



**M. Phil. Thesis**  
**on**  
**Democracy and Economic Growth: An Empirical Study in**  
**Bangladesh Perspective**

**(The study has been conducted under the fellowship programme**  
**of University Grants Commission of Bangladesh)**

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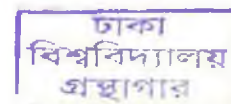
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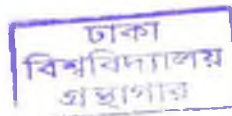


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## Declaration

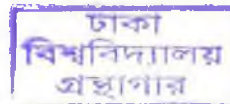
This thesis entitled “Democracy and Economic Growth: An Empirical Study in Bangladesh Perspective” submitted by me for the award of the Degree of Master of Philosophy at the University of Dhaka is based upon my own work carried out under the supervision of Professor Md. Ferdous Hossain, Department of Political Science, University of Dhaka.

I would like to declare that neither of this thesis nor any part of it has been submitted earlier to any university or institution for the award of degree or Publication.

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## Abstract

### **Democracy and Economic Growth: An Empirical Study in Bangladesh Perspective**

This study, where data statistics used evolving from a single country such as Bangladesh *instead of* many countries, revisits the debate over whether political institutions cause economic growth. The study-findings suggest that most indicators of institutional quality used to establish the proposition that institutions cause economic growth are constructed to be conceptually more or less suitable for that purpose *at least* in Bangladesh perspective. The findings also suggest that the human capital in Bangladesh can be improved further in the line of economic growth through democratic institution where its economics heavily relies on foreign aids & investments in many sectors and on the magnitudes of access of its labor-power to foreign labor-market. In this perspective, it is palatable to assume that the magnitude of the access to foreign labor-market is a *function* of nation's human capital and the stability of its political institution in a world of favor seeking politics. The findings from this single unique country where the nation has witnessed war wreckage economy, early stage of democracy, socialism move, army dictatorships and then efforts on re-establishment of democracy also suggest that Bangladesh can get out of poverty through policies even it is pursued by a dictator as long as these policies are consistent with foreign-aid-missions. Finally, in policy recommendations, it would not be overstated to say that the ongoing efforts & the nation's willingness as a whole in establishing a full-swing democracy can curtail the magnitudes of today's various growing national problems such as climate induced health threats. Furthermore, a united voices of politico, *a gesture of democratic institution*, in curving such national problems can be appealing to donor-nations including Western, European and Middle East blocks for humanity grounds. However, our findings and the policy recommendations can be sensitive to data statistics collected from a single country that is not a unique in essence to its various phases of political history in a very short period of time.



## Certificate of the Supervisor

I am pleased to certify that **Mrs. Sabera Yasmin**, bearing the Registration No.186 for the session 2004-205 in the Department of Political Science, University of Dhaka has prepared her M. Phil. thesis entitled "Democracy and Economic Growth: An Empirical Study in Bangladesh Perspective" under my supervision.

The thesis is Mrs. sabara's original work. This thesis or any of its part was not submitted earlier for any degree or publication.

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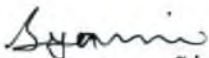
This is my pleasure to acknowledge the contributions and supports provided by all concerned in conducting this academic research "Democracy and Economic Growth: An Empirical Study in Bangladesh Perspective

I am grateful to my supervision Professor Md. Ferdous Hossain for his kind supervision, guidance and cordial support to me. This thesis bears the testimony of his kind touch in many parts. I am really indebted to him for his cordial support, guidance, supervision and kindness to me.

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## **Chapter - 1**

### **Introduction**

Does democracy or democratic regime type in the political realm foster or hinder economic growth? Do increased political and civil rights lead to: i) higher education level of a nation, ii) improved standards of living, iii) secured property rights to support investment in physical capital compared to more authoritarian regimes, iv) lower or eliminate the level of corruptions, v) check & balance of executive powers, vi) elevated the trends of economic inequality? The debate on these issues has ranged for centuries and it is often linked to the legitimacy of democracy as a political regime.

Addressing the questions posed above, the existing political - economic research can be broken down into two segments. The first segment emphasizes the need for human and physical capital accumulation to start the process of democracy. The contributors in this block believe that growth in income and in human capital causes institutional improvement (Barro: 1999, Alvarez et al.:2000) such as democratic institution. This idea is associated with the work of Seymour Martin Lipset who, however, gave credit to Aristotle. Lipset believed that democracy takes root and survives where levels of economic development and education are high. In this block, the commentators have argued that educated people are more likely to resolve their differences through negotiation and voting than through violent disputes. Education is needed for courts to operate and to empower citizens to engage with government institutions. It further sees that literacy encourages the spread of knowledge about the government's malfeasance. In this viewpoint, the commentators have agreed that countries may differ in its stocks of

human and social capital, which can be acquired through policies pursued even by dictators and the institutional outcomes depend on a large extent on these endowments (Dajnkov *et. al.*: 2003). This line of work seems to accord well with the experiences of South Korea, Taiwan and China, which have grown rapidly under one-party dictatorships where the first two nations have eventually been turned to democracy. Empirically, Lipset's hypothesis, *growth leads to better political institutions*, has received considerable supports in modern political-economic literature (Przeworski: 2004a, 2004b; Alvarez *et al.*: 2000) where these authors have used data statistics evolved from different countries. However, our observations suggest that the rich nations still reluctant to help and make donations or investment to poor or developing countries for development unless political regime begins with democracy.

The second segment emphasizes the need to start with democracy and other checks on government as the mechanisms for securing property rights. With such political institutions in place, investment in human and physical capital and therefore, economic growth expected to follow. The commentators in this block see that starting with democracy facilitates the counties to attract both domestic & foreign investors for investment. This line of work seems to accord well with the experiences of India, Malaysia and Indonesia, which have grown rapidly based on its initial political set up. The importance of constraining government was stressed by Adam Smith (Smith, 1776) as well as by the new institutional economics literature (Gwartney, J., *et al*: 1996). Delong and Shleifer supplied early empirical support for this view using data on urbanization of European regions during the last decades, which has showed faster city growth under limited governments. It is fair to say that our observations suggest that the



rich nations are agreeable to help the poor or developing countries in various ways if it had begun its political regime in a fashion of democratic government (Easterly: 2003).

The above two views of economic and political development shares some important similarities. They both emphasize the need for secure property rights to support investment in human and physical capital and they both see such security as a public policy choice. However, the institutional view sees pro-investment policies as a consequence of political institutions on the government. On the other hand, the development view sees these policies in poor or developing countries largely as choices of their leaders, who are typically unconstrained in their executive powers.

Nowadays, most of the developed countries are democratic; however, the political history suggests that they became rich under authoritarian auspices. The Great Britain, Japan, USA etc are bright examples in this category. On the other hand, countries who have initially started with institutional process, after strong commitment to the institution and its hard works have promoted them to be the most democratic and economic prosperous countries in the world, however, they may not be the richest nations in the world yet. India is one of brightest example in this category. Despite India as an example of *economic growth follows democracy*, some commentators have suggested that democratization in developing countries produces political instability, ethnic conflict, and poor economic outcomes (North: 1990). As an example, this group has cited that democracy has opened up African politics and brought people liberty. However, it has also produced a degree of chaos and instability that has actually made corruption and lawlessness worse in many African countries as well as in many South East Asian Countries. In this segment, we also find that democratic system is always friendly with

economic growth. But democracy is not the only political system for economic development. There are some countries like China, Vietnam, Singapore, South Korea have reached the highest level of development without practicing of western democracy (North: 1990).

With these examples and commentators' cross views in hand, we simply say that the causality direction is unclear, which has probably been elevated because most relevant studies were carried out using data statistics collected from many countries at once instead of from a single country. In other words, no study has addressed the issue based on the observation of the history of single a country over a time period. The probable reason of this shortcoming is that there are very few countries such as Bangladesh that has various stages of its history of movement for democracy. This shortcoming in political-economic literature deserves further study where empirical investigation should be based on data information evolved from a single country instead of from many countries. Furthermore, since economic growth or the strength of democracy cannot be seen to its fullest over a single year period, we conceptualize the issue as an effect of the regime type at multi year periods, instead of a single year period and therefore, we use time series data instead of cross sectional data.

In this study we revisit Bangladesh political history, political regimes and economic growth since after its birth (1971) and assess its empirical validity. In political history perspective, Bangladesh is a single unique country where the nation has witnessed war wreckage economy, early stage of democracy, socialism move, army dictatorships and then efforts on re-establishment of democracy over forty years period where it has caretaker government provision under the constitution.

*Prior* to year 1971, the area and people of Bangladesh has suffered from colonialism, provincial dictatorships, lengthy & bloody movement for democracy, which began with language movement (1952). After liberation, it has gone through various set backs such as socialism moves (1974), later army dictatorships, civil war against army dictatorship (1990), Constitutional Provision of Caretaker Government, conflicts of two major political parties, and recently one-eleven conspiracy and the army backed government. These phenomenons in a short ranged political history single out Bangladesh as a unique nation in the globe. Despite these struggles in establishing democratic political institution, the economic growth rate in Bangladesh is progressive and the level of democracy is growing by regime. Therefore, we choose the country, Bangladesh, for our study on examining the relationship between democracy and the economic growth where we first examine whether there exists any relationship, if so, then we single out the direction of the relationships, whether they are positives or negatives.

With this preface in hand on the issue of democracy vs. economic growth in Bangladesh, we begin this empirical study by laying out the objectives, hypothesis and then methodology of the study.

## Chapter - 2

### Objectives, Hypothesis and Methodology of the Study:

#### I. The objectives

The objectives of this study are to offer evidences concerning the direction of causation between measures of economic growth and the political freedom in Bangladesh perspective. As such, these empirical results may help us to identify relationships that may improve upon endogenous economic growth models, which are used in designing policies in any country such as Bangladesh where the political regime in office, in general, leads these efforts. Moreover, by showing that particular policy growth relationships apply in Bangladesh, our study should improve policy makers' actions in designing public policies for the sake of economic growth in Bangladesh. Since the political history of Bangladesh and the recent experience in adopting political and economic reforms are unique, Bangladesh is our focus as a case study of this investigation over the period of 1972 - 2009. In other words, this study will examine the extents to which progressive democratic reforms in Bangladesh are associated with economic growth or *vice versa*.

#### II. The hypothesis

Chapter 1 briefly portrays on the debate democratic regime type fosters or hinders economic growth that the public economic policy research has identified two broad approaches. They are a) start with democracy in place, then economic growth is expected to follow and b) need for human and physical capital accumulation first, then a democratic political institution is expected to follow.

Underpinning literature including various empirical studies in the subject area, we can summarize that the first group has come up with hypothesis – *beginning with democratic political institution can lead to a greater investment in human and physical capital, which can result a greater economic growth*. This slogan was initially begun by (Smith: 1776 ) and most recently by (Rodrik, Subramanian and Trebbi:2002). In contrast, the second group has come up with hypothesis – *beginning with economic growth such as investment in human and physical capital can lead to democratic political institutions*. This slogan was begun by (Barro: 1999), (Alvarez *et al* :2000) and (Przeworski:2004).

Both forementioned groups have collected data statistics from many countries instead of a single country over a time period and have used the relevant data statistics in their empirical studies to examine its hypotheses. This begs questions whether their hypotheses are applicable when it come a single country such as Bangladesh. Our study takes this challenge to answer to the question posed.

In Bangladesh, over 84 percent of the population lives in the rural area in which less than 1 percent people are familiar with governing system in Bangladesh (Rahman *et al.*: 2008). This less than 1 percent of the 84 percent population is comparatively higher educated than the rest of the 84 percent and therefore, they are either employed or are in job market who are required to train them for job seeking reason and therefore, they are concerned or familiar about the political framework. Furthermore, the economy of Bangladesh is primarily dependent on agriculture. These 84 percents of the total population are directly or indirectly engaged in a wide range of agricultural activities. The agriculture sector plays a very important role in the economy of the country accounting for 31.6 percent of total GDP in 1997-98 at constant (1984-85) prices (BBS:

1998). Moreover, 80 percent of the total population is small households and 2.5 percent are large households (BBS: 2006) where some of these large households hold good paying jobs and some are engaged in politics.

This socioeconomic statistics warrants an urgent need investing in human and physical capital if the government wanted to improve peoples' lives in a short period of time and this must begin in rural areas where 84 of the population live in. Furthermore, since Bangladesh is an agro based country, this socioeconomic statistics also suggests that the government must invest in both industrial and agriculture sectors for a rapid growth, which raises question where the capital *means money* or investment come from? One of the government's revenue sources is individual income taxes where less than 1 percent of the total population is required to pay individual income taxes under tax provision. With this limited revenue sources, any improvement of socioeconomic status must relies mostly on its access to foreign monetary aids where most of these aids come from western nations.

With these constraints, it would be a long shut to succeed for the whole nation if the policy designs in Bangladesh were based on the hypothesis led by the second group. Furthermore, since the nation still witnesses huge corruptions at all levels of the government and huge income equalities, the preferences of this hypothesis may lead to interrupt the economic growth in Bangladesh where it receives a significant amount of foreign aids and monetary donations from developed countries in contingent to a sustained vibrant democratic political institution in practice. Nonetheless, this approach might facilitate inflows of foreign aids from Middle East nations where Bangladesh might be forced to implement religious based investment in human and physical capital

for economic growth where the history suggests that it can facilitate breeding of extremism. Any study on the extremism progression from year 1972 to up to date will justify our claim. Furthermore, the Bangladesh political history suggests that Zia and Ershad regimes had followed the path of Lipset's hypothesis where they had limited access to foreign aids of developed nations and this was because the regimes had come in power through undemocratic fashion i.e. army coups. Also, since Bangladesh has very limited resources and it is an over populated nation (BBS: 2006), it may fail to continue investing in human and physical capital without receiving foreign aids and expatriate's foreign earnings. The history suggests that the Mujib regime had approached or unsuccessfully tried in this path too.

This leaves us choosing the hypothesis of the first group over the hypothesis of the second group in designing our economic policies in Bangladesh.

Therefore, our hypothesis of the study is that starting with democratic institution can open doors for Bangladesh in many folds accessing to monetary aids and helps globally in revitalizing its human and physical capital to meeting the 21<sup>st</sup> century demands in global markets where, in return, its economic growth can be expected to follow. Furthermore, we believe that Bangladesh economic growth should be comparative to the strength of its democratic political institution where higher strength of democracy in practice can lead to a greater economic growth where checks on government as the mechanisms for securing property rights must be in place. Our hypothesis deserves further empirical investigation.

### III. The methodology

To examine our hypothesis, the empirical analysis proceeds in six stages. For examining linkages between level of economic development and political regimes in Bangladesh, in Chapter 3, we incorporate into Bangladesh political history as a background in aim to answer to the questions posed: a) how we have reached to today's political environment where destructive street-movements (*hartal*) has played vital roles in politics b) whether the successor regime is better than the predecessor regime in establishing democracy c) whether our nation is becoming a democratic in politics or something else? In Chapter 4, as a background, we identify various indicators derived from the definitions of economic growth, democracy, political institution and political system in relevant literatures. We begin this investigation first by questioning what democracy is, what the pre-requisites of the democracy are, what economic growth is, what pre-requisites for the process of the growth and development are. Second, we discuss the definition and measurement of the key concepts of democracy, political regime; we then identify indicators in Bangladesh perspective and then we collect data statistics using survey questionnaire, which we have specifically designed for this study.

In Chapter 5, we examine economic growth in Bangladesh and then analyze the trends of GDP in line of regime type (s). We first layout the trends of economic growth in Bangladesh from year 1972 to year 2009 and then we detect the point (s) of inflection on the curve and examine whether regime type (s) in Bangladesh has any influences to these points of inflection.

In Chapter 6, we carryout a cross-examination of the regimes (1972 to 2009) based on its performances of economic policies. In the first segment of the examination,



we evaluate economic growth in different sectors of the economy. In the second segment, we evaluate regimes' various policy moves in the line of economic growth.

In Chapter 7, we first examine whether there is any relationships between democracy and economic growth in Bangladesh. If so, we then investigate the direction of the relationships. We begin the Chapter by discussing the research methodology that is employed to test our research hypothesis where we construct a *prima facie* for a historical understanding of movement for democracy in Bangladesh and its relationship to economic growth in Bangladesh. This translates into a straightforward empirical modeling strategy: regress country's growth rate on a democracy variable and a number of control variables and then see whether the partial correlation between democracy and economic growth is statistically significant. It is expected that this effort will explain the variation in per capita growth rates that exist during each political regime, which will be used judging the regime on its roles in establishing democracy. In the Chapter, we further discuss and analyze the results of these regression tests. Fifth, we discuss and analyze the democratic growth effect in Bangladesh, its magnitudes, its policy significance and the directions for future research. Finally, we conclude our analysis where we find our findings to be closer to the institutionalism ideas, which was initially led by Adam Smith (1776) over the idea that growth in income and human capital causes institutional improvement, which was initially led by Seymour Lipset (1960) who however himself gave credit to Aristotle. Furthermore, economic growth in Bangladesh may be feasible without immediate democratic institution in place, however, the economic growth will be slower than the growth resulted from the alternative and this political philosophy will not

last for a long in the face of people's demands for democracy, which initially started in the form of language movement in year 1952.

