluation in these countries) would lead to international competitiveness and would support convertible currencies whilst budgetary austerity would help in controlling inflation.

The phase-one of economic reform programme has to be followed by the phase-two of the medium term structural reform programme under the guidance of the World Bank. The fundamental and so-called necessary structural reform package consists of measures pertaining to trade liberalisation, deregulation of the banking sector, privatisation of the state owned enterprises, tax-reform, withdrawal of subsidies, privatisation of irrigation equipments and agricultural land, poverty alleviation and good governance (the latter two, however, have been brought into the agenda very recently in response to the worldwide crisis of adjustment without human face). As per the development paradigm of the BWIs, these measures would remove the more fundamental structural bottlenecks of the economy which have made the country in question vulnerable to external shocks.

The measures of economic liberalisation are thus found in both the phases of the reform programme in terms of devaluation, price liberalisation, trade liberalisation, deregulation and privatisation. They have been designed, on the one hand, to shift a country's productive resources more towards the production of exportables and thus to reduce its balance of payment problem and on the other hand, to increase the productive capacity of the economy under the stewardship of efficient private sector (as inefficiency and corruption are believed to be in-built in the state mechanism).

Globalisation: The Highway to Global Village

From the perspective of economics, the Bank-Fund structural adjustment programme may be viewed as a process of globalisation and integration of developing economies with their developed counterparts through internationalisation and unification of macro-economics policies, trade liberalisation and openness, inter-industry trade and vertical integration of production processes through increasing multinational operations and integration of financial markets
and commercial banking through comprehensive computer network. The ultimate end of the process would be reaching to a unique global village.

The Scenario of the Global Village

Nowadays, we often hear that we are no more only the mere citizens of a poverty stricken country like Bangladesh but also residents of a global village. Traditionally, in terms of friendship, fraternity, mutual cooperation and overall communitarianism (rather than individualism), village people seem to be more caring than town people. The latter, by virtue of practicing more rigorous capitalism-rationality, often are accused of being more mechanical and selfish. Thus the word *global village*, instead of *global town*, may engender a romantic feeling of international peace, progress and prosperity through amity, equality and brotherhood. However, instead of bemused by the wonderful slogan of the global village, it is essential for every common resident of the global village to have a practical look of his or her dream-land.

At the heart of the global village lies the global economic system which is characterised by unequal structure of trade, production and standard of living. The incidence of global poverty and income inequality is highly alarming (Table-1). The rich countries with only 15 percent of the total world population control 80 percent of the total world income whilst the low-income countries with 56 percent of the total world population have only 5 percent of the total world income which is even less than the GDP of France and its overseas territories. South Asia, the poorest region in the world has the share of only 1.5 percent of world income to be distributed between her 2 billion people (22 percent of the world population). As a whole, the lower and middle income countries representing 85 percent of the world population receive only 20 percent of the total world income. By the end of this century, the world population will be over six billion of which five billion will be living in poor countries.

The elements of welfare economics, it can be easily argued that given this high unequal distribution of world income, measures of liberalisation and openness may enhance *Pareto efficient* allocation through international trade but the distribution scenario will be worsen further and there will be further concentration and unequal distribution of world income.
Table-1: The Incidence of Global Inequality