## Chapter 3

### Democracy in Bangladesh: Historical Background and Lessons Learned

1. A cross examination of the historical background in viewpoint of democracy

*Bengal - later East Pakistan – finally Bangladesh – The Government and Politics:*

Bangladesh (1971) is still young, compare to the United States independence (1776), a fully independent nation where a flourishing entry-port in trade and commerce between South Asia and the Far East was famed as a land of plenty resources in ancient times. In 1757, when the British conquest of India began in Bengal. Bengal was already known for the manufacturing of fine fabrics and other products, which was probably a vital cause of this barbarism by the British (Bandyopadhyay: 2006). People in this region have suffered time to time in various stages of politics for establishing democracy, which has caused a slow growth in economy. In this perspective, a comparison performance of regimes and the historical background of today's Bangladesh can be broken down into three segments. They are

#### **1) Pre-Liberation period**

##### **a) British period (1757 – 1947)**

The British governance of Indian-territory began with Robert Clive's victory over the Nawab of Bengal, *Siraj ud-Daulah*, at the Battle of Plassey in 1757 (Bandyopadhyay: 2006). This was the first conquest in a series of engagements that ultimately had led to the expulsion of other European competitors in the business market. The overall victory gave the British-East-Indian Company dominion over Bengal, which became the headquarters of British Administration in the sub-continent. Under the East-India

Company management in Bengal, the calcatta (now kolkata) on the Hooghly became a major trading port for bamboo, tea, sugar cane, spices, coton, muslin and jute produced in Dacca (now Dhaka), Rajshahi, Khulna, and Kushtia areas.

In year 1857, the scandals and the bloody rebellion also known as the Sepoy Mutiny prompted the British government to intervene in the affairs of the East India Company. It took direct control away from the East India Company and established its imperial capital in City of Calcutta. In 1858, the authority in India was transferred from the Company to the Crown, and the rebellion was brutally suppressed. By 1900, the British province of Bengal constituted a huge territory, stretching from the Burmese border to deep into the Ganges valley.

### **The beginning of the movements for freedom from the Colonial**

In response to these aggressive British-moves, the Indians had increasingly been demanding a greater role in the government of their country since the late nineteenth century (Bandyopadhyay: 2006). The Indians contributions to the British war effort during the First World War meant that even the more conservative elements in the British political establishment felt the necessity of constitutional changes, which has resulted the Government of India Act 1919 – a government system was known as Provincial "Dyarchy". Under the Provincial Dyarchy, certain areas of government such as education were placed in the hands of Ministers' responsibilities to the provincial legislature. Under this Dyarchy, others such as public order and finance were retained in the hands of Officials responsibility to the British-appointed provincial Governor. While the Act was a reflection of the demand for a greater role in government by Indians, it was also very much a reflection of British fears about what that role might mean in practice for India

and of course for British interests there. However, the “Dyarchy” proved to be unsatisfactory where the particular frustration was on issue of the control of “purse strings”, which had forced for an effort to review of India's constitutional arrangements. However, division between Congress and Muslim representatives proved to be a major factor in preventing an agreement on how federation would work in practice. Against this practice, the new Conservative-dominated National Government in London decided to go ahead with drafting its own proposals (the white paper). A joint parliamentary select committee, chaired by Lord Linlithgow, had reviewed the white paper proposals at great length. On the basis of this white paper, the Government of India Bill was framed. At the committee stage and later, to appease the diehards, the “safeguards” were strengthened, and indirect elections were reinstated for the Central Legislative Assembly - the central legislature’s lower house. The bill duly passed into law in August, 1935, which was a significant victory on the viewpoint of the movement for democracy .Under the Indian Act of 1935, the system of Diarchy was ended. It had established the provision of “Federation of India”, which to be made up of British, India and some or all of the princely states. For the first time, it had introduced a provision of direct elections by increasing the franchise from seven million to thirty-five million people and a partial reorganization of the provinces by separating some states from India. Most significantly, it had introduced provision of membership of the provincial assembly rules, which had allowed more elected Indian representatives, who were now able to form majorities and be appointed to form governments and an establishment of a Federal Court in India. However, the degree of autonomy introduced at the provincial level was subject to

important limitations such as the provincial Governors retained important reserve powers, and the British authorities also retained a right to suspend responsible government.

The rule of India was organized under a Viceroy and then it continued a pattern of economic exploitation where the executives were not fully free from constraints. However, famine racked the subcontinent many times, including at least two major famines in Bengal. The British Raj was politically organized into seventeen provinces of which Bengal was one of the most significant. For a brief period in the early twentieth century, an abortive attempt was made to divide Bengal into two zones, West Bengal and East Bengal & Assam, which was the beginning of peoples' movement for establishing its rights and for keeping the economic benefits in their own region.

#### **The beginning of significantly divided Muslim and Hindu groups**

With the outbreak of World War II in 1939, the viceroy declared war on India's behalf without consulting Indian leaders, leading the Congress provincial ministries to resign in protest. However, the Muslim League supported Britain in the war efforts with a belief that the Congress could have unfairly treated the Muslim in an Independent India. The distrusts among religious groups were not new. Matter of fact, in the earlier centuries India was ruled by the Muslim and latter on its influences had declined and became Hindu-dominated Congress. In the late 19th century an Indian nationalist movement was developed with the Indian National Congress being founded in 1885 as a forum that became a political party subsequently. The Congress made no conscious efforts to enlist the Muslim community in its struggle for Indian independence. Although some Muslims were active in the Congress, majority of Muslim leaders did not trust the

Hindu predominance and most of the Muslims remained reluctant to join the Congress Party. This mistrust was growing geometrically since the British administration acceded to popular demands and made Hindi, the official language, which was also a turning point. This had aggravated minority (Muslim) and they feared that the Hindu majority would seek to suppress their religion in an independent India.

Jinnah became disillusioned with politics after the failure of his attempt to form a Hindu-Muslim alliance. The leadership of the League was taken over by Sir Muhammad Iqbal, who in 1930 first put forward the demand for a separate Muslim state in India. The "Two-Nation Theory," the belief that Hindus and Muslims were two different nations, who could not live in one country, gained popularity among Muslims. The two-state solution was rejected by the Congress leaders, who favored a united India based on composite national identity. However, the League rejected the proposal, which was the beginning of sour relationships between Congress and the League, between two groups - Muslim and Hindu.

The British government - through its Cripps' mission successfully attempted to secure Indian nationalists' cooperation in the war effort in exchange for independence afterwards. Gandhi, subsequently, launched the "Quit India" movement in August 1942, demanding the immediate withdrawal of the British from India or face nationwide civil disobedience. Along with all other Congress leaders, Gandhi was immediately imprisoned, and the country erupted in violent demonstrations led by students and later by peasant political groups, especially in Eastern United Provinces, Bihar, and western Bengal. In absence of Gandhi, with Japanese supports, Subhas Bose turned to the Axis powers to help liberating India, however, his life cut short in a plane crash. In early 1946,

a number of mutinies broke out in the armed services and these mutinies found much public support in India, which had the effect of spurring the new Labor government in Britain to action.

In the Constituent Assembly elections of 1946, the League led by Jinnah won 425 out of 496 seats reserved for Muslims on a policy of creating an independent state of Pakistan, and with an implied threat of secession if this was not granted. Gandhi, Maulana Azad and Nehru, who with the election of another Labor government in Britain in 1945 saw independence within reach, were adamantly opposed to dividing India. The negotiations between the Congress and the Muslim League, however, stumbled over the issue of the partition.

#### **The beginning of the movements for two independent states**

Jinnah proclaimed August 16, 1946, *Direct Action Day*, with the stated goal of highlighting peacefully the demand for a Muslim homeland in British-India. In the following day, the Hindu-Muslim riots broke out in Calcutta and quickly spread throughout India. Although the Government of India and the Congress were both shaken by the course of events, in September of 1946, a Congress-led interim government was installed, with Jawaharlal Nehru as united India's prime minister. Later that year, the Labor government in Britain, who were exhausted by the recently concluded World War II, decided to end British rule of India and it announced its intention of transferring power.



**b) Pakistan period (1947 – 1971)**

After long political struggles and silence movements for independence, in August 1947, the Partition of British-India gave birth to two new states; a secular state named India and an Islamic state named Pakistan. But Pakistan comprised two geographically and culturally separate areas to the east and the west of India. The western zone was officially termed West Pakistan and the eastern zone was initially termed East Bengal and later East Pakistan. The population of the two zones was near to equal, however, they had difference in languages, cultures and even in religious beliefs – various sects under the umbrella of Muslim etc. Despite these differences, by the leadership's own set up, the political power was concentrated in West Pakistan and it was widely perceived that East Pakistan was being exploited economically as it was done by the British Colonial. This had led to many grievances such as economic disparities, employment disparities in all sectors etc and these scenarios were getting worse year. Even though the East Pakistan accounted for a majority of the country's population, the political power had remained firmly in the hands of West Pakistanis where the West was the center of all economic development in policy designs. Since a straightforward system of representation based on population would have concentrated political power in East Pakistan, the West Pakistani establishment came up with the "One Unit" scheme, where all of West Pakistan was considered one province. This was solely to counterbalance the East wing's votes.

### **The beginning of the movements for establishing Bengali rights**

In 1948, Pakistan's first Governor-General, declared in Dhaka that "Urdu, and only Urdu" would be the sole official language for all of Pakistan (Acharya: 2006). This proved highly controversial, since Urdu was a language that was only spoken in the West by Muhajirs and in the East by Biharis. The majority groups in West Pakistan spoke Punjabi, while the Bengali language was spoken by the vast majority of East Pakistanis. The language controversy eventually had reached a point where East Pakistan revolted. Several students and civilians lost their lives in a police crackdown on the 21st February of 1952. The day is revered in Bangladesh and in West Bengal as the Language Martyrs' Day. Later, in memory of the 1952 killings, UNESCO declared 21 February 21 as the International Mother Language Day in 1999.

Jinnah had envisaged a modern democratic state for South Asia's Muslims where he believed that Muslim nation would get fair representation and protection because of creation of Pakistan. Therefore, Pakistan was clearly rooted in the notion of a constitutional democracy, however, unfortunately that Pakistan's leadership was hijacked within a decade of its independence by the dark forces of dictatorship.

At the time of its independence in August 1947, Pakistan inherited the Government of India of 1935 as its constitutional model--a framework designed by a colonial power to govern a colony that provided for a strong central government, a bureaucracy dominated executive unanswerable to the legislature, and very limited representation with continuation of feudal domination over politics. Under this act, the head of the state was the governor-general and legislative functions were performed by the constituent

assembly, which was tasked with enacting a new constitution. The governor-general had the power to appoint or dismiss ministers at his discretion as well as assume emergency power. After Prime Minister Jinnah's assassination, political power began to be concentrated in the President of Pakistan and eventually the military dictatorship. The nominal elected Chief Executive, the Prime Minister, was frequently sacked by the establishment, acting through the President. East Pakistanis had noticed that whenever one of them, such as Khawaja Nazimuddin, Muhammad Ali Bogra, or Huseyn Shaheed Suhrawardy were elected Prime Minister of the Pakistan, they were swiftly deposed by the largely West Pakistani establishment.

#### **A Major Constitutional Change in year 1956**

The constitution of Pakistan that came into existence on March 23, 1956, abolished the office of the governor-general and provided for power-sharing arrangements between the President and the Prime Minister (Acharya: 2006). East Pakistan and West Pakistan were to have equal seats in the national legislature. While parliamentary and federal in form, the constitution ensured that the president retained supreme powers and the Central was more powerful than the provinces. But this constitution had a very short life. The country's first general elections were scheduled for February 1959 but then President Iskandar Mirza had feared a rise of East Pakistan's influence that could had undermine his hold on power. With this fear as political remedy, he abrogated the constitution before the elections in 1958 by establishing martial law and appointing army chief Ayub Khan as Chief Martial Law Administrator. This had set a precedent for the military to assert itself into the country's political affairs. It also had led to a pattern of takeovers,

subversion of constitutional provisions, and a military-bureaucracy dominated executive that superseded the elected parliament.

This new constitution came into effect in 1962 which failed to include fundamental rights until the first amendment was made to it in 1962, granting the executive power to the president and abolishing the office of the Prime Minister. Most significantly, in 1962 constitutional changes, it had institutionalized the intervention of military in politics by providing that for twenty years, the president or the defense minister must be a person who had held a rank not lower than that of lieutenant-general in the army. In year 1969, the constitution of 1962 was suspended, martial law was declared, and General Yahya Khan took over power and the country did not get its first general elections until year 1970.

The situation had reached a climax when in 1970 the Awami League (AL), the largest East Pakistani political party, led by Sheikh Mujibur Rahman, won a landslide victory in the national elections. The party won 167 of the 169 seats allotted to East Pakistan, and thus a majority of the 313 seats in the National Assembly (Chowdury: 1974). This landslide victory had mandated AL the constitutional right to form a government. However, Zulfikar Ali Bhutto, the leader of the Pakistan Peoples' Party, refused to allow Mujib to become the Prime Minister of Pakistan. Instead, he proposed the idea of having two Prime Ministers, one for each wing. The proposal elicited outrage in the east wing, already chafing under the other constitutional innovation, the "one unit scheme". Bhutto also refused to accept Mujib's Six Points. By so doing, the Pakistani regime had delayed handover the power. On March 03 of 1971, the two leaders of the two wings along with

the President General Yahya Khan met in Dhaka to decide the fate of the country; however, the talks had failed, therefore, Mujib had called for a nation-wide strike.

On March 07, 1971, Mujib delivered a speech at the Racecourse Ground (now called the Suhrawardy Udyan). In this speech Mujib had mentioned further a four-point condition and asked the administration to consider his conditions before the National Assembly meeting, which was scheduled on March 25. The four-point conditions were

The immediate lifting of martial law.

The immediate withdrawal of all military personnel to their barracks.

An inquiry into the loss of life.

The immediate transfer of power to the elected representative of the people before the Assembly meeting of March 25.

In speech, Mujib had urged the people of East Pakistan to turn every house into a fort of resistance. He had closed his speech saying, "Our struggle is for our freedom. Our struggle is for our independence." It was clear from Mujib's speech that a war was the ultimatum to the failure of fulfilling the conditions before March 25. In aim to neutralize this political flux, General Tikka Khan was flown into Dhaka to become Governor of East Bengal. However East-Pakistani judges including Justice Siddique had refused to swear him in. Latter on, Mujib was arrested and taken to Pakistan and the war began.

During this war, on March 26, 1971, then Major Ziaur Rahman (Zia) who led a Sector Force (Chittagong District) against Pakistani regime officially declared freedom fight from Chittagong Radio Station on behalf of Mujib. However, Zia's this effort is sill

controversial where AL believes that it was unnecessary and motivational to undermine Mujib's earlier declaration; the other group, the Bangladesh National Party (BNP) believes it was necessary to lead the nation in absence of Mujib and therefore, it claims that Zia was the pro-claimer of the freedom fight even though he used words "on behalf of Mujib" in his announcement. Since Mujib was arrested and the nation was in war, nobody raised questions on the legitimacy of Zia's proclamation during the war. This liberation war had continued for nine months where few countries especially India and the Soviet Union had helped the liberation movement by providing means, shelters and other various ways including direct involvement.

#### **A comparison performance between British era and Pakistan era on the viewpoint of democracy**

##### **Post-Liberation period**

The Liberation War followed until independence was fully established on December 16, 1971 and later Mujib had returned from a Pakistani jail and took over the new government. This post-liberation period (1972 - 1990) had suffered with many setbacks in establishing a democratic Bangladesh where elected executives were fully or partially responsible. Addressing these interruptions to the promise of democratic Bangladesh, we break down the history in three segments.

##### **a) Mujib Regime (1972 - 1975)**

The Constitution, as it was initially promulgated in 1972, embodied the democratic yearnings of the long struggle for independence and guaranteed human rights and political freedoms within a system of checks and balances similar to those existing in the British and United States governments (Chowdury: 1974). In the administration process, Mujib had appointed Zia as Deputy Chief of Staff by making another army

officer Chief of Staff who was junior to Zia but loyal to Mujib. Some including Zia himself had seen this move as a retaliation to his effort of earlier radio announcement. History suggests that Zia's career had not been prospered under Mujib, presumably as a retaliation of Zia's declaration of independence although he did mention "on behave of Sheikh Mujib ..." in his announcement .Zia quietly but determinately had bided time and waited for opportunities.

In less than two years after the first parliament election in 1973, either by the influence of socialism countries, *especially*, then Soviet Union or by his own will, Mujib first amended the Constitution and assumed dictatorial powers in 1974. The structure and the character of the fundamental law of the land were changed and the country's political system was turned into a one-party monolithic structure. All political parties were dissolved and all newspapers were band except four to be retained by the state; the fundamental rights were suspended and made non-enforceable and the judiciary was reduced into a subservient agency of the executive branch of the state (Ahmed: 2002). In response to this political move, some western countries *especially* United States turned its back and were looking for ways to influence this socialism move so that Bangladesh couldn't be Soviet Union's alliance. In reality, this was the second time Bangladesh political system was challenged by the United States. During the liberation war, the United States had supported the Pakistani regime moves in various ways including sharing intelligence so that the liberation movement could be vogue down. It had ordered to bind back the ship that was carrying relief food for the citizen of East Pakistan during the liberation.

In 1972, under Mujib's leadership, the party name was changed to Awami League (AL). The party was plagued with by internal corruption and failed to repair the nation's wounds from the independence war. As Bangladesh continued exporting jute to Egypt, violating US economic sanctions, the Nixon government barred grain imports that Bangladesh had already paid for from reaching the country. As results, the famine of 1974 was inevitable and 28,000 people died, and supports for Mujib declined dramatically.

In the mixed of this political struggle, after the AL-dominated-parliament decided to switch from parliamentary to a presidential form of government. In January 1975, Mujib declared a state of emergency and later assumed the presidency. Sheikh Mujib had renamed the League the "Bangladesh Farmers and Workers Awami League (*Bangladesh Krishok Sramik Awami League, BAKSAL*), and had banned all other parties. BAKSAL became the strong arm of what had turned into a dictatorship, with Sheikh Mujib becoming the lifetime president. Many opposition political workers, mostly revolutionary communist elements, were killed or jailed after three Members of Parliament were killed by the communist insurgency. The crackdown on opposition was aided by the elite paramilitary force *Rakkhi Bahini*, which was formed under the new direction. This approach was rejected by most of the Bangladeshis and it was the beginning of anguish among army officers.