<table>
<thead>
<tr>
<th></th>
<th>Population (millions) Mid-1993</th>
<th>Share of World Population</th>
<th>Per Capita Income (in US$)</th>
<th>Total Income (billion dollars)</th>
<th>Share of World Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Income Third World</td>
<td>3.0778</td>
<td>56.0</td>
<td>379</td>
<td>1,166.5</td>
<td>4.9</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>5990</td>
<td>10.9</td>
<td>520</td>
<td>311.5</td>
<td>1.3</td>
</tr>
<tr>
<td>South Asia</td>
<td>1.1044</td>
<td>21.7</td>
<td>310</td>
<td>370.3</td>
<td>1.5</td>
</tr>
<tr>
<td>China</td>
<td>1.1784</td>
<td>21.4</td>
<td>490</td>
<td>577.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Middle-Income Third World</td>
<td>1.2189</td>
<td>22.2</td>
<td>2,397</td>
<td>2,921.7</td>
<td>12.2</td>
</tr>
<tr>
<td>Total Third World</td>
<td>4.2967</td>
<td>78.1</td>
<td>851</td>
<td>4,088.6</td>
<td>17.1</td>
</tr>
<tr>
<td>Eastern Europe and Ex-USSR</td>
<td>3923</td>
<td>7.1</td>
<td>2,665</td>
<td>1,045.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Total Poor Countries</td>
<td>4,6890</td>
<td>85.2</td>
<td>1,095</td>
<td>5,133.7</td>
<td>21.5</td>
</tr>
<tr>
<td>OECDDD</td>
<td>8122</td>
<td>14.7</td>
<td>22,924</td>
<td>18,618.9</td>
<td>77.9</td>
</tr>
<tr>
<td>Total Rich Countries</td>
<td>812.4</td>
<td>14.8</td>
<td>23,090</td>
<td>18,758.3</td>
<td>78.5</td>
</tr>
<tr>
<td>World Total</td>
<td>5,501.5</td>
<td>100.0</td>
<td>4,343.0</td>
<td>23,892.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Behind the Scene Saga of Economic Liberalisation

In order to have a better understanding of the dynamics of liberalisation and its relation with sustainable terrorism in Bangladesh, one should have a look at behind the scene saga of liberalisation and reform in the developing parts of the global village as everybody tend to be the resident of the same global village.

As already mentioned, in response to the debt burden of the developing countries the structural adjustment programme has been introduced with the aim of reducing this burden by removing the structural and institutional bottlenecks. Contrary to the expectation, empirical evidences show the increase in the debt-burden, destruction of employment and economic opportunities, degradation of living standards through the cut of social expenditure and the dynamics of dollarisation of prices and cheap-labour economy and aggravation of poverty, inequality and deprivation.

Despite various rescheduling, restructuring and debt-conversion schemes, the debt-burden of developing countries has increased steadily since the early 1980s. The total outstanding long-term debt of developing countries stood at approximately US$62 billion in 1970. It increased sevenfold in the course of the 1970s and reached US$481 billion in 1980. In 1996, through a 32-fold increase in relation to 1970, the total debt of developing countries stood at more than US$2 trillion.2

In the name of financial liberalisation and integration of global financial system, the peripheral stock markets have become a new means of extracting surplus from developing countries through sudden and free entry and exit of large investors. Consequently, following the Mexican crisis, we observe Bombay and Dhaka Stock Market Scam.

Removing from entrepreneurial functions in the real economy, due to absence of prudential state regulation, money-managers have become heavily involved in speculative transactions and manipulations of currency markets. The daily turnover of foreign exchange transactions is of the order of US$1 trillion a day of which only 15 percent corresponds to actual commodity trade and capital flows.3

Favoured by liberalisation and deregulation of financial system, the money laundering and the activities of criminal mafias have been expanded in the sphere of international banking.4

On the other hand, in many indebted Third World countries, real salaried earnings in the modern sector have declined by more than 60 percent since the early 1980s. The compression of living standards
in the developing countries of the South and East since the early 1980s has been far greater in magnitude than what was experienced by the West in the Great Depression of 1930s. The situation of the informal sector and the unemployed is even more critical. In Nigeria, for instance, the minimum wage declined by 85 percent in the course of 1980. Wages in Vietnam were below US$10 a month while the domestic rice price had raised to the world level due to the IMF reform programme. In Peru, in the aftermath of the IMF-World Bank sponsored Fujishock implemented by President Alberto Fujimori in August 1990, fuel prices were increased overnight by 31 times and bread prices by 12 times, whereas the real minimum wage had declined by more than 90 percent compared to mid-1970s.

The current crisis of degeneration of living standard and aggravation of poverty and deprivation is unique and paradoxical as these result not from scarcity but from affluence in terms of over supply of commodities on the one, but lack of commanding power in the market on the other hand. Such a phenomenon is almost a synonym of Sen's entitlement thesis of famine where famine occurs not due to scarcity of food but because of lack of purchasing power of the famine-vulnerable group.