#### **b) Zia Regime (1975 – 1981)**

Even though Mujib's socialism political approach was not welcomed by most of the Bangladeshis, they still believe that this policy approach could have been confronted in democratic movements including political intervention rather than carrying out



barbarism acts including putting guns on the head of the administration. It was unfortunate that in August 1975, some ambitious mid-level army officers took advantages of this political transition and they had used Mujib's controversial policy approach as a token. Without warning or sounding opposition to state socialism move or without creating any pressures to the administration, on August 15 of 1975, a handful of mid-level army officers carried out a military coup and they killed Mujib and others. Since it was the first-time in the history of newly born Bangladesh, most of the people with or without political basis, were shocked and trying to comprehend the reason of army interventions instead of political interventions against the administration's socialism policy approach.

Akin to many other army officers, since these ambitious officers including Zia started army career during Pakistani regime and were trained, educated in Pakistan Army Academy who had witnessed the Pakistani Martial law for a long period of time, most Bangladeshis and people abroad were seeing this army intervention as the imitation of the history of Pakistani army.

After overthrown the Mujib regime, a new government, headed by a former Mujib associate, Khandakar Moshtaque, was formed. Successive military coups occurred on the 3<sup>rd</sup> and 7<sup>th</sup> of November of 1975, resulting in the emergence of Army Chief of Staff Gen. Ziaur Rahman (Zia), as strongman. He had pledged the army's support to the civilian government headed by the president, Chief Justice Sayem. Acting at Zia's behest, Sayem then promulgated martial law, naming him Chief Martial Law Administrator.

Without involving directly into these revolutions, Zia became Deputy Chief Martial Law Administrator in November 1975 and later Chief Martial Law Administrator

in November 1976. Later, during his administration, then Major Nurul Islam had brokered with Libyan government and arranged political shelters in Libya for the rebel group (military officers) that was responsible for Mujib's assassination. Furthermore, these military officers were employed in senior positions with Bangladeshi Embassies located in different countries. Moreover, under the *Indemnity Act* issued by President Zia in 1978, these assassins were given immunity from prosecution. These attainments and kindness to the rebel group of 1975 obviously begs question whether Zia was the architect of the initial military uprising in August 1975. The answer to the question posed is still mystery, which is the most important cause of today's rivalry between two major political parties even though the incidents took place over three decades ago. Later, Zia had emerged as the most dependable military leader and the one who could perhaps bring stability to an unstable nation. With most potential opposition dissipated, Zia had took over the government of Bangladesh.

After taking over the power, Zia had succeeded to a great extent in ushering in political and economic stability in Bangladesh through three stages .First, he had used moderate and left-leaning groups and their leaders to neutralize the strength of the radicals who were insisting on bringing about fundamental changes to Bengali society through revolution, if necessary. Second, he had legitimized his power through a referendum in 1977, local elections in 1977, a presidential election in 1978, and a parliamentary election in 1979. Except in the local elections of 1977, Zia and the candidates of his newly created political party, BNP, won landslide electoral victories. He had formed his political party by i) welcoming political leaders, *especially*, the senior leaders of Razakar, who initially served and supported the Pakistani move during the

liberation war and ii) bringing into ambitious army officers some of whom took retirements bumped promotion and had joined the party. These efforts served Zia in two ways: i) diminish the magnitudes of the threat of further coup and ii) easy way out - he had formed the BNP in a short period of time with less political costs. However, the effort of welcoming Razakars was not welcomed by some of his former lieutenants or some members of the BNP and by forced-army-retirees who joined the administration but did not join the party. Obviously, he knew it was a growing problem but for his own political stability and since veteran politicians who were not coming forward with helping hands and since he was in need for veteran politicians for political success and probably he was fulfilling Islamic Nations demands in general, he welcomed the Razakars without reservations.

Despite this internal growing conflict, by 1980 Zia made a complete transformation from a military man to a charismatic, populist political leader, enjoying the full confidence of the vast majority of Bangladeshis. During this time he had embarked on the last stage of bringing about national stability. His three pronged peaceful revolution to achieve self-sufficiency in food, full literacy, and zero population growth signaled an era of hope for the new nation. He had instinctively realized that without global cooperation his peaceful revolution could be replaced by a bloody revolution. Perhaps for this reason, Zia continuously had sought cooperation not only from developed countries, through the North-South dialogue, but also from other less developed countries through the non-aligned movement. In fact, it was Zia who first conceptualized a possible regional cooperation among seven countries of South Asia and took the initiative to formally propose a plan for the South Asia Regional Cooperation

(SARC) in 1980, which culminated as a cooperation movement through an agreement between the seven countries in 1983.

Through Zia's "open arms - welcome" policy the traditional factionalism of Bengali politics was contained and balanced between opposing views and camps in civilian and in military at least for the time being even though the military vested interests was struck for the first time. But personal rivalries coupled with the perception of injustice by one of his trusted lieutenants, Major General Abul Manzoor, abruptly ended Zia's presidency. On the early morning of May 31 of year 1981, in the city of Chittagong, Zia was assassinated in a coup led by General Manzoor.

#### **c) Ershad Regime (1982 – 1990)**

After several months of turmoil Ershad took over the government, declared martial law and suspended the constitution. This third wave of crisis of democracy, where after the second wave led by Zia, Zia was near to establishing a democratic political institution, was deepened further during Ershad's period, who ruled the country for a significant period of time. During his time, leaders in both civil and military arena were privileged that had created further crisis of democracy. Moreover, these army interventions had aggravated the democracy by trying to shape the laws and events to suit their own designs, disregarding the urgent need for development of democratic institutions and failing to provide the commitment required for accelerating the economic growth. During this long term (1976-1990) of military rule, the political institution, which had been mostly damaged in democratic perspective, was used as the pivotal force for developing constitutionalism of the party system in the country. In one hand, since the political activities were banned repeatedly, the strength and cohesion within the most

famous parties was destroyed. On the other hand, the mash-room growth political parties of any ideology or program were created by money power just to give a democratic poster to the election of these military rulers.

His successors, most of whom were military men who seized power during various times of trouble, also ruled through autocratic means. As a result, successive regimes established single-party systems representing military interests, with the leader wielding almost absolute power. Moreover, Ershad regime had allowed keeping the 1975 - massacre killers on the payrolls with minor changes in employment locations.

Yet the struggle for democracy was still alive in Bangladesh as of the late 1980s. The single-party system of the 1970s and 1980s was unable to satisfy the varied political movements and interest groups of the nation. Opposition parties - although they had represented conflicting views and were as unwilling as the ruling regime to share power - remained a vital force that commanded the loyalties of a large proportion of the population.

Socialist and communist parties, centrist parties representing the policies of defunct regimes, and conservative Islamic parties - each with a completely different vision of the path that Bangladesh should follow but had united in their opposition to the rule of President Ershad--all vied for power in the late 1980s. Their refusal to participate in parliamentary politics under Ershad, who had seized power in 1982, relegated the opposition to illegal activities and demonstrations on campuses and in the streets that periodically brought economic life to a standstill in urban areas. The ineffectiveness and confrontational position of the opposition only strengthened the regime's hold over

Parliament and the civil service and had allowed the military to continue its strong autocratic rule.

Remarkably, the policies of Bangladesh's autocratic military rulers have been characterized by a commitment to democratic ideals and an adherence to the Constitution. Ershad had seized power in the name of the Constitution, and he sought to legitimize his position by claiming that he brought stability to the country in order to guarantee democratic freedom. One of Ershad's most significant moves toward democracy was the establishment of a system of local elections that allowed voters to choose members of local representative councils. In the short term, this democratic reform had allowed local elites to control government patronage, and it also made them docile supporters of the regime. Nevertheless, by the late 1980s the local councils had become training grounds for new political leaders and forums for democratic competition throughout the nation.

#### **Re-establishment of Democracy (1991 – to date)**

In December of 1990, the Ershad regime was toppled by a popular civil movement, which was led by alliance political parties where AL and BNP worked side by side, which was probably reinforced by the military elites' decision other than withdrawing its supports from regime. The country was freed from the clutches of military rule and the peoples' sustained struggle for democracy has at last triumphed with autocrat president Ershad and the time came to lead the nation on a new journey in search of constitutionalism and democracy in Bangladesh.

**a) Government of Shahabuddin (December '06 to February of 1991)**

Shahabuddin Ahmed was appointed Chief Justice of Bangladesh on January 14 of 1990 by then President Ershad. However, in the face of the civil movement against Ershad and as a consequence on December 06, 1990, then the Vice-President Moudud Ahmed resigned, the Chief Justice Shahabuddin was appointed Vice-President of Bangladesh. On that very day Ershad resigned and handed over power to Shahabuddin Ahmed who became the head of the government as acting President of the country. He formed a Caretaker government with neutral non-political persons and held a free and fair election in the country in February 1991. During this period, he gave back freedom of the press by amending a number of laws including the Special Powers Act. Since after Shahabuddin, the Caretaker government became a constitutional provision in Bangladesh.

**b) Government of Khaleda (1991 – 1996)**

Under Shahabuddin's leadership for free & fair election, with a unanimous vote cutting across all political lines, the BNP-led government had restored the parliamentary system through the 12<sup>th</sup> amendment to the Constitution in 1991. Khaleda Zia became Bangladesh's first female Prime Minister with the support of the majority of the members of the parliament.

While in power, Khaleda government made considerable progress in the education sector, including introduction of free and compulsory primary education, tuition free education for girls up to grade level ten, stipend for female students and the Food for Education Program. Under Khaleda regime, the tree plantation program had become a nationwide social movement where this policy had been applauded by most of the

Bangladeshi. Further, it was in her first-term that the construction of the Jamuna Bridge was started. Khaleda played a commendable role in revitalizing the SAARC. It had also increased the age limit for entry into the Civil Service from 27 years to 30 years and made the budgetary allocation the highest priority in the education sector. However, in domestic political arena, Khaleda, who was also the wife of late Zia, had first started to systematically eradicate Mujib's legacy from the country and had tried to establish Zia's legacy in every steps it was possible, which was one of the vital causes of AL parties movements in parliament as well as outside of the parliament. Furthermore, Khaleda regime had continued to keeping cozy relationship with military elites with any costs and continued keeping the villains of 1975 revolution on the payrolls.

**c) Government of Hasina (1996 – 2001)**

Under the Constitution with free and fair election, the AL won 146 seats in the 1996 parliamentary elections. With the support of the Jatiya Party - Ershad and a few independent candidates that were enough for the 150 plus seats needed for forming the government. After forming majority, Hasina took the oath as Prime Minister of Bangladesh where she had vowed to create a *Government of National Unity*. Though some smaller parties and a few individuals from BNP did join the government, the distance between the main two political parties as well as its leaders remained as large as ever. Hasina did manage to convince Justice Shahabuddin Ahmed, who led the first caretaker government, to assume the post of President. This selection of an unbiased person as president was praised by her supporters as a proof of Hasina's good will to reach out to the opposition. On the other hand, to satisfy the burning demands of its own party members, Hasina for the first time had taken initiative to bring the villains of 1975



back home, however, they denied returning home, as a result, Hasina regime fired them from the jobs.

A major achievement of the new government was to strike a treaty between India and Bangladesh concerning the Farakka Barrage, a bone of contention between the two countries ever since it was built in the 1960s. According to the treaty, Bangladesh was to receive 33 thousand cubic feet per second of water. Hasina next went on to create a 'Peace Treaty' with the tribal rebels in the mountainous southeast of the country, thus seemingly solving a problem as old as Bangladesh itself. Though rebel activities have reduced greatly after the treaty, the region remains a hotbed of tensions.

On the down side, the AL was criticized for harboring gangsters turned politicians. Her government was also criticized for over using Mujib, the country's founding leader and also father to Sheikh Hasina in the media and naming many major institutions and constructions after him. By so doing, the AL maintained Khaleda's footsteps to systematically eradicate Zia's legacy. The BNP also accused the AL of politicizing the administration and state-owned media. Her party was also accused of being lenient towards India, especially after a shootout between border forces of India and Bangladesh left 16 Indian and 3 Bangladeshis' border guards dead.

During the last years of Hasina regime, the Transparency International had declared Bangladesh to be the most corrupt country in the world. Though Bangladesh had almost always been in the bottom five, the last position created uproar and was seen by many as a major failure by Hasina regime. Nonetheless, after Hasina was voted out of office, Bangladesh has remained at the last position in the Transparency International list.

The opposition party – the BNP Alliance had demanded Hasina to be resigned and declared early elections, but Hasina refused to do so. She became the first democratically elected prime minister to complete her term.

**d) Government of Khaleda (2001 – 2006)**

After ending Hasina's term, under constitution, Justice Latifur Rahman became the head of the caretaker government; however, the AL alleged that he was biased towards BNP after he transferred a large number of civil servants immediately after taking office.

The AL succumbed to a landslide defeat in the 2001 Parliament elections. It won only 62 seats in the Parliament, while the 'Four Party Alliance' led by the BNP won more than 200 seats, giving them a two-thirds majority in Parliament. Hasina and the AL had rejected the results and claimed that the election was rigged with the help of the President and the Caretaker government. However, the international community was largely satisfied with the election outcomes and the 'Four Party Alliance' led by Khaleda had formed the government.

However, the AL had been irregular in the Parliament since the beginning of Khaleda's second term. The AL leader had continued with the claim that the ruling party didn't give the opposition enough time on the floor in policy discussion. In late of 2003, the AL started its first major anti-government movement by declaring through party-secretary-general that the government would fall before April 30, 2004. This failed to happen and was seen as a blow to the party and Hasina herself, who had implicitly supported the party-secretary-general derogatory assertions. However, in Khaleda's

second term, her close relatives including her two sons, her political lieutenants were involved in massive corruptions, collection tolls from truckers in major city gates etc and her army based growing supports became counterproductive to her political image. Moreover, in Khaleda's second term, Hasina had faced with assassination attempts against herself. In June 2005, the AL got a boost when AL-nominated incumbent mayor won the important mayoral election in Chittagong, the Port City and the second largest city in Bangladesh. This election was seen as a showdown between the opposition and the ruling party, BNP.

In Khaleda's second term, the regime was plagued by rising religious militancy, continuing its spiraling of corruption reported by Transparency International, a rise in alleged attacks on minority groups such as Hindu and Ahmadiyas, which was documented by the US State Department and Amnesty International. A particular controversial piece of legislation introduced by the government was the banning of Ahmadiya publications in January 2004, which had attracted considerable concern from international observers.

In second term of Khaleda regime, the BNP was also criticized for building alliance with its former political foe the Jatiya Party, and the Islamic party of Jamaat-e-Islami Bangladesh and the Islami Oikya Jot, which had helped to launch opposition movement during Hasina's term.

Khaleda, like Zia had been criticized much for making alliance with Jamaat-e-Islami, the party which had opposed the war of independence of Bangladesh and had formed Razakar, Al-Badar and Al-Shams team to help West Pakistan. Around 3 million

people were killed by West Pakistan army with the help of Razakars, Al-Badars and Al-Shams in 1971. The general population of the country did not see it her political strength but it weakness as her husband, Zia, had been with the same cause. The four-party alliance then participated in the October 1, 2001 general elections and won the election with a two-third majority of seats in parliament and Khaleda was once again sworn in as the Prime Minister of Bangladesh.

**e) Military backed interim Government**

**i) Iajuddin as Chief Advisor**

At the end of Khaleda's term, the planned January 22 2007 elections were marred by controversy. The Caretaker government was formed with claimed to be neutral nonpolitical persons where few of them were from retired army and from other professions. The AL and its allies had protested and claimed that the elections would not be fair because of alleged bias by the Caretaker government in favor of Khaleda and the BNP. Hasina had demanded that the head of the Caretaker government, President Iajuddin Ahmed, should step down and on January 3<sup>rd</sup>, 2007, she announced that the AL and its allies would boycott the elections. Later in the month a state of emergency was imposed, Iajuddin Ahmed stepped down, and the elections were postponed.

On October 27, 2006, Khaleda's term in office ended. The following day rioting broke out on the streets of central Dhaka following uncertainty over who would succeed her as Chief Advisor so that a free and fair parliament election could be held. On the same day evening, a presidential statement declared that former Supreme Court Chief Justice K.M. Hassan, who had been due to takeover as Chief Advisor would not be

assuming the role due to ill health. Subsequently, Iajuddin Ahmed, the President, assumed power as Chief Advisor of the Caretaker government.

After enormous domestic and international pressures and amid AL claims of partisanships, Iajuddin formed Interim government and stepped down as head of the Caretaker government.

## **ii) One-eleven Crisis and Fakhruddin as Chief Advisor**

One-eleven is the highly talked words in Bangladesh, especially among the educated urban middle class. One-eleven is the date of January 11 of 2007, the oath-taking day of Interim Government. On January 12 of 2007, President Iajuddin swore Fakhruddin in as Chief Adviser to the Interim Caretaker Government. Fakhruddin was credited with bringing an end to the anarchy that had threatened to sweep the troubled nation. For a country widely perceived as one of the most corrupt country, the most dramatic aspect of Fakhruddin's role was his anti-graft campaign against the establishment. Many developed countries including USA, UK and Germany had directly involved for this move.

### **Anti-corruption drive**

In his first move, Fakhruddin had postponed elections scheduled for January 22 of 2007. The new Caretaker government, in its fight against corruptions, had targeted many of BNP ministers. Khaleda's both sons were arrested for corruptions. It was also reported that, beginning on April 9 of 2007, the government barred other politicians from visiting Khaleda's residence due to the state of emergency, imposed in January, which prohibits political activity.

Different news-reports had reported news on Khaleda & Hasina's futures where Hasina was on a personal trip to United States, Canada and United Kingdom. Some had claimed that the both leaders had options to go for exile; Hasina could be barred to enter the country or both leaders would be confinement in their own homes etc. Underpinning these rumors on April 19 of 2007, a member of the BNP National Executive Committee filed the appeal urging the Court to order the government not to send Khaleda abroad against her wish and challenged the reported confinement of Khaleda to her house. On April 22 the High Court (HC) issued a rule on the government to explain within five days why the Court will not direct the government to produce Khaleda before the Court to prove that she is not confined to her house. On April 25, in what was viewed as a reversal, the government said that Khaleda's movement was not restricted and that she had not been under any pressure to leave the country; it also dropped its ban on Hasina's return.

On May 7, the government was ordered by the High Court to explain restrictions on Khaleda that were said to remain in place. On July 17, the Anti-Corruption Commission sent notices to both Khaleda and Hasina, requesting that details of their assets be submitted to the Commission within one week. Khaleda was asked to appear in court on September 27, 2007 in connection with a case for not submitting service returns for Daily Dinkal Publications Limited for years. During this period, many corruptions cases were filed against political leaders including the Khaleda and Hasina. Based on these cases, both Hasina and Khaleda were arrested and confined in special-build houses in the Jatiya Sangsad area.

### **Initiative of party formation**

During this anti-corruption drive, members of Chief Advisor along with the high officials in the army had tried to form a political party with members from different parties and from prominent intellectuals. In some instance, there were rumors of imposing Martial Law if needed. It is not still clear whether imposing Martial Law was a threat for getting things done as planned by the team of the Interim Government or it was a real threat came from the army.

### **Restructuring Election Commission**

Though the prime responsibility of the Interim Government was holding a free, fair and generally accepted National Election, the Fakhruddin Interim Government had passed a year of its responsibility including anti-corruption drive, various reforms in administration and legal field and in politics. The Election Commission was also running through their declared 'roadmap' for National Election. As a result, activities of the government become very vast, complex, difficult and complicated. And of course the prime duty of the government stands in front of a question of citizens that was the government intending to hold a parliamentary election acceptable to all political parties and communities of the nation and society within the time declared in 'roadmap'?

After restructuring the Election Commission the government and the Commission had agreed to prepare a competent voter list within a possible short period and holding a national election on or before December 2008. The Election Commission had also declared time segmentation for preparing voter list and for few other related activities.

In the election scenario of Bangladesh, the issue of local government election was also evolving with due importance. In Bangladesh, local government means six City Corporations, the Municipalities and the Union Parishads (councils). Most of the local government bodies were also due to hold elections. With this reason, the Election Commission was thinking of holding the election of those local bodies in the time frame mentioned in election 'roadmap', which took then so long to redesign the roadmap.

### **Confusion surfaced among Bangladeshis**

Because of the long 'roadmap' of Election Commission, the anticorruption drive of government, detention of top political leaders and other initiatives of the authorities had developed a doubtful situation among the politicians of the country. As a consequence, politicians of major parties were demanding a dialogue between political parties and the government. The government had also a feeling that a dialogue could be helpful to resolve many political, legal, ethical, administrative and constitutional problems and issues. One or more advisors of the Interim Government had already told that even post election issues could be and should be discussed in the dialogue with political parties. The heavy weights of the major political alliances and parties were also talking about the method and conditions of such dialogue.

Since the authorities had the good intention to conduct election of local government bodies prior to the parliamentary election, since the election commission was walking through their 'roadmap', since the politicians had the good purpose to resolve the national problems under constitution, a dialogue was essential between the Interim Government and the Political Parties of the Country.



## **General Election**

With enormous cooperation from international communities and from efforts from various segments of the administration, the Interim Government successfully held a peaceful, free and fair general election on December 29 of 2008.

## **Power handover to the elected government**

The election had established the Constitutional binding and upheld Article 7(1). The constitution clearly states: "All powers in the Republic belong to the people, and their exercise on behalf of the people shall be affected only under, and by the authority of, this Constitution". President Iajuddin had congratulated Hasina, the leader of the winning party in the general election and invited her to form government as majority leader. The President had administered the oath under provision of Article 56(2) of the constitution of Bangladesh to leader of the House Sheikh Hasina as the Prime Minister at Darbar Hall, Bangabhaban on January 06 of 2009.

In Bangladesh, the very constitutional provision for a mid-term, non-partisan Caretaker government suggests that something was wrong with the normal functioning of democracy in which an independent election commission holds general election even when an elected party is in power. But the history suggests that in Bangladesh a party or parties could earn the trust of other parties because the opposing parties know for sure that the party or parties in power will manipulate the election in their favors. This mistrust among the parties has made Bangladesh politics confrontational rather than cooperative. The answer to this mistrust situation surely is the Caretaker government. This system can be trusted to organize a fairly neutral election; however, it can never be a

permanent solution to Bangladesh democracy. If it goes on, it will be remain a stigma for the nation rather than as a blessing. Weaknesses on the part of political leaders have legitimized past military governments. The nation's political leaders may not agree with this, but it is true that their inability to guide the nation as well as their corrupt nature is mostly responsible for the sorry state of affairs in the political, social and economic domain. The people here know that for a vibrant functional democracy, leaders should be people-oriented. The political leaders also profess to serve the people selflessly. The people here now understand that for an effective democracy, three things - good governance, rule of law and freedom of press are essential. The nation now needs the necessary political will to continue driving and making the institutional reforms meaningful through practicing participatory and accountable politics. With these struggles and rapid progresses in establishing democratic institution in a short period of time, over forty years period, Bangladesh has witnessed early stages of democracy, socialism moves, army dictatorships and then re-establishment of democracy. In essence to these phases in political history, Bangladesh is now a unique nation in the globe where no other nation has witnessed these stages in such a short period of time.

### **Lessons learned from political history of Bangladesh**

#### **1) The probable causes of recent crisis**

##### **a) Political Instability**

Our observation, especially, the recent one-eleven crisis (2007) and the aftermath suggest that the reestablishment of democracy has passed its puberty stage; however, the opposition parties and the regime are still struggling to work together so that the

democracy can grow. Nonetheless, it is now well accepted that holding a regular, free and fair election to the Jatiya Sangsad (JS) is a welcome departure from the pre-1991 phase where elections were a cosmetic exercise to legitimize the ruling elite. With this development in hand, even though five national elections were held since 1991, the process is still unstable and no one knows what will happen for the next general election. Opportunistic alliances, dishonesty in the leadership, unwillingness to recognize & accept the popular verdict and lack of responsible oppositions make today's polity fragile and insecure.

#### **b) Coalition politics and political opportunism**

Since 1991 when the first multi-party elections were held, we see that four parties, three personalities, two families and one problem have dominated Bangladeshi politics: The four parties are-AL, BNP, Jatiya Party (JP), Jama'at-e-Islami, the three personalities are -Hasina, Khaleda and Ershad; two families are Mujib and Zia families; the one problem is personal animosity among leaders of the major parties.

Until 1975, the AL dominated the Bangladeshi political scene. Zia who came to power through a military coup in 1977 sought to consolidate his power base and floated the BNP where he formed the party mainly with members who were odd to the war of independence. Ershad, who deposed President Abdus Sattar in a bloodless military coup in 1982 and had followed the same example and formed the JP. Both the AL and the BNP followed a distinct pattern, after assassination of party leaders, the party leadership went to immediate relatives, daughter (Hasina) and wife (Khaleda) respectively. For its part, the JP had largely remained a military-establishment party and was on the wane since the

restoration of democracy in 1991 (Mahmud: 2007). The Jama'at, which benefited by the removal of the ban on religious parties in 1976, gradually consolidated its base and edged out moderate religious parties such as the Muslim League, which unlike the Jama'at, was essentially a political party.

The inbuilt animosity between Hasina and Khaleda precluded their cooperation even during national emergencies. The mutual distrust and animosity were so intense that in the 1980s they refused to handshake and but continued to fight against the military ruler Ershad. In fact, capitalizing on the situation, Ershad managed to convince Hasina to fight the March 1986 Jatiya Sangsad elections boycotted by the BNP. Likewise, prior to the 2001 elections and in a vain bid to weaken Khaleda, Hasina weaned Ershad away from the BNP-led coalition.

In their bid to capture power, the secular-oriented AL and the right-wing BNP were not averse to enlisting the support of the Jama'at which has thus emerged as a major player in coalition building. Its strength lies in its ability to forge issue-based partnerships with diverse groups without diluting its Islamic credentials. It is not averse to making common cause with both the principal forces in Bangladesh and has capitalized the mutual antagonism and animosity between Hasina and Khaleda. In some form or the other, the Jama'at played a significant role in the formation of all the three governments since 1991. Its alliance with the Jama'at largely enabled the BNP to secure an absolute majority in 1991 and 2001 general elections. Abandoning this alliance proved costly to it in 1996 when the AL secured the largest number of seats in the Jatiya Sangsad. Even though BNP is seen as the natural ally of the Jama'at, the AL was also not averse to reaching a tactical understanding with the Islamic group. Attempts by Hasina (1996-

2001), notwithstanding her secular credentials, to co-opt the Jama'at during the opposition's boycott of parliament, considerably enhanced the political acceptability of the Jama'at.

**c) No faith in leaderships' honesty**

In 1991, when the military ruler finally opted to relinquish power to the elected leadership, a neutral non-partisan caretaker government was formed to conduct and supervise elections. This arrangement was institutionalized in 1996 following the controversial elections to the sixth JS held under the BNP government. Continued boycotting by the opposition had necessitated the introduction of a caretaker government.

In analytical perspective, based on the performances of the four caretaker governments since 1991, the following observations can be identified.

**i. Lack of popular confidence in elected government to conduct elections**

Some Bangladeshi scholars have argued that this could be an ideal model for other Third World countries (Hossain: 2008). The arrangement, however, underscores the deep-seated distrust among the political parties and lack of popular confidence in the ability of an elected government to hold, organize and conduct non-partisan elections.

**ii. Accusations of partisanship of the Caretaker government**

The mutual distrust among the political parties has compelled them to support the idea of a caretaker government to hold elections. Such an arrangement is seen as a lesser evil, which would minimize and preclude electoral malpractices. At the same time, the

principal parties have doubted the 'impartiality' of the caretaker government. In 1996, Khaleda mentioned the 'partisan' attitude of Justice Habibur Rahman's government; and five years later, Hasina adopted the same posture vis-à-vis Justice Latifur Rahman's government. Their muted remarks turned into vocal criticism when the verdict went against them.

### *iii. Dangers of prolongation*

Until now, three caretaker governments were in office for a short duration and the fourth caretaker government (2007) had stayed longer than two years because of political crisis. But this prolongation of tenure because of any unforeseen developments may erode the democratization process in the long run.

### *iv. Lack of accountability*

Under constitution, even though holding free elections is the prime mandate of the caretaker government, it is also responsible for the day-to-day running of the country until an elected government takes office. A body that is explicitly and exclusively created to organize elections runs the administration during this period. Some have felt that, if an elected body cannot be trusted to conduct and organize free and fair elections, an un-elected body composed of people selected by a retired or working individuals cannot be trusted to run the administration.

### *v. Controversial decisions of caretaker government*

Headed by non political individual with a specific mandate, the caretaker government is primarily an un-elected government and any sensitive decision it might take would lack

political legitimacy. Indeed, during the 2001 elections, some of the decisions taken by the administration led by Justice Latifur Rahman came under criticism from the AL and from neutral non-political observers as well. By reversing some of the unpopular decisions of the elected government, Justice Latifur Rehman had exceeded the constitutional propriety and usurped the powers of the elected government. In his enthusiasm to 'clean-up' the support system that feeds corruption, he cancelled some of the national and international contracts signed by the Hasina government.

Indeed, the popular distrust against political parties and accusations of partisanship of even caretaker governments underscore the failure to evolve a permanent constitutional body like the Election Commission to conduct and administer the electoral process.

#### *vi. Problems of Governance*

The acuteness of political instability is compounded by lack of accountability of the political leadership and the absence of checks and balances. The opposition often disregards the parliament and has treated the institution as merely a forum for and by the ruling alliance. The lack of an institutional mechanism to restrict and curb authoritarian tendencies as well as to establish independence of various institutions has led to problems of governance. Furthermore, involvement by leaders or by its family members to corruption acts have severely damaged the images of both leaders of major parties

#### *vii. Political Irresponsibility*

Despite regular and periodic elections, political legitimacy continues to evade Bangladesh. Each JS election was followed by allegations of rigging, intimidation and

other forms of electoral malpractices by the party losing the polls. Instead of gracefully accepting the popular verdict that goes against them, the losers rarely concede defeat but indulge in street protests, boycott of parliament and organize prolonged hartals.

During Khaleda's first government, the AL organized 173 days of hartals and the BNP retaliated with 85 days of total stoppage of public activities when Hasina was in power. These often lead to incidents of violence. Conveniently forgetting their pledges the political parties made while in office, they invariably resort to prolonged agitation in politics from the opposition ranks.

The continued inability of political parties to accept the popular verdict led to international intervention. On August 2, 2001, weeks before the Jatiya Sangsad elections Hasina and Khaleda gave a public pledge to former US President Jimmy Carter that they would accept the results and the party in opposition would not boycott parliament. But soon after the elections, Hasina conveniently forgot the pledge. Accusing that the elections were rigged and manipulated, she refused to accept Khaleda's landslide victory and opted to boycott parliament. Likewise, the removal of special security cover to the two surviving daughters of Mujib, including Hasina, provided an excuse for breaking her pledge against hartals.

The parties in power have also displayed lack of political acumen. They are unable to overcome past antagonisms; they tend to treat the opposition as an opponent rather than a legitimate player in a democracy. Indeed, Hasina's refusal to give adequate coverage to the opposition in the state-controlled media led to a BNP-sponsored hartal. Similarly, immediately after assuming office, Khaleda filed a series of corruption cases against



members of the former Hasina government, banned a number of Awami League leaders from leaving the country and incarcerated a host of second rung leaders.

The prolonged trading of charges between Khaleda and Hasina has reached a new and dangerous level. In a measure reminiscent of personal vendetta of the pre-independence period, Khaleda began a process of revisionist historiography in Bangladesh. Efforts are being made to systematically erase Mujib's role in the liberation of Bangladesh.

The prolonged personalized politics between two warring families and gradual marginalization of Ershad could pave the way for the possible emergence of the Jama'at as a potential alternative. Its strong ideological moorings, well-organized network, corruption-free image and social activism could work in favor of the Islamic party when other parties have none of these advantages and are saddled with negative stereotypes.

#### **viii. Islamism and Dangers of Extremism**

At the time of partition of the Indian Union, the Muslims of Bengal identified themselves with the Muslim League, leading to the formation of East Pakistan. Pakistan as the homeland of the Muslims of the subcontinent further consolidated the religious identity and submerged the Bengali cultural identity. However, party of Muslim League, East Pakistan was anti to war for independence. After winning in the war of 1971, Bangladesh has to differentiate itself from West Bengal and not West Pakistan. Therefore, despite his secular moorings and commitments, shortly after taking office as president of the newly formed Bangladesh began to embrace Islamic symbolism and, once again, Islam emerged as the primary national identity. Since Mujib's assassination in 1975, frequent military interventions strengthened, furthered and consolidated the political stronghold of the religious forces. Zia, who took over in 1977, needed political legitimacy and Islam

turned out to be his support base. Despite not being overtly religious, he rekindled latent Islamic undercurrents and his political outfit, the BNP, gradually relegated Bengali cultural identity and promoted Islam as the primary national identity. His successor, Ershad, went a step further and declared that Islam would enable Bangladesh "to live as a nation with a distinct identity".

The growing Islamic fervor in Bangladesh and growth of the Jama'at manifested themselves in far reaching changes that are taking place in the country. Despite its avowed commitment to secularism, the AL has adopted a number of overtly religious positions to win over mainstream voters. During the 2001 JS elections, its manifesto promised not to enact any legislation contrary to the Quran and pledged to establish a shariah bench at the Supreme Court. The Jama'at, which fought the election as an ally of the BNP, sought to regulate and institutionalize 'mosque-based education.' Other parties have also adopted an overtly religious position in their manifestoes.

#### **ix. Weakening Social Cohesion**

Growing domestic violence has emerged as a major challenge to the Bangladesh government. The prolonged nexus between politicians belonging to the AL and the BNP with criminal elements, rampant flow of small arms and criminalization of university campuses have led to severe law and order problems. Restoration of peace in the streets dominated the 2001 election campaign with the BNP calling for district level special courts to deal "with heinous crimes like repression of women, abduction, acid burning, extortion and the like." The IJOF went a step further and promised to rid Bangladesh of terrorism within three months if it was voted to power. On the eve of the 2001 elections, the value of illegal arms in the country was estimated at a quarter of a million rupees (The Daily Star, October 28, 2002).

## Chapter 4

### **Conceptual Analysis on Democracy and Economic Growth: Theoretical Justification**

In order to transform political regime vs. its economic performance into testable hypotheses, we want to address the question of how to conceptualize and measure democracy and economic growth in numbers. In this viewpoint, we revisit the concepts and meanings of democracy and economic growth in literature. We then identify indicators from the definitions of democracy & economic growth, which can be used to i) diagnose whether a political institution is democratic or not and ii) measure economic growth of any country in general. In Bangladesh perspective, after selecting the indicators of these two, we examine whether they have linkages, if so, we examine the direction and the potency of the linkages.

#### **Democracy: meaning and concept**

The term democracy is derived from the Greek words, *demos* – means the people and *Kratos*, - means power. Democracy thus means power of the people. It is now regarded as a form of government in which the people rule themselves either directly or indirectly through their representatives.

Definitions of democracy as a form of government may not vary but like many other definitions in political science, they differ in their content and application (Kapur: 1993). Democracy, according to the Greeks, is the government in which people rule over themselves. Aristotle considered it as a perverted form of government. Herodotus says, the democracy denotes that form of government in which in the ruling power of the state is largely vested in the members of the community as a whole. In the words of US

President Abraham Lincoln, it is a government of the people, by the people and for the people. According to Bryce, "democracy is that form of government in which the ruling power of a state is legally vested, not in any particular class or classes but in the members of the community as a whole". Prof. Seeley says, "Democracy is a form of government in which everyone has a share". According to Dicey, "democracy is a form of government in which the governing body is a comparatively large fraction of the entire nation. On the other hand Gettell's opinion, "democracy is that form of government in which the mass of the population possesses the right to share in the exercise of sovereign power.