Chossudovsky viewed the current deprivation amongst abundance of global economic order due to the cohesion of two contradictory phenomena: a) dollarisation of domestic prices and b) the in-between competition of developing countries to keep the labour cheap in order to remain internationally competitive. Amidst widespread discrepancy of cost of living between developing and developed countries, devaluation, trade liberalisation and deregulation of domestic commodity markets along with the vertical integration of production structure of the multinationals bring forth the dollarisation of domestic prices as commodities tend to be produced primarily for the world market with the aid of cheap labour surplus poor economies. Moreover, developing countries have also been involved into the competition between them to minimise labour cost given the mobility of international capital and with the fear of delocation and de-industrialisation. As a consequence, prices are unified and brought up to the world level but wages are not. Wages in the Third World and Eastern Europe are as much as 70 times lower in the OECD countries. Thus, there is overproduction but lack of purchasing power to consume.

Such phenomena has also led to widespread income disparities between nations as well as between social-income group within
nations. In many Third World countries, at least 60 percent of national income is concentrated in the upper 20 percent of the population. In many low and middle income developing countries, 70 percent of rural households have a per capita income which is between 10 and 20 percent of the national average.

Following such an intense deprivation throughout the Third World, the situation of social desperation and hopelessness of impoverished population often turns into Anti-Structural Adjustment Programme riots and popular uprisings which are indeed brutally suppressed by the governments accountable to the BWIs. For instance, as a result of a 200 percent increase in the price of bread, the Caracas anti-IMF riots had been sparked off in 1989. The Caracas morgue had reported to have up to 200 bodies of people killed in the first three days and warned that it was running out of coffins. Unofficially, more than thousand people were killed. In Tunis, the bread riots were instigated largely by the unemployed youth protesting the rise of food prices. In Nigeria in 1989, the anti-SAP student riots led to the closing of six of the country's universities and in Morocco, there was a general strike and a popular uprising against the government's IMF sponsored reforms. The list could go on and on.

**Bangladesh and Economic Liberalisation**

Having a global scenario of economic reform time is ripe for analysing the Bangladesh scenario of economic reform. Bangladesh had to join into the structural adjustment programme from the mid-1980s due to its slow economic growth, high and variable inflation rate, excessive fiscal deficit, unsustainable balance of payments and other structural weaknesses. Though the reform package was formally implemented in 1987, the economic package of the mid-1970s contained most of its essential ingredients. The implementation of reform programme have resulted policy changes in every major sphere of the economy. The broad areas of reform include trade liberalisation, privatisation, withdrawal of subsidies on food grains and agricultural inputs, financial sector reforms and pro-private investment policy. Clearly, this is not a paper about analysing the success/failure of implementing structural adjustment programme. Rather it attempts to analyse whether economic liberalisation in Bangladesh take into account the economic priorities of common Bangladeshis; people's perception about liberalisation and if liberalisation has any link with the youth terrorism of Bangladesh.
The Dichotomy of Economic Perception

As already mentioned, the structural adjustment programme in general, and economic liberalisation in particular, have been implemented to resolve the fiscal and trade deficit of a country like Bangladesh. The ordinary people, however, really do not care about the financial difficulties of the government which are viewed as the most burning economic problems of a country by the BWIs. “The external debt of the country, the internal debt of the government, the size of the budget deficit, the balance of payment situation, the financial losses of public sector enterprises, or the expansion of money supply are some economic abstractions which are somewhat distant from the lives of the common people”.8 The common people rather care about whether they could earn enough for the food of their families, for the rent of their houses, for the bills of their utilities, for the education of their children, for the health care of their families and so on. Moreover, the ordinary people do not know the statistical details about poverty, malnutrition, illiteracy, unemployment or inflation. Nor they do need to know as they feel it in their bones every day. Official statistics of low inflation rate and the so-called success of the government’s prudential macro-economic management do not make much sense to a lower middle class person who has to pay higher and higher day by day for the daily necessities and subconsciously compares it with the Pakistani period. Similarly, the official rate of unemployment becomes a farce to them who have their adult unemployed offspring roaming here and there with university or other higher degree certificates. Their mothers could at best shed tears and the fathers silent sighs when some of these roaming adults are engaged in drug addiction, hijacking, chandabaji and terrorism. On the other hand, to these roaming adults, these activities seem to carry the real meaning of life-power money, everything specially when they find that their god-fathers (who could be even their next door neighbour) become rich and powerful through this short-cut way of terrorism.