Among the definitions of democracy given above, the definitions of Dicey, Bryce, Abraham Lincoln and Gettell are more important and popular. In brief, we can say that democracy is that form of government in which the sovereign power of the state is in the hands of the people and people are the source of the state power and the people take part in the government directly or through their representatives. It safe to say that democracy is the government of the majority and the majority safeguards the interests of the people. In this form of government, the interests of minorities are not ignored. On the positive side, democratic institutions provide a check on governmental power and thereby limit the potential of public officials to amass personal wealth and to carry out unpopular policies. But on the negative side, more democracy encourages rich-to-poor redistributions of income and may enhance the power of the interest groups.

#### **A) Forms of democracy**

There are two types of democracy: (a) direct and (b) indirect or representative.

**a) Direct democracy:**

The type of the government of a nation is called pure or direct democratic government when people of the nation directly express their wills on public affairs. Here people formulate laws in a mass meeting. As of Hearn Shaw, "a democratic form of government, in the strict sense of the term, is one in which the community as a whole, directly performs the functions of sovereignty." Direct Democracy was established in ancient Greek city-states. In India, direct democracy was seen in Vajji Sangha during the Buddhist periods. Today when large and complex societies have emerged and when area of the State is very extensive, direct democracy is impracticable. This system now prevails only in four cantons in Switzerland.

**b) Representative or indirect democracy:**

In case of representative or indirect democracy, the will of the state is formulated and expressed not directly by the people themselves, but by their representatives to whom they delegate the power deliberation and decision-making.

John Stuart Mill has said in this regard "Indirect or representative democracy is one in which the whole people or some numerous portion of them exercise the governing power via deputies, who are periodically elected by themselves". Another writer Bluntschli has said, "In the representative democracy the rule is that the people govern through its official while it legislates, and controls the administration through its representatives".

This type of government was established in England in the seventeenth century. In France, it was established in 1830 and in Italy in 1948. In Germany it was established

after the First World War according to Weimer Constitution. Again this system was established in West Germany after the Second World War. In India direct democracy was introduced in the Minto-Morley Reforms of 1909. Today this system is seen in many countries like Japan, Sri Lanka, India, Canada, Australia, New Zealand, the United States of America, West Germany, Italy, France, Holland, Denmark, Sweden, Norway, Austria and Belgium.

## **B) The indicators of democratic institution in general**

### **a) Basic principles of democratic institution in general**

#### **1. Liberty:**

The main basis of democracy is liberty and equal opportunity. The people enjoy maximum liberty and equal opportunity because criticism of the people is not only tolerated in this system, but it is also encouraged. For example, in Great Britain, the government pays the leader of the opposition and the Prime Minister consults him in national emergency. Political history shows that when south Rhodesia threatened to declare the freedom unilaterally and when later on it declared its freedom; the British Prime Minister consulted the leaders of the Conservative Party and Liberal Party. Similar historical tradition can be seen in India. For example, in 1965, when Pakistan invaded India, Prime Minister Lal Bahadur Shastri consulted the leaders of opposition parties. Further example, Prime Minister Lal Bahadur Shastri conferred with the leaders of the opposition prime parties before leaving for Tashkant for talks with Pakistan President Ayub Khan on January 5, 1966. However, in cases of monarchies, dictatorships,

aristocracies and oligarchies, the people and the opposition parties have no say in the matters of national importance.

## **2. Equality:**

Special emphasis is laid on equality in democracy and there is no disparity among the people on the basis of caste, religion and position of status. Besides this, all are equal before law and there is no privileged class. It is essential to establish political and economic equality along with social equality. Thus, in order to establish political equality, all disparities on the basis of caste, religion, color and sex have been removed in India and Adult Franchise has been introduced in order to give opportunity to all the citizens to contest election to Provincial Assembly and Lok Sabha. Efforts have also been made to establish social and political equality in democracies like England, Japan, France, Belgium, Holland, Denmark, Sweden, Norway, West Germany, the United States of America and Italy. Politics and social equality is useless without economic equality. The Indian National Congress passed a resolution in its Bhubaneshwar Session in January 1964 to bring about socialism through democratic means. Sincere efforts are now being made to implement this resolution.

## **3. Fraternity:**

Democracy can become successful only in a peaceful atmosphere; otherwise democracy has to face many difficulties. For this purpose, in 1954, former Prime Minister of India, Jawaharlal Nehru placed an idea of Panch Sheel before the world. Our government and many other democratic governments of the world are making efforts to

promote world peace under Nehru philosophy. India is the President of the Non-Aligned Movement and propagating this policy.

#### **4. The people as ultimate source of sovereignty:**

In a democracy, people are the ultimate source of sovereignty, and the government derives its power from them. For this purpose elections take place in democracies at certain intervals. For example, in India and England, General Elections take place after every five years and in USA after every four years.

#### **5. Fundamental rights to the people:**

In a democracy, people are given fundamental rights because in the absence of these rights the development of an individual is not possible. For example, fundamental rights have been granted to the people in their Constitutions in democratic countries such as India, Japan, U.S.A. France and Italy. In England the rights and freedom of the people are protected through the Rule of Law, Charters, Acts of Parliament, and Judicial Decisions given from time to time.

#### **6. Independence of Judiciary:**

In a democracy, it is responsibility of the judiciary to protect the fundamental rights of the people. In our country the Supreme Court and the High Courts protect the Constitution and the fundamental rights of the people. Wherever judiciary is not free, the protection of fundamental rights is not possible.



**7. The people are considered as an end and State as the means in a democracy:**

This is one of the main characteristics of democracy that individual is a mean and the state is an end. It means that the state makes use of the individual for its own interest. In a dictatorship no attention is paid to the freedom of the individual.

**8. Welfare State:**

Democracy is a welfare state and in it special attention is paid to the welfare of the people as a whole and not to a particular class.

**b) Conditions for the success of a democratic institution**

To make the democratic institution a success in any country, the following conditions should be fulfilled:

**1. Sound system of education:**

Where there is illiteracy, it becomes difficult to make democracy successful because many qualities are needed to make democracy a success. The citizens can acquire these qualities only through literacy. The people should have the sense of understanding political problems. They should possess such qualities as sacrifice, sympathy, selfless service of the country, discipline, fraternity etc. As far as possible, education should be free and the rich and the poor should be given equal opportunities for their development. The citizens should strive for mental and physical development through education. Otherwise employment shall prove harmful for democracy. In short, ideal citizens are prepared through education without which democracy cannot become successful.

## **2. Enlightened citizenship:**

People should have the knowledge of their rights and duties to make democracy success. So long as the citizens do not perform their duties is essential, it is equally essential for the citizens to become conscious of their rights, without which there is every possibility of the government becoming autocrat. Therefore, it is said that 'Eternal vigilance is the price of liberty.'

## **3. Political awakening**

It is essential to inculcate political awakening among the citizens to make democracy a success. Where there is no political awakening, the citizens fail to understand the political problems. They are also unable to elect their representatives properly. Political disinterestedness does not help the citizens to understand the economic and political problems of the day and contribute their mite to the implementation of various national plans defense efforts of the country.

## **4. Freedom:**

Democracy guarantees the citizens the freedom of expression, freedom of profession, freedom of religion and freedom to form associations. A free and fearless press is the basic need of democracy in order to keep under checks the autocratic activities of the government. In the countries where press is not free, citizens cannot criticize the government with the result that they cannot fully enjoy much freedom. In Russia, China and other Communist countries, the press is not free to criticize the government. Press is also not free in the countries where there is military dictatorship.

### **5. Equality:**

Democracy does not recognize class distinctions. It is based on social, economic and political equality. In democracy, all are equal before law and there is no discrimination on the basis of caste, color, religion, sex and economic status. Economic equality does not mean that everybody should be given equal monuments; it means equality of opportunity and a fair and open field for all. This kind of equality ensures social justice, which is the very life-breath of a democracy. Equality thus means giving everybody right to vote and contest election irrespective of caste, religion, property, sex, color and creed.

### **6. Law and order:**

The maintenance of law and order in society by the government is another essential condition for the success of democracy. Anarchy prevails where government fails to maintain law and order and the people's faith in government is shaken. They look towards dictatorship in order to get rid of anarchy.

### **7. Spirit of co-operation:**

Every democracy has to face many economic, social, religious and political problems. In dictatorship, these problems are solved by the dictator according to his own whim. In absolute monarchy, the situation is similar to dictatorship, but it is different in a democracy. In democracy the Prime Minister or the President cannot act arbitrarily but they have to find the solution of problems according to the wishes of the Parliament or of the people. These problems can be solved by the co-operation of the people. Further, a democracy can flourish only if there is no big gap between the thinking of the people and of the government and when there is a spirit of co-operation between them.

#### **8. Decentralization of powers and local self-government:**

For the success of a democracy, decentralization of powers is essential. The concentration of power makes the government autocratic. With the division of power between the center and the provinces, the burden of the Center is reduced and the provinces get autonomy, which ultimately brings efficiency in the administration. With the introduction of local self-government, people take interest in the administrations and they give full support to the government. The French writer De Tocqueville has rightly said that, "Local institutions constitute the strength of free nations. A nation may establish a system of free governments but without municipal institutions cannot have the spirit of liberty."

#### **9. High moral standard:**

The success of democracy also depends upon the high moral standard of the people as well as of the government. Where there is dishonesty, black-marketing, hoarding and smuggling and where the ministers and public servants are corrupt, the question of the success of democracy does not arise. People should have the spirit of patriotism, discipline, self-control, and honesty in payment of taxes and willing obedience to the laws of the land. The government should follow the ideal of service to the community, because a welfare state and a democracy are two inseparable things.

#### **10. Social and economic security:**

Economic security is essential for the success of democracy. The people should be given the right to work and it is the duty of the government to provide them with suitable employment. In case the government is unable to provide it to the people, it should at least provide them with shelter, clothing and food. In Russia and in many other

Communist countries, the government has given this right to the people in their constitution. Our government should also recognize this right of the people for the success of democracy in our country.

Besides, social security is also essential. In this day and age, the government fixes hours of work, salary, bonus, paid holidays and compensation for fatal accidents in order to save the laborers from exploitation by the capitalists. The government should provide social security to the people in case of their being disabled due to old age, illness, accident or any other cause. Without this provision, democracy shall be considered useless. People in Russia have full social security. In India, too, some concrete steps have been taken in this direction.

#### **11. Tolerance and spirit of unity:**

It is the responsibility of the people to make democracy a success. For this, the spirit of tolerance and unity is needed in a country like India where we have a number of religions, languages and castes, and where we find a disparity between the rich and the poor, these qualities are very essential. Despite the mutual disagreements, the people should join together to face a national crisis as a whole. In case of foreign aggression, the people should forget their differences of caste, religion, language and province and try to preserve the freedom of their country with a spirit of devotion and sacrifice.

#### **12. Sound party system:**

In a democracy, difference in views is not only tolerated but it is encouraged, because constructive criticism has an important place in a democracy. For this reason, many parties crop up in a democratic set-up. In the countries where there is only one party, and where other parties are banned democracy cannot develop, only dictatorship

develops there. It happened in Germany during the time of Hitler and in Italy during the regime of Mussolini. Now-a-days, this type of dictatorship is found in Russia, China, East Germany, Czechoslovakia, Hungary, Rumania, Bulgaria and Poland. In order to make democracy a success, a healthy and influential opposition is a must; otherwise the ruling party will become an autocrat after winning the elections. The Opposition keeps a check on the autocratic activities of ministers. Without this, there is possibility that they are power-corrupt. Where there is a bi-party system, the task of making democracy a success becomes easier because one party rules and the other keeps an effective check over its activities. Where there are many parties, the legislature is divided into many small groups and no single party is in a position to form the government. The result is that coalition governments are installed which is not stable. Therefore, bi-party system is better than multi-party system. There is a bi-party system in England and in the U.S.A. There is a multi-party system in France, Italy and West Germany. That is why democracy is more successful in England and the U.S.A, than in other countries where there is multi-party system. In France during the Third and Fourth Republics the government was very instable. As compared to France, there are fewer problems in Italy and West Germany, because certain parties are very powerful in these countries. In India, after the Fourth General Elections, we witnessed political instability because the Congress Party was unable to secure majority in some states. In certain states opposition parties established coalition governments, which could not survive long.

### **13. Written constitution and independent Judiciary:**

For the successful functioning of democracy, people are given fundamental rights and written constitutions are introduced with a view to checking autocratic activities of

the government. Where there are no written constitutions, the government can extend and exercise its powers in an autocratic manner. Judiciary is the guardian of Constitution and fundamental rights, and the independence of judiciary from the control of executive has been guaranteed. Where judiciary is not independent, there is no guarantee of the fundamental rights of the people and the constitution becomes useless. This is the condition in Russia, China and many other Communist countries.

**14. Independent, impartial and periodical elections:**

Independent, impartial and periodical elections help in establishing faith of the people and the opposition a democracy, otherwise the opposition party will not get an opportunity for forming the government and there will be no respect for public opinion. In the absence of independent, impartial and periodical elections, the opposition parties shall try to change the government by a revolution with the help of military or by the use of violent force. In Pakistan, elections were not held for many years. The result was that military dictatorship of General Ayub Khan was established in 1958, which have a severe blow to democracy.

**15. Political security, good administration, economic prosperity and wise leadership:**

Efficient administration is another condition for the success of a democracy. In fact, the success of democracy depends upon efficient administration. People's faith in democracy is shaken in a corrupt administration. Political security is also essential because people start feeling the necessary of dictatorship, if a democratic government is unable to protect the sovereignty and integrity of the country at the time of foreign invasion. If a government fails to remove the scarcity of essential commodities, if the

prices of these commodities are abnormally high and if people starve owing to abject poverty, the people's faith in democracy is shaken and they start feeling the necessity of some other type of government. Thus to protect democracy from being usurped by dictatorship intelligent leadership is very essential. For example, when Hitler started invading other countries, England was not prepared to face the challenge, but under the able and enlightened leadership of Winston Churchill not only democracy was saved but Hitler's dictatorship was also smashed. At the time of the Pakistani invasion in August-September, 1965 former Indian Prime Minister Lal Bahadur Shastri provided very successful leadership to the country. Similarly, at the time of Indo-Pak War in 1971, Mrs. Gandhi provided very strong leadership. It protected our country and inspired our army to give a crushing blow to the Pakistani army. An able leader can bring about economic prosperity in his country and give a clear administration to the people. Thus, he can make democracy very stable. Democracy has taken deep roots in our country, while it has not become strong in Pakistan because Pakistan had no leader of the stature of Jawaharlal Nehru, Lal Bahadur Shastri and Indira Gandhi.

**c) The measurement of political regime or institution for our study:**

Underpinning the aforementioned definition & prerequisites of democracy in general, in this section, we plan to establish variables that will be used to examine political regimes under the democracy lens in Bangladesh. In order to structure these indicators for empirical evaluation, we first raise questions in two folds: a) what political institution is and b) what political system is.



In the literature, there exist many different concepts of institutions. The following definition by North:1990 can be taken as the common denominator: “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interactions.” While the notion of institutions as constraints takes them as exogenous, institutions have no life of their own. They are created in the history of human interactions. North and Thomas:1973 and North :1990, 1991 have described how basic market institutions might have evolved and how, in turn, they might have enabled the development of modern economies.

In any political system, the political process is composed of several layers. Political institutions constitute and define these layers of the political process as well as their interdependencies. For a clarification of the term political institutions, we disentangle the concept in a special dimension, stretching from constitutional provisions on the one side to the economic institutions that shape individual policy preferences on the other side.

In the political process, likewise, the expression of political interests has to follow certain constraints. Among the formally institutionalized vehicles for expressing political interests are political parties. They aggregate the political interests of individuals and compete to implement their preferred policies. Likewise, special interest groups promote the interest of their members in a specific political issue in a more or less formalized way: Interest groups may use contributions to electoral campaigns or they may be formally included in the legislative process, for example, as external experts. Also the media can be considered to be part of this outer ring of political institutions as they play a crucial role for shaping public opinion. Also economic institutions play a very important role in

the political process: The policy preferences of rational individuals arise from their optimization calculus.

Evolving economic institutions may restrict the opportunity sets of individuals or add new possibilities of action. Thus, individual preferences may change. For example, investment projects can only be undertaken when property rights are protected and there is a functioning credit market. If entrepreneurial activity is possible, new political interests for the protection of this activity are created.

The political institutions then determine which interests are heard and how strongly the interests in society are taken into account in comparison to the self-interest of the political decision-makers.

As with all questions for fundamental reasons and the answers to it, the political institution or regime can be considered coordinating institution that can bring mutual gains may not be for all but for majority individuals where political institution is like the rules of the legislative process or electoral systems.

Yet, politics involve more than coordination. In most policy areas, Pareto improvements are not feasible. However, even if they were feasible in general, the political decision-makers could decide to implement a different policy that inflicts gains or losses on others. Moe:1990 makes this point: "The unique thing about public authority is that whoever gets to exercise it has the right to tell anyone else what to do, whether they want to do it or not." A result where some gain and others loose would not be feasible in pure voluntary economic exchange. This is a crucial difference of political and economic decisions. The political process has to achieve the aggregation of conflicting preferences over policy choices into a single implementable policy.

### **Indicators identified in Bangladesh perspective under democracy lens:**

Underpinning aforementioned definitions, it is palatable to assume that the data statistics related to most of the traditional indicators of the political institution are unknown where researchers in the subject area, in general, collect data statistics using questionnaire / survey from different target groups of that represents the entire population in the nation. In this perspective, we further assume that the level of understanding of the issue of "political institution" is parallel to the level of education; therefore, giving a little attention to the parameter "education level" in selecting respondent groups can weaken the outcome of the survey. Furthermore, even respondents are well educated, some of the traditional indicators of political institution are complicated when it comes scoring them based on respondents' perceptions. To over these limitations and for conducting effective surveys, with the above theoretical discussion on political institution, its roles and its ability in Bangladesh perspective, we choose the following indicators (appendix for definitions) of "political institution" for our study in such way so that the meaning and importance of each traditional indicator are portrayed thru our chosen indicators

- D = democracy in Bangladesh
- $x_1$  = EC = executive constraints
- $x_2$  = GE = government effectiveness
- $x_3$  = JI = judicial independence
- $x_4$  = CI = corruption index
- $x_5$  = DG = democratic gesture
- $x_6$  = AAIP = ability to adopt & implement policy
- $x_7$  = PS = political stability

Where  $x_1 \dots x_7$  are exogenous variables and  $t$  is time span, which runs on its own course.

## **II. Economic growth: meaning and concept**

There are significant differences between economic growth and economic development. The term "economic growth" refers to the increase (or growth) of a specific measure such as real national income, gross domestic product, or per capita income. National income or product is commonly expressed in terms of a measure of the aggregate value-added output of the domestic economy called gross domestic product (GDP). When the GDP of a nation rises economists refer to it as economic growth.

On the other hand, the term, "economic development", implies a broad meaning. It typically refers to improvements in a variety of indicators such as literacy rates, life expectancy, and poverty rates. GDP is a specific measure of economic welfare that does not take into account important aspects such as leisure time, environmental quality, freedom, or social justice. Economic growth of any specific measure is not a sufficient definition of economic development.

Among other things, the contemporary social scientific study of economic development encompasses broad theories of the causes of industrial-economic modernization plus organizational and related aspects of enterprise development in modern societies. It embraces sociological-type research relating to business organization and enterprise development from a historical and comparative perspective; specific processes of the evolution (growth, modernization) of markets and management-employee relations; and culturally related cross-national similarities and differences in patterns of industrial organization in contemporary Western societies. On the subject of the nature and causes of the considerable variations that exist in levels of industrial-economic growth and performance internationally, it seeks answers to such questions as:

"Why are levels of direct foreign investment and labor productivity significantly higher in some countries than in others?"

**A) Indicators of economic growth :**

It is a common practice to measure the growth in economic welfare in a country over any considerable period by the rate of growth in per capita domestic product (GDP) or other measure of aggregate income, which is often measured as the rate of change in GDP. In broader sense, an economic indicator is simply any economic statistics, such as the unemployment rate, GDP, or the inflation rate, which indicate how well the economy is doing and how well the economy is going to do in the future. However, these measures can be seriously biased for a period during which the country experienced substantial economic catastrophes' caused by natural disasters and its consequences, which may last for a period of time, which should be incorporated into analysis.

**a) Attributes of economic indicators:**

To understand economic indicators, we must understand the ways in which economic indicators differ. On the viewpoint of leading or causing changes, there are two types of economic indicators based on its attributes:

**b) Pro cyclic:**

A pro cyclic economic indicator is the one that moves in the same direction as the economy moves. So if the economy is doing well, this number is usually increasing, whereas if we're in a recession this indicator is decreasing. The Gross Domestic Product (GDP) is an example of a pro cyclic economic indicator etc. There are some other indicators in this category such as stock market return, consumer expectation,

building permit etc. These indicators begin to change before economy as a whole begins to change. These are useful as the short-term predictors of the economy. Industrial production, personal income and retail sale are few indicators in this category where they change as the economy changes. There are few other indicators in this category such as consumer price index, labor cost per unit of output, averaged prime rate changed by banks, ratio of manufacturing & trade inventories to sale etc. These indicators begin to change after the economy as a whole does.

**c) Counter cyclic:**

A counter cyclic economic indicator is one that moves in the opposite direction as the economy moves. The unemployment rate gets larger as the economy gets worse so it is a counter cyclic economic indicator.

Therefore, summing these two categories of indicators will represent the economic growth, which can be either positive or negative in direction of relationships. Negative growth can be referred to by saying that the economy is shrinking. This negative growth is associated with economic recession and economic depression.

**B) The indicators of economic growth and measurement for our study:**

Like any other researchers in the subject area, we have limitations in data availability on the issue. To overcome this constraint, we plan to collect data information from both primary and secondary sources using questionnaire, which we plan to create based on our needs. In this perspective, we agree with the fact that respondent, in general, may not be able to provide accurate information when it come direct questions related to some economics numbers. To overcome these limitations, we plan to create questionnaire

where we ask them to score various economic indicators during regime or we ask their perceptions about various economic indicators during the regime and its policies in various aspects. With this plan, for our empirical evaluation purposes, in Bangladesh perspective, we choose (appendix for definitions) the indicators of “economic growth” in Bangladesh perspective in such way so that the meaning and importance of each traditional indicator are portrayed thru our chosen indicators

EG = economic growth

GDP = gross domestic product per capita

$y_1$  = HC = human capital

$y_2$  = PSE = primary school enrollment

$y_3$  = PI = privatization index

$y_4$  = II = industrialization index

$y_5$  = DGA = diversification and growth in agriculture

$y_6$  = STP = sound trade policy

$y_7$  = SPIR = sound policies on investment for research

#### **E. The linkage between democracy and economic growth:**

Commenting on linkage, if it exists, between any two variables such as democracy and economic growth, we begin our efforts by addressing three questions.

They are

##### **a) What relevant scientific studies suggest:**

The existing evidence on the linkage between democracy and economic growth does not provide a clear cut support of the idea that increased democracy causes economic growth or *vice versa*. These findings have relied on data statistics evolved from many countries instead of a single country where the country is unique in the sense that it has witnessed various stages in establishing democracy. However, the interest in the relationship between democratic institution and economic growth in any western country

has been long-standing. In recent years, a renewed interest has been shown in trying to further comprehend the factors that determine a country's rate of economic growth. This is important since a higher growth rate means greater national output, potential of higher living standard etc. The earlier studies of the causes of economic growth focused on the importance of increasing exogenous quantities of physical resources to enhance the rate of growth, while more recent evidence suggests that growth is determined by much larger set of endogenously determined variables.

Institutional factors – the political and economic customs and practices that exist within countries have received particular attention in a number of recent studies. The importance of these factors lies in the fact that all economic decisions are made within a given institutional setting. And while it is difficult to know with certainty how these factors influence economic growth, it is generally assumed that greater economic and political freedom act as catalysts to enhance growth. Evidence from studies of the interrelationships has generally supported the belief of a positive linkage between democracy and growth but here have always been dissenters who believe that democracy might be negatively related to growth particularly for nations at lower level of living standards – that is poor or developing nations. Furthermore, most previous interrelationship studies have failed to adequately address the possibility of reverse causation between growth and democracy. This weakness has been singled out in studies done by 1990s. Specially, the question remains concerning the direction and significance level of the impact of democracy on economic growth and the contribution of economic growth to the enhancement of democracy.



In a similar vein, another group of studies have examined this inter relationships and have found that economic growth does make a positive significant contribution to growth Islam:1985, there is also a possibility as noted by Barro and Sla-i-Martin of an inverse relationship running from growth to economic freedom.

**b) What our observations suggest:**

**1. Rich countries' perspectives:**

Nowadays, developed nations, *especially* western society such as the United States and the United Kingdom face a single most development challenge around the globe in its foreign policies: How to establish democracy or democratic political institution. There are *at least* two basic principles behind these ongoing efforts: i) it may eliminate the corruptions and terrorism threats that can assure safety at home & abroad; ii) it may ignite growth & human capital accumulation, which can reduce the level of poverty and enhance prosperity, peace and tranquility in society in the long run. Underpinning the doctrine, their broad approaches can be identified in two folds: i) they start with democracy and others check on government as the mechanisms for securing property rights. With such political institutions in place, they believe that investment in human and physical capital will bring economic growth; therefore, they provide various forms of aids and financial supports so that democracy can be survived in the long run ii) they emphasize the need for human and physical capital accumulation to start the process for establishing democratic political institutions. In this scenario, they start with providing or enhancing the amount of aids and financial supports to poor or developing countries contingent to a vibrant movement for a democratic political institution.

In aim to implement the above approaches, in some cases, they create threats to overthrow the regime or they act directly or indirectly to overthrow non democratic political leader, and then provide various forms of helps either by starting with democratic institution in place or by igniting economic growth so that a democratic political institution can be established in the long run. The scenarios of Iraq & Afghanistan are the recent examples of these efforts. Furthermore, the recent one-eleven incident in Bangladesh and the roles of the rich nations, *especially*, the role of the United States in agreeing major political leaders in accepting the path of general election so that the crisis can be resolved are another example in promoting democracy across the globe.

On the other hand, the Middle East nations *especially* predominately oil rich nations make monetary donations etc available to developing nations as long as the recipient nations' beliefs are in the same faith and the recipient nations *at least* try to promote it domestically through policy design. In this perspective, the political history of Bangladesh suggests that any non democratic political move such as taking over power through dictatorship where it is, in general, denounced by the western nations fully relies on Middle East nations for foreign aids. In this paradigm, the dictator regime begins its political moves by implementing religious based policies. In Bangladesh perspective, the Zia and the Ershad regimes' efforts are bright examples of these scenarios.

Without further analyzing the motivations behind the rich nations' efforts, it is appropriate to raise question: whether political institutions cause economic growth, or whether, alternatively, economic growth lead to institutional improvement i.e. a democratic political institution in the long run.

## **2) Developing nations such as Bangladesh's perspective**

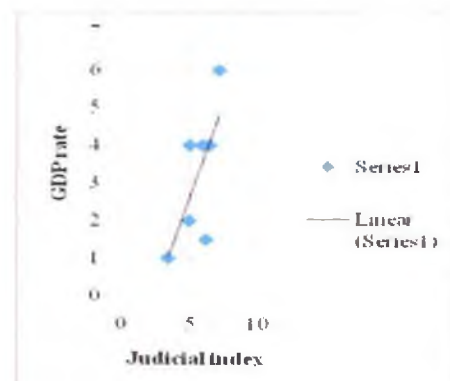
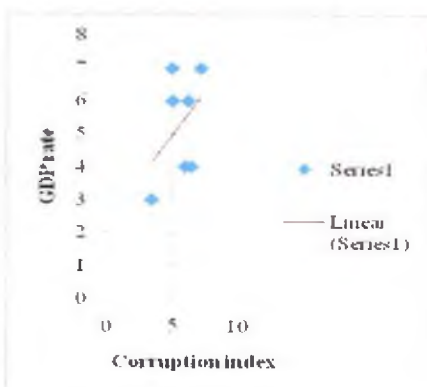
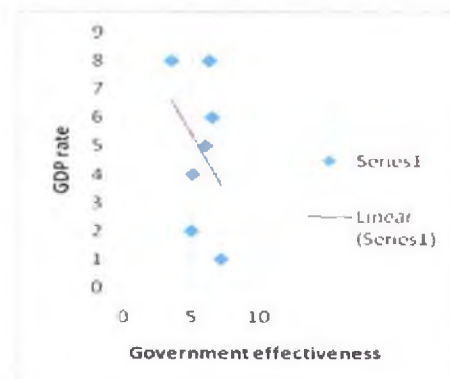
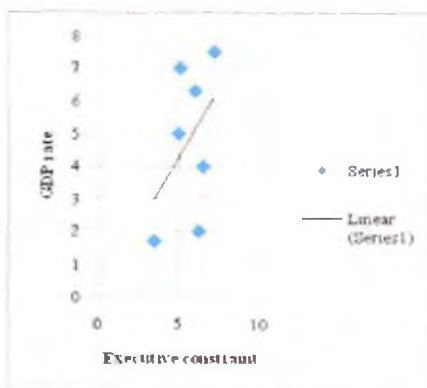
The history of political setup and the economic growth of western nations suggest that democratic system is friendly with economic growth. However, the history of political setup and economic growth in developing or under developed countries suggest that democracy is not the only political system for economic development. For examples China, Vietnam, Singapore and South Korea have reached the highest level of economic growth without practicing western democracy. Furthermore, the debate over interrelationship between political institution and economic growth becomes more interesting and murky when we witness that some poor or developing countries get out of poverty through good policies often pursued by dictator who presumed power by military coup or by some other non democratic fashions such as military backed government where state of emergency is in practice.

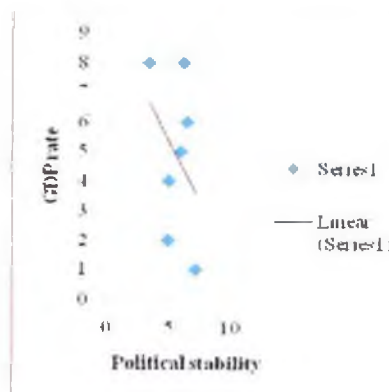
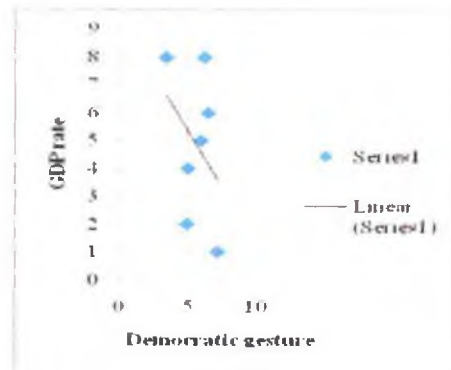
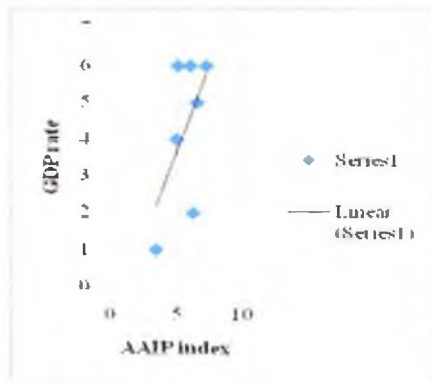
Bangladesh is a bright example of these scenarios. Our observations suggest that even pro-market dictators or military backed civilian governments (such as in Bangladesh, 2007) can secure property rights as a matter of policy choice, not of political constraints. From the vantage point of poor or even developing countries including Bangladesh, it can claim that democracy and other institutional improvements as the consequences of increased education and wealth, not as their causes. For example, the creation of the controversial Baksal (socialism approach) had ended Mujib Regime. During both Zia and Ershad regimes where both had come to power through army interruptions, had comparatively leaned to Middle East blocks for foreign aids and later became civilian governments though implementing policies underpinning religious faith, we have seen faster economic growth and their policy devises were different from

Baksal. Under both regimes, the GDP growth rates were higher (4.98 and 6.25 respectively) than that (3.46) of Mujib’s regime. In Bangladesh, the democratic process began to reestablish in 1991. Since the beginning of reestablishing democracy, the regimes have been changed through elections with exceptional political climate in year 2007. With exception in Caretaker Government plus Khaleda’s first term (1991-1996), the GDP growth rate has been progressive.

### 3. What our beliefs are

The following scatter plots are derived from the data statistics we have surveyed from different respondent groups namely graduate students, professionals in the subject area and the government officials.





All the Scatter plots show a linear relationship between GDP (economic growth) and the democracy where some are positive and others are negative. More specifically, the executive constraint, corruption index, judicial independence and ability to adapt & implement policy qualities of democracy are linear and positively related with the quality of economic growth (GDP). However, the government effectiveness, democratic gesture and political stability are linear and negatively related with the GDP. In summary of our observation, it would not be overstated to say that the qualities of democracy are linearly related to the qualities of economic growth in Bangladesh perspective, which deserves further study. Similar way scatter plots can be drawn using each quality of economic growth as dependent variable over each quality of democracy and vice versa.

## Chapter 5

### Economic Growth in Bangladesh: An Empirical Analysis

#### I. Trends of GDP in recent years:

In 1971, Bangladesh was liberated with a promise to promote democracy in which fundamental human rights, freedoms and economic & social justice would be guaranteed in which effective participation by the people through their elected representatives in administration would be ensured so that prosperities could be grown (The Constitution of Bangladesh). In aim to bringing this constitutional promise in life, the first formal administration, *the Mujib regime*, had begun its role facing with various problems such as war damaged economy where the GDP growth rate dropped near 5 percent in 1971 compare to that in 1970. The economic problem was getting deeper by acute food shortage and famines where these problems had linkages with many issues such as political retaliations by developed countries such as USA who was a foe of the war (Ahmed: 2006). Furthermore, the regime was facing a newly minted internal conflict on various issues such as who were heroes in the liberation war and who were rewarded etc. With all these issues in hand, it was somewhat confused on designing policies, especially, economic policies on how to handle these issues effectively from domestic and international perspectives so that the constitutional goals could be achieved.