Accountability of Democratic Government

The dichotomy of economic perception of the government and the common people tends to generate a difference in economic priorities which in turn imply that the government and the people live in different worlds. The priority of the government becomes tackling fiscal and trade deficit while the ordinary people are more worried about poverty, inflation, unemployment, law and order, corruption and terrorism. Moreover, in terms of economic priorities, democratic
government who is supposed to be by the people, for the people and for the people becomes more accountable to the BWIs and tends to implement economic reform with its utmost sincerity giving a damn to the common people’s opinion, perception, concern and the implication of these reforms on the welfare of the people. The daily life of the citizens, on the other hand, is affected by the economic policies based on the economic priorities of the government which they do not properly understand. Nor do they have enough political power or influence compared to the BWIs to manipulate such priorities in favour of them. More alarmingly, we do not even observe that much of public discussion and parliamentary sessions with regards to implementing such policies and their socio-politico-economic consequences.

People's Perception about the State of the Economy

Following such a tendency of two worlds where the upper world of the government gets priority and international focus and the underworld of the people remain behind the scene, the Centre for Policy Dialogue (CPD) has commissioned a series of perception surveys with the objective of understanding a). the level of public awareness about the key policy issues under implementation by the government, b). public opinion about how these policies impact on the socio-economic life of our citizens and c). public opinion about the state of the economy and governance of the country. The important findings, as regards the reforms, liberalisation, corruption and terrorism are as follows:

The Debt Default

Privatisation of the state-owned enterprises, financial deregulation and the private sector banking are some of the components of the reform agenda. However, such policies instead of flourishing industrialisation have caused stagnation in the financial sector through debt default. On the other hand, defaulters in order to protect themselves have aggravated the situation of bribe, corruption and terrorism (with their own mastan bahini) often with police and political patronage.

As per the CPD survey, three-fourth of the respondents are aware of debt default and these associated problems. They (92%, 24% and 20% respectively) accused the defaulters, banks and the government for debt default.
Privatisation

Notwithstanding the vigorous official commitment to privatisation, only 34% and 33.5% respondents expressed their support for disinvestment of public services and of the SOEs. The majority of respondents, (56% in case of public service and 46% in case of state run industries/factories) believed that those unprofitable industries and organisations could just as well be made profitable under public ownership through investing more autonomy and providing other appropriate incentives to SOE managers. Moreover, the majority of the respondents (49%) opposed the strategy of a rapid and indiscriminate privatisation process as prescribed by the BWIs. Majority (24%) of the respondent who are aware of the outcome of the privatisation process, claimed that the poor performance of privatised enterprises are because of the fact that SOEs were sold off to non-entrepreneurs who were interested in rent-seeking rather than operating an efficient manufacturing enterprise.

As mentioned, economic priorities of the government are often not understood by people. As regards privatisation, 40.5% of the respondents were completely unaware about the potential benefits of privatisation.

Import liberalisation

As regards the vigorously pursued import liberalisation policy by the successive governments since the mid-1980s and accelerated in the 1990s, the majority (56%) of the respondent did not think that this policy would be beneficial for the country. 61% of the respondents did not support this liberalisation policy, as indigenous agricultural and industrial products had to face competition from imported goods. 48% of the respondents thought that if local products were unable to compete, or if because of competition, industries were to close down, then it made sense to impose controls on such products. More interestingly, as regards certain commodities which are produced locally, majority of the respondents supported banning of imports of such goods irrespective of the quality of local substitutes. 70% thought that imports of clothing should be banned; the matched figures for bidi cigarettes was 81%, for electric fans 65%, for ball pens 73%, for blades 69%, for soap 75% and for tooth paste 75%. 68% respondents also thought that local producers should be given production incentives by raising import taxes even if it could potentially lead to a deterioration in
the quality of local products and the consumers might have to pay higher prices.

**Fertiliser Subsidies**

Two-thirds of the respondents favoured the fertiliser subsidy.