With theses domestic and international barriers in economic growth and prosperity, since 1972 the nation has witnessed early stage of democracy, socialism move, army dictatorships and then efforts on re-establishment of democracy. However,

the recent macroeconomic trends (1991-2009) of GDP, Figure 5.1, depicts an impressive economic growth where year 1991 was the turning point of political regime type change

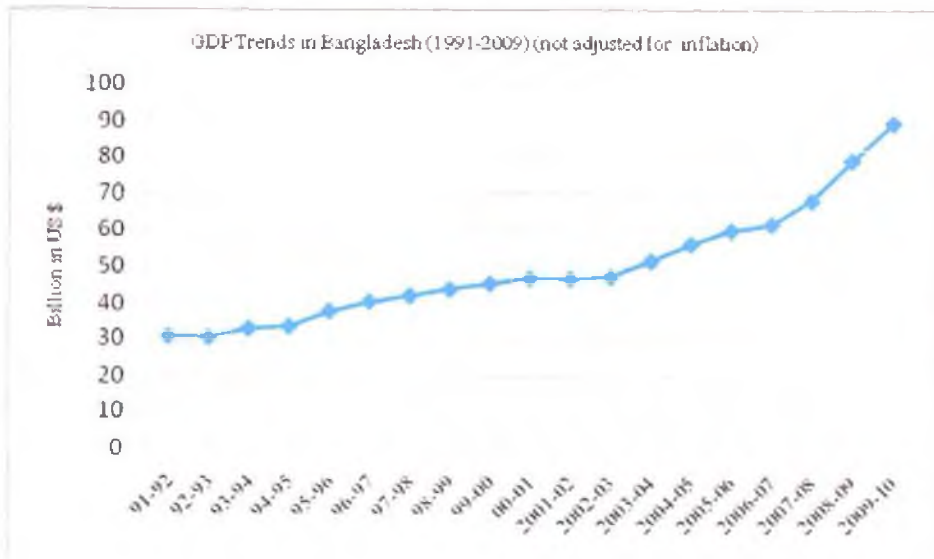


Figure 5.1: the GDP trends in Bangladesh (1991-2009) in Billion S (Current US \$, not adjusted for inflation)  
Data source: World Bank and World Development Indicators (as of December 21, 2010)

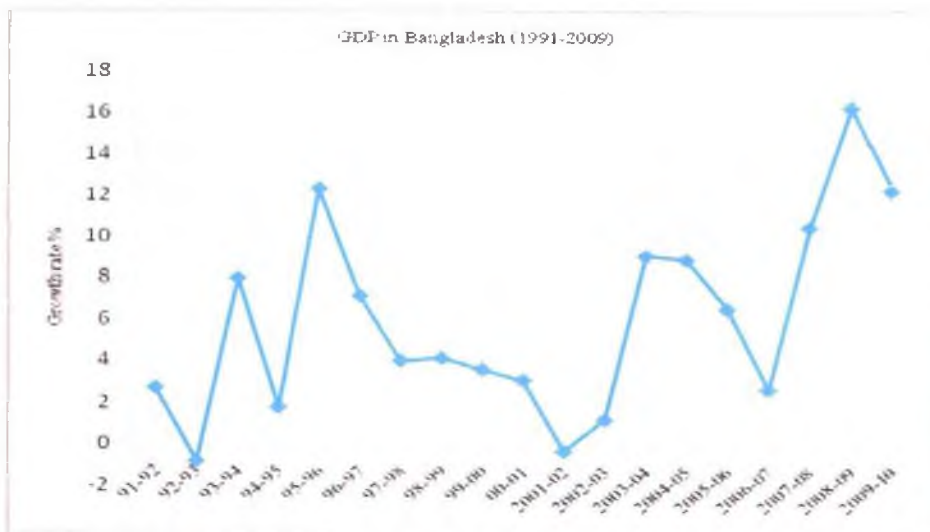


Figure 5.2: The GDP growth rate in percentage in Bangladesh (Current US \$, not adjusted for inflation)  
Data sources: World Bank, World Development indicators (as of December 21, 2010)

from authoritarian to democratic political regime through a civilian movement. In 1991-1992, the GDP per capita was \$30.957 billion US dollars and it reached to \$89.36 billion US dollars in year 2009-2010. Figure 5.2 shows that in 1991-92, the GDP growth rate was 2.784 percent and in 2009-2010, it reached to 12.326 percent which suggests that the GDP Growth rate was almost 4.5 times higher over this nineteen year period. It further shows that the GDP growth rate percent was continuously growing with exceptions in year 1992-93 (-0.811%) and in year 2001-2002 (-0.290%) ; however, it was not stable and steady but bumpy where some years the growth rate percent was higher than that of other years.

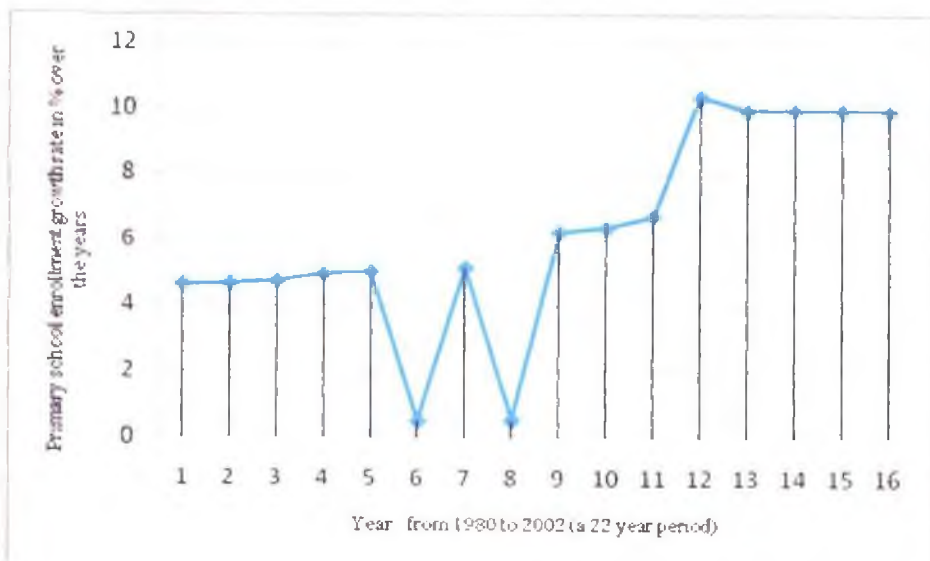


Figure 5.3: Growth rate in human & physical capital over period 1990 - 2002  
Data sources: CIA World Facts book (2010) and www.nationMaster.com

Furthermore, Figure 5.3 suggests that the human capital growth, *especially*, the primary school enrollment growth rate was 4.66 percent in 1980 and continued to grow until year 1984. However, in 1985, it sharply declined from 5.04 to 0.05, which suggests that the regime of year 1985 had put less emphasis to human & capital formation through



education. In year 1986, it reached back to 5.01 percent and again sharply dropped to 0.502 in year 1987. It started to pick up from year 1988 and it has been growing since then.

## **II. Other recent developments in line of economic growth:**

Today, there are sustained growth in food production and a good record of disasters managements, famines have become a phenomenon of the past (Chowdhury and Mahmud: 1974). Life expectancy has risen from 50 to 63 years; population growth rates of 3 percent a year have been halved, child mortality rates of 240 per 1,000 births have been cut by 70 percent, literacy has more than doubled, and the country has achieved gender parity in primary and secondary schools (World Bank: 2005). Most of these gains have taken place since the early 1990s, when an introduction of wide-ranging economic reforms coincided with transition to constitutional government and then to democratic government type, i.e. from authoritarian to constitutional government and then to democratic regime (BSS: 2006).

## **III. Findings of the Chapter:**

The above GDP trends data statistics suggest that in recent years, Bangladesh economy has witnessed an increasing economic growth with bumpy growth rate percent but not stable and steady, despite many impediments and political turmoil. This rapid growth inspires us to examine the GDP trends under regimes (1972 – to date) so that the findings can shed some lights on issue, democracy vs. economic growth in Bangladesh perspective. The goal of this chapter is carry out an empirical analysis of GDP growth

rate trends in Bangladesh in the line of regime types. It is expected that this examination will facilitate identifying regime type (s) that has influenced or contributed to the GDP growth rate in Bangladesh over the period.

#### **IV. GDP trends analysis in the line of regime type (s):**

##### **1. The analytical framework:**

For some decades economists, sociologists and political scientists have debated the question on whether democracy or non democracy improves economic growth. Our intention in this chapter is not to reiterate the theoretical arguments on the issue. Except to say that critics of democracy tend to expect substitution of investment by consumption and an open door to rent-seeking democracy, in contrast, critics of non democracy are afraid of predatory rulers. Instead of repeating this debate in this Chapter, we want to investigate the trends of GDP growth rate in line of regime type (s) in aim to see whether the actual GDP statistics say something on democracy vs. economic growth issue in Bangladesh perspective.

##### ***Mathematical perspectives in estimating GDP growth rate percent or change in percent***

The value of GDP by itself is not very interesting. What is interesting is the annual growth rate, or year-to-year percentage change, in the value of GDP. For calculate the percentage change in a statistics, such as GDP, we need to know the value of the statistics at *two* dates in time. Suppose that the value of GDP last year was  $Y_L$  and the value of GDP in the current year is  $Y_C$ . Then, the percentage change, or growth rate, of GDP is given by

$$\text{GDP growth rate percent} = \{(Y_C - Y_L) / Y_L\} * 100$$

In some cases, we may see extreme values in GDP growth rate percent under different regimes. To address this issue, since median is less sensitive to extreme scores than mean, we prefer to use median instead of mean value of the GDP growth rate percent. This preference is better than using mean for highly skewed distribution.

For calculating sum of absolute deviation of each number from the median of the GDP growth rate, we use the following formula

$$K = \sum [ | \{(Y_C - Y_L) / Y_L\} * 100 - X_i | ] \text{ where}$$

K = sum of absolute deviation of each number from the median GDP growth rate

$X_i$  = median under each decade where  $i = 1, 2, 3$  and  $4$  i.e. 1<sup>st</sup> decade, 2<sup>nd</sup> decade, 3<sup>rd</sup> decade and 4<sup>th</sup> decade

This formula is valid for calculating the percentage change in any statistics, not just the percentage change in GDP. A *positive* growth rate of GDP implies that the economy is expanding, while a *negative* growth rate of GDP implies that the economy is contracting. An expanding economy is said to be in a boom, while a contracting economy is said to be in a recession.

Now suppose a regime is in power, without questioning its type, it may prefer to change its policies for achieving a higher GDP growth rate by rearranging its resources and or by adopting modern technologies or for something else, in this scenario, it is preferred to use average or median growth rate instead of just growth rate so that its

performances can be estimated over its time span. Our GDP growth rate percent data statistics (1972-2009) suggests that under each regime, there are few data statistics that are extreme numbers in the distributions. For example, during Mujib regime, the lowest growth rate was -28.153 in year of 1972-73 and the highest was 55.687 in year 1975-76. During Zia regime, - 48.015 was the lowest growth rate in year 1976-77 and 38.071 was the highest in year 1978-79. During Ershad, the lowest was -8.480 in year 1982-83 and 14.653 was the highest in year 1984-85. During the first decade of the democratic regime (1991-2001), the data statistics depicts a normal distribution, which during this period, there were no extreme growth rate data; however, growth rate data statistics during Mujib, Zia and Ershad separately depicts skewed distributions. Since we know that median is less sensitive to extreme scores than the mean and the sum of the absolute deviations of each number from the median is lower than is the sum of absolute deviations from any other number, we use median measure over the mean measure when we compare growth rate percent among regimes.

Choosing median measure over the mean measure may not be important in case of democratic regime because it has constitutional time limit, however, it is important in case of tyranny or authoritarian regime (s) who decides its time limit to stay in power, if and only if, there are no successful movements against the regime. This preference will help us addressing the dilemma - *the impacts of public economic policy may not be seen over night*, in public economic policy literature.

In case of considering *average growth rate percent*, the formula should be as follows

$$\text{GDP average growth rate percent} = \left[ \frac{\sum (Y_C - Y_L)}{Y_L} * 100 \right] / n$$

where n = number of years in power.

Utilizing this technique might be more appropriate over others at least in Bangladesh perspective, because, Bangladesh political history suggests that some non democratic regimes have lasted for very few years and some have last for longer time. In case of democratic regime, it may not make a robust difference in case of comparing democratic vs. democratic regime. However, any comparisons between democratic vs. non democratic regimes might make a huge differences. To avoid confusion on whether mean or median measure will be used, we examine the distribution of data values of the GDP growth rate percent. If data shows skewed distribution, either positive or negative, we prefer using median measure over the mean measure. This is because, it is less sensitive to the extreme value in the distribution.

#### **The approaches used in Research:**

In general, the literature in the subject area suggests that some studies favor authoritarian as promoter of growth as there are some studies that favor democracy. Prezewski et al: 2004 where they have used *average growth rate percent* and concluded that neither authoritarian nor democracy makes differences to GDP growth rates. Using Bangladesh GDP growth rate data, in recent studies on the issue, Amin (Amin: 2010) used a comparison technique where GDP data were converted to *growth rate percent* not *average growth rate percent* over thirty-eight year (1973 – present) time span. In Amin's study, the time span was broken down into three segments namely, 1973 to 1990, 1991 to 2001 and 2002 to present time. In the first segment, there were three types of regimes

namely socialist regime (Mujib), army ruled to immediately stop the socialism moves and then it had attempted to transform the regime into democratic path, *nascent democracy*, (Zia) and the authoritarian regime (Ershad) (Amin:2010). In comparison among these three regimes in the first segment, Amin (Amin: 2010) examined the trend of GDP growth rate percent over the eighteen year period and then compared these three regime types based on drawing mini trends from the corresponding GDP growth rate percent of each of these regimes. Applying similarly technique, it has examined the trends of GDP growth rate percent over recent ten year period (1991 – 2001). Finally, it has cross-examined the three decade GDP growth rate percent where the first two decades Bangladesh was ruled by non democratic regimes, *Mujib, Zia & Ershad*, and the recent decade was ruled by democratically elected regimes, *Khaleda & Hasina*. It has concluded that during the third decade, the democratic regimes, the GDP growth rate percent was steady, however, it was not steady during the second and the first decade (Amin: 2010).

To our judgment, Amin's findings were not unexpected at least in Bangladesh perspective. Because democracy implies similar constraints on rulers and thereby it might lead to similar economic performances and among non democracy, however, constitutional and institutional constraints are likely to be weak and variable. Furthermore, personal inclinations of non democracy might matter much more than that of democratic regime. For example, Zia regime was favorite and more effective over his predecessor, Mujib or over his successor, Ershad, and since over thrown the Mujib regime, GDP growth rate was the highest (38.071%) in 1978-79 and it stayed highest until year 2003-2004 (Amin: 2010). This simply suggests that democracy is not only the regime type that can promote GDP growth rate percent in Bangladesh.

If Amin (Amin: 2010) had used *average growth rate*, instead of growth rate change, then either it would not have found any robust differences in GDP growth rates associated with democracies and non democracies or it would have found that non democracies had contributed significantly than that of democracies in Bangladesh. It would further have found that GDP growth rate was higher than that of Mujib or of Zia even though Zia was in the move of promoting democracy. This is because, in non democratic perspective, some regimes lasted longer than that of others in office. Similarly, some non democratic regime (s) lasted longer than that of democratic regime (s) in office.

Nonetheless, it is obvious that this recent addition in literature is a starting point in line of the examination and it is a resourceful to many, *especially*, to those who intend to participant in the debate on whether Bangladesh should start democracy in place first or whether it should start with investment in human and physical capital so that democracy can be followed.

However, Amin's comparison approach, similar to many in literature, faces a dilemma, which is well established in public economic policy literature for decades. The dilemma in analyzing any public economic policy is that the impacts of any economic policies may not be seen in the same year when the policy is implemented. In other words, the impact of public economic policies may not been seen over night. This is because, the success of any public economic policies depend on many factors including time, compliance rate, regime type etc. This scenario becomes further complicated and murky when a successor follows its predecessor's policies in practice where say predecessor was in democratic move, however, the successor was something else. For

example, when Ershad had taken over power from then the civilian government that was promoting the policies of Zia regime where the Zia regime was in democratic move *prior* to his assassination, Ershad regime had followed Zia's policies either for establishing himself in political arena or for the sake of nation's economic growth. Later, Ershad had pursued further dictatorship either for distancing himself from the Zia regime or for something else.

History suggests that Ershad's authoritarian approaches were far away from Zia's transformation to democracy in designing public policies and he had made changes in its various economic policies. Similarly, when Ershad was over thrown by civilian movement, the successor, Khaleda regime, had followed Zia regime's policies, even though, Khaleda regime was elected through democratic process, which is contradictory to the process used by Zia. This *scenario* in hand, it is palatable to assume that the higher growth rate in the early stages of Ershad regime cannot be used to credit the regime even though he was ruler at that time. On the same token, the higher GDP in the early stages of Khaleda regime cannot be used to credit the regime even though the regime was the ruler and elected through democratic process.

To overcome the limitation, the dilemma in public policy analysis, we advance our evaluation process in three folds. In the first segment, we discuss on how an economic growth occurs. In the second segment, we then single out point (s) of inflection, *a point at which a curve changes sign* that are significant on economic growth curve, we then identify the probable variables that explain the changes of the economic growth rate. In the third segment, we pin down the corresponding regime type that has



influenced to it and then see whether it was democratic regime or something else. In this scanning process, we use thump rule, if a successor regime follows its predecessor regime's economic policies in practice and it does not strictly implement any policies contradictory to it, we simply count predecessor regime's efforts instead of the successor regime for the changes. In the fourth segment, for accounting purposes, we use median growth rate percent in case of a comparison between the second decade and the third decade as the time span was broken down by Amin (Amin: 2010).

**The first segment:**

***How an economic growth occurs: the theoretical justification of our approach***

Economic growth of a nation occurs whenever its regime implements policies that encourage people to take resources and rearrange them in ways that are more valuable. We take liberty to use a useful metaphor for production in an economy comes from say kitchen. To create valuable final products, we mix inexpensive ingredients together according to a recipe. The cooking one can do is limited by the supply of ingredients, and most cooking in the economy produces undesirable side effects. If economic growth could be achieved only by doing more and more of the same kind of cooking, we would eventually run out of raw materials and suffer from unacceptable levels of pollution and nuisance. Human history teaches us; however, that economic growth springs from better recipes, not just from more cooking. New recipes generally produce fewer unpleasant side effects and generate more economic value per unit of raw material where economic growth is usually brought about by technological innovation and positive external forces i.e. creation of new products and/or services with a marginal cost. Furthermore, since

economic efficiency issue is an important component in neo-classical economic theory, the addition of new recipes, i.e. new ideas in industrial sector will lead a higher GDP than that in the agricultural sector. Therefore, in this 21<sup>st</sup> century, we see that developed nations hold a higher GDP than that in developing nations who mainly rely on its agriculture sector for its economic growth.