**Prices of Commodities**

The respondents perceive that the prices of necessities have been increased. In case of basic food, other food items, clothing and household wares, 48%, 74% and 66% respondents, respectively claimed that they faced an increase in prices. Rising prices are also observed for other necessities, such as, transport, medicines, health care, education etc. according to the perception of 64% of the respondents. Given people’s perception of the price hike of daily necessities, the government’s claim that it has been successful in controlling inflation could be put into some doubt. Obviously, popular perception based on their daily experiences does not tally with the inflation indices prepared by the BBS.

**Changes in Socio-Economic Conditions**

Majority of the respondents from the poor category (55% and 57% respectively) perceived that the macro and the micro situations have either remain unchanged or have deteriorated but not certainly improved.

With regard to the business and economic environment of the country, another survey was carried out amongst the business community of Dhaka and Bogra by the CPD. Their important perceptions are as follows:

**Leadership of Development**

Given the very much involvement of the BWIs in the economic reform process, it seems that they are the real guide of development not only in Bangladesh but also around the developing world. However, the majority of the business community in Bangladesh (45%) ranked the political leadership and business community as the first for providing the leadership for development.
Patron-Client relationship in Business
In response to the question whether the success in business largely depends on the right political connection, majority of the respondents (47%) viewed in the affirmative.

The Incidence of Bribe
Majority of the respondents (45%) claimed that they have to pay bribe to various agencies to get their jobs done. 67% of the respondents asserted that in order to get things done, business people have to pay bribes to government officials. The key to escape from paying bribe, however, is high level political connection as viewed by most of the respondents (46%).

The Law and Order Situation and Terrorism
Majority of the respondents (56%) perceived that the law and order situation in the country is not satisfactory. The mastan culture seems to be a serious bottleneck to economic activities in Bangladesh as viewed by 80% of the respondents. Mastans, as they viewed, are the product of politics in Bangladesh. Two-thirds of the respondents, thus, accused political parties for rearing mastans and promoting mastan culture.

Chandabaji
The ascendancy of mastans and the insincerity of corrupt police administration have compelled the business people to move to a in-between third way of financial settlement with mastans. 50% of the respondents admitted that they prefer to satisfy Mastans through financial settlements whilst avoiding police as they have no confidence on the latter. Moreover, in Bangladesh, only informing police about mastans is not sufficient. Community in paying bribe (of substantial amount) is necessary for keeping police operative. Thus, contacting police to control mastans seems to be a two-tier process of financial settlements where at the first step one has to make financial settlement with the police and upon its failure, the person has to make financial settlements with the mastans. Hence, it is better to get into financial settlements with the mastans at the first step. Majority of the respondents (53%) who have become the victim of chandabaji over the last one year, did not report to the police. 83% of the respondents who reported to the police did not get any resolution of their cases and 17% although received a resolution had to face threats/problems from the
89% of the respondents firmly believe that the mastans are in league with the law enforcement agencies.

**Perception of Students, Student cum Political Workers and Arms Cadres about the Root Causes of Terrorism**

People from different walks of life who have been affected by terrorism have their opinions about this social disease. So have the constituencies who are more closely and even directly involved with campus violence, terrorism and chandabaji. Given this backdrop, I have carried out an opinion poll about the root causes of sustainable terrorism in Bangladesh. The sample includes 20 students from Departments of Economics, Sociology, Political Science, Psychology, International Relations and Mass Communication and Journalism of Dhaka and Jahangirnagar University. Nine students of these departments who are political activists and eight terrorists who are the so-called arms-cadre of major political parties are directly involved with campus violence and chandabaji. Although the sample has three sub-categories, the response patterns are almost uniform across all the categories as regards the root causes of sustainable terrorism in Bangladesh. The main root causes as they identified are as follows:

1. Wide-spread acute and chronic poverty
2. Unemployment and lack of economic opportunities
3. Administrative weaknesses and poor law and order situation
4. Wide-spread corruption
5. Sense of deprivation and frustration
6. Dirty politics and availability of illegal arms through political patronage
7. Influence of God Fathers
8. Moral degradation of youth
9. Social inequality
10. Rising unrealised expectations

**Economic Liberalisation vis-a-vis Poverty, Inequality and Unemployment**

Economic liberalisation tends to promote terrorism specially in weak states through poverty, inequality, deprivation and lack of economic opportunities leading to frustration which are identified as the root causes of terrorism. The theoretical argument of promoting poverty through liberalisation lies in the core of first and second
welfare theorems. Market mechanism promotes allocative efficiency. To ensure the distributive judgment is beyond its capacity as it has no brain. The distributive judgment is the business of a prudential, developmental and benevolent government and hence, agenda of good governance and indeed of strong governance. The government who instead of being accountable to its people tends to be obedient to the multilateral agencies cannot ensure an egalitarian society. On the other hand, whatever may be the distribution pattern of an economy, the market mechanism takes it as exogenous. And through exchange mechanism from the initial endowment it leads to an allocation which will be Pareto Efficient but may not be socially justifiable if the initial endowment is non-egalitarian. Through the process of exchange of unequal purchasing powers, the rich will be richer and the poor poorer. That is why with the worldwide implementation of free market economy, the international and internal discrepancy in living standards are increasing.

On the other hand, by the virtue of getting integrated into the global village, the expectations are rising due to international and internal demonstration effects. The international demonstration effects encourage the huge imports of luxuries in poor countries like Bangladesh as the real purchasing power lies with the rich, causes the de-industrialisation of necessities as there is little demand for these goods in the domestic market. Domestic de-industrialisation causes further unemployment. Thus, lack of purchasing power of the common people and the supply side inflation increases social inequality.

The internal demonstration effect in turn makes common people aware of the conspicuous consumption of the rich. Thus, he/she wants a television, a refrigerator, a two-wheeler, a car, an airconditioner, and so on. But lack of purchasing power intensifies his/her sense of deprivation and frustration. Needless to mention, the sense of deprivation is most acute for the youth who by virtue of nature tends to be more ambitious and aspirant. Lack of economic opportunities thus divert his vigour to terrorism which is viewed as a short cut way of realising expectations.

**The Fallacy of Adjustment**

The problem of unemployment, poverty, inflation and deprivation further increase because of the wrong medicine of the disease. The BWIs’ programme for stabilisation has two fundamental objectives to restore the collapse of balance of payments situation and
to curb inflation through the austerity programme of so-called demand management. It assumes that reduction in demand will lead to a fall in price. But it could not take into account that the reduced demand may simply lead to lower production as the size of market shrinks and thus the result would be lower output and lower employment without any sustainable improvement in the balance of payment or on price. In an economy where wages and prices are rigid, the impact of stabilisation through compressing demand falls mostly on output and employment rather than on price levels. What is more, a devaluation may escalate inflation directly by raising the cost of imports. If money wages do not keep pace with inflation so caused, the consequent cut in real wages may reduce real income leading to a fall in demand and a contraction in output followed by cut in employment. Thus, the situation of stagflation emerges. It is also important to mention that reducing the size of government deficits alone can not sustain in the long run because what matters is not the money value rather the productivity of government investment. Contrary, a tight monetary policy which combines a credit squeeze with high interest rates may exacerbate the problem both by dampening investment (hence the rate of growth) and by raising the rate of interest.

The Political Basis of Terrorism: Economic Democracy vis-a-vis Political Democracy

The essence of the social tension of economic reforms lies due to the mismatch between economic and political democracy. A move towards a freer market mechanism will give the rich people more power to vote with their money. Thus in the market, a rich person has more votes compared to a poor person in terms of purchasing power. But our political democracy works on the basis of one person-one vote. Thus, resulting lack of ‘economic democracy’ in the market place contradicts the basic foundation of political democracy. In this backdrop implementing market oriented reforms bypass the economic priorities of people as markets produce goods for which there is enough purchasing power. Since, the rich have more purchasing power than the poor, we are likely to produce or import better cars not better buses at cheaper fares, cellular phones and not improved ploughs, more soft drinks but not safer drinking water.

The government in case of managing the economy is accountable to BWIs but in case of obtaining the political power to control the economic management has to rely on political democracy.
And the crisis of mismatch between economic democracy and the political one, is resolved through the short cut way of terrorism for manipulating votes and election results. It is a common sense if one political party tries to win election through *mastani*, the other parties will try to prevent it through *mastani*. Thus, a brittle equilibrium to terrorism is reached in the political sphere in order to culture the political democracy. And this is why the political patronage and dirty politics are used to be some of the root causes of sustainable terrorism in Bangladesh.
End Notes