***Application in Bangladesh perspective:***

In Bangladesh perspective, we apply our metaphor through the neoclassical economic theory – *endogenous growth model*, where we can say that any long run GDP growth rate can be ensured if the foreign-aid inflows stay uninterrupted and benefits of technological progress can be utilized. This assertion suggests that Bangladesh needs economic policies that embrace openness, competition, innovation and environment of uninterrupted foreign-aid inflows, which can promote growth. Conversely, any policies or political regime type or political vacuum which has effects of restricting or slowing these two likely over time will cause to slow the growth. Our political history and relevant statistics have taught us that these two conditions can be met effectively by any democratic regime type over any nondemocratic one.

Our macroeconomics suggests that a significant portion of our GDP comes from foreign aids where developed nations prefer to contribute significantly when the regime is democratic and it promotes democracy in practice. The nations of Middle East block prefer to contribute significantly when the regime has willingness to promote religious based improvement. The foreign aids contribution to GDP ranges from 2.5 to 5.0 percent. Furthermore, Appendix C – D show agricultural sector in Bangladesh contributes a

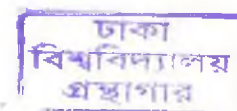
greater proportion of GDP over that of the industrial sector, this is because Bangladesh is an agro based country, therefore, any administration without judging its regime type put policy emphasizes to agriculture sector and policy designs accordingly. The service sector stands first in contributing to the GDP where “other services” category incorporates into a significant portion of the service sector. Expatriate earnings play a significant role to accumulate GDP through “other service category”. The industrial sector stands third in contributing to the GDP where “manufacturing” category plays a significant role for a higher GDP.

Since historically foreign aids play a crucial role in GDP growth in Bangladesh, we must mention here that the political history of Bangladesh suggests the non democratic regimes had relied heavily to Middle East nations for foreign aids because their regime types were unwelcomed by Western nations and it had heavily relied to agriculture sector instead of industrial sector. In recent years, since year 1991, Bangladesh has been receiving huge foreign aids from Western nations and some from Middle East nation, which depends on who is in power, Khaleda or Hasina.

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The points of inflection on the GDP growth rate percent curve in Bangladesh

Figure 5.4 shows the GDP growth rate percent of non democratic regimes (1972-1990) where there were three regimes, Mujib, Zia and Ershad where Ershad who was the longest serving regime, from 1982 to 1990.



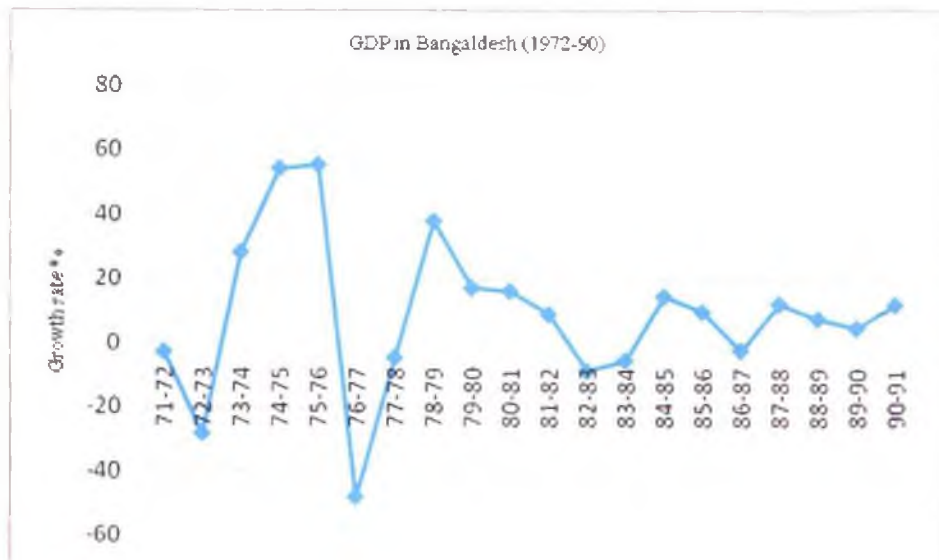


Figure 5.4: GDP growth rate percent over nineteen year period (1972-1990)  
Data sources: World Bank and World Development Indicators  
(US \$, not adjusted for inflation) (as of December 21, 2010)

Mujib (1972-75), Zia (1976-81 +) and Ershad (1982-90)

Scanning Figure 5.4 suggests that the points of inflection that are significant on the GDP growth rate percent curve are corresponding to year 1972-73 (-28.153), 1975-76 (55.678), 1976-77 (-48.015), 1978-79 (38.071) and 1982-83 (-8.480). Our political history in line of these data statistics suggest that in 1972-73, Mujib regime started with -2.679 % GDP growth rate, and in 1972-73 it dropped to (-28.153). In 1972-73, since Mujib regime had moved to socialism, in response to this move as well as domestic political unrest in response to socialism moves, the domestic as well as foreign investors had started to pull off from investment market, the GDP growth rate dropped significantly. In 1974-75, the GDP growth rate was the highest during Mujib regime where the socialist nations and India had contributed significantly.

In year 1975-76, Mujib's socialism move was stopped by Zia through army coup, which was mostly welcomed by Bangladeshis as well as most democratic nations in the

world, however, donor nations were very cautious in providing supports to Zia's upraised where the nations were expecting Zia to create a democratic political environment, similar to army moves in year 2007. Instead of fulfilling world's demands, since Zia's moves were welcomed by most Bangladeshis, he had resumed the power and slowly moved to the path of democracy. Because of this turmoil, there were less inflow of foreign aids, slow investment etc, therefore, in 1976-77 the GDP growth rate sharply declined and reached to (-48.015), which was the lowest during Zia regime. Later, since Zia was privatizing the industrial sector etc, the domestic investors were encouraged by Zia move but they were cautious to come back to invest in the production sectors. Furthermore, Zia regime had implemented a huge program for improvement in agriculture sector, which had contributed to the GDP growth rate. In spite of failing to secure foreign aids from Western nations, Zia had heavily relied for the first time to Middle East nations for foreign aids, therefore, the GDP growth rate had continued to increase and in 1978-79, the growth rate reached to (38.071), which was the highest when Zia regime was in move to democratic path, however, it was facing internal conflicts, especially, from ambitious officers, who were forcing regime to see a set up similar to Pakistan army rise instead of a democratic regime. In facing this challenge, Zia was assassinated and the civilian government of his party had taken over the power and was promoting his democratic-move policies where the democratic nations were throwing their supports.

In year 1982-83, Ershad over thrown the legitimate government and resumed the power as results, as before, democratic nations were backing off to supports, industrial investment were slowing down. Therefore, the GDP growth rate after Zia regime, for the

first declined and reached to (-8.480), which was the lowest during Ershad, the authoritarian regime. Since authoritarian was not welcomed by the Western nations, underpinning Zia's success, Ershad had relied to Middle East nations and followed Zia's policies in agricultural sector. At the same time, the garments industry was becoming interesting and profitable where his policies facilitated uplift the GDP growth rate. Lastly, Figure 5.4 further suggests that there are many extreme points in the GDP growth rate percent during non democratic regimes from 1972-90, which further suggests that the distribution curve is skewed during all three non democratic regime types.



Figure 5.5: GDP growth rate percent (1991-2010)  
 Data sources: World Bank and World Development Indicators  
 (US \$, not adjusted for inflation) (as of December 21, 2010)  
 Kaleda (1991-95), (2002-2007) Hasina (1996-2001), (2009-present)

Figure 5.5 suggests that the point of inflection that are significant are year 1992-93 (-0.801), year 1995-96 (12.351), year 2001-02 (-0.290) and year 2008-09 (16.281). After over throwing authoritarian regime through civilian movement in year 1991-92, the constitutional government took over conducted general election, which was the first

democratic election in Bangladesh. In 1991-92, Khaleda regime started its ruling with GDP growth rate negative, however, 1995-96 it reached to (12.351%). During her first term, Zia had managed significantly foreign aids inflow from both developed and Middle East nations. Furthermore, it had followed Zia's policies in agriculture sector as well as industrial sectors, which had significantly contributed to the growing GDP growth rate. In 1996-97, Hasina regime became in power, however it had spent more efforts to undo Khaleda efforts than that for the GDP growth, which had resulted a drop in growth rate in 2001-02). The Figure 5.5 further suggests that the distribution of GDP growth rate percent is symmetric, therefore, using mean measure might be better, however, since the distribution during the second decade appears to be skewed, therefore, we use median measure so that a comparison can be carried out between the second and the third decades.

Scanning Figure 5.6 suggests that the *point of inflection* that are significant are year 1982-83 (-8.480), 1984-85 (14.653), 1986-87 (-2.093), 1987-88 (12.386) and 192-93 (-0.8011). In year 1982-83 when Ershad took over power through coup, the investments in all sector sharply declined foreign aids declined, which ad resulted a nose down in GDP growth rate, it declined again in 1986-87 when there was a beginning of domestic movement against the authoritarian. In 1990-91, the authoritarian was removed from the power and the democratic government was under way because of uncertainty in political environment GDP growth rate was affected again.

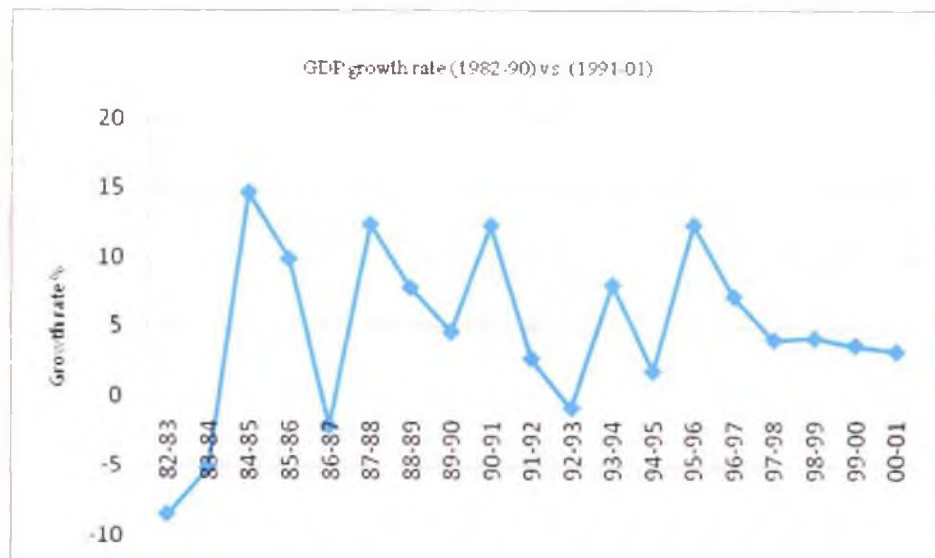


Figure 5.6: GDP growth rate trends (Non democracy vs. democracy Regimes)  
 Data source: World Bank, World Development Indicators  
 Data updated: December 21, 2010

**The fourth segment:**

In this segment, we first compare GDP growth rate among the second decade (1981-90) and the third decade (1991-2001) where the second decade was under the authoritarian and the third decade was under democratic regime. The GDP growth rate percent data further shows that the GDP growth rate percent distribution curve is skewed during non democratic, however, it was symmetric during democratic regimes.



**Comparison of contributions to GDP growth rate in line of Regime types**

In this sub segment, we first show in Figure 5.7 various regime types based on its executive powers. The figure shows that Mujib had no executive constraints since its socialism move. It further shows, when Zia took over, initially, he had zero executive constraints, soon after taking over, he had moved to democratic path there he had partially constraints. During Ershad regime, he had no executive constrains, therefore, he is known as authoritarian regime in Bangladesh political history. The year 1991-92 was the beginning of reestablishment of democracy and since then regimes whose were in power are considered to be democratic regime.



Figure 5.7: Executive constraints of the regime (s)  
 The constraints scale = 0 to 7  
 Higher constraint = Democratic regime, lesser constraints = non democratic regime

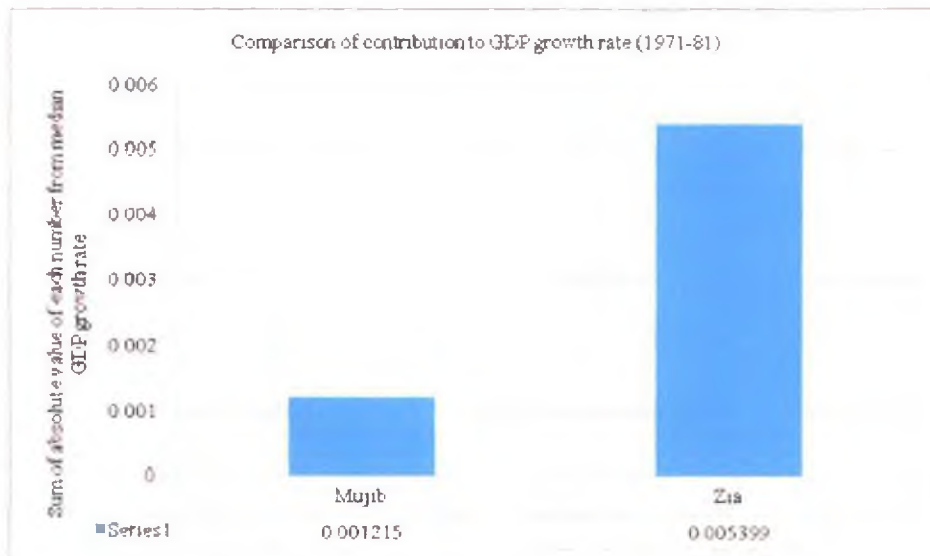


Figure 5.8: Comparison among Decades (1981-2010) in line of contributions to GDP growth rate (The data represents the sum of absolute deviations of each number from the median of the GDP growth rate)

Data source: World Bank, World Development Indicators  
Data updated: December 21, 2010

Figure 5.8 suggests that Zia had contributed with a greater rate than that of Mujib to the GDP growth rate percent during the first decade. If we had used the mean value measure, we could find that Zia had surpassed Ershad in contributing to GDP growth rate percent in Bangladesh. Using the same approach, it may further show that Zia's contributions to GDP had surpassed the efforts of the initial democratic regime (the third decade). This is because Zia was quickly moving to democratic path and, therefore, it can be said that economic growth of any country can be achieved even under a non democratic ruler if and only if the ruler have the policies in practice for the greater benefit of its nation.

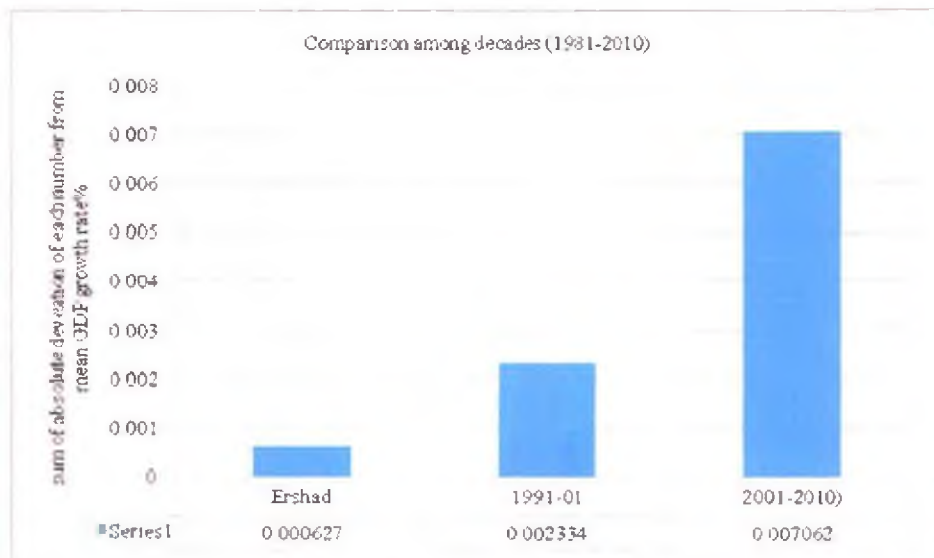


Figure 5.9: Comparison of contributions to GDP growth rate between Mujib and Zia during the first decade

(The data represents the sum of absolute deviations of each number from the median of the GDP growth rate)

Data source: World Bank, World Development Indicators  
Data updated: December 21, 2010

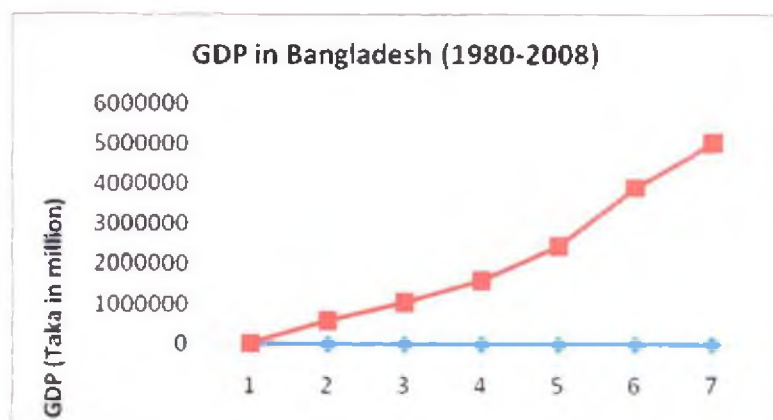
The data in the Figure 5.9 represents the sum of the absolute deviations of each number from the median of the GDP growth rate under each decade in Bangladesh perspective. The figure further suggests that the second decade (1981-90) had contributed very slow growth rate to GDP, however, the third decade (1991-2001) had contributed in a higher rate. In the fourth decade, it had contributed in a much more faster rate.

## Chapter 6

### **Economic Policies and Performances: A Cross Examination of Political Regimes in Bangladesh**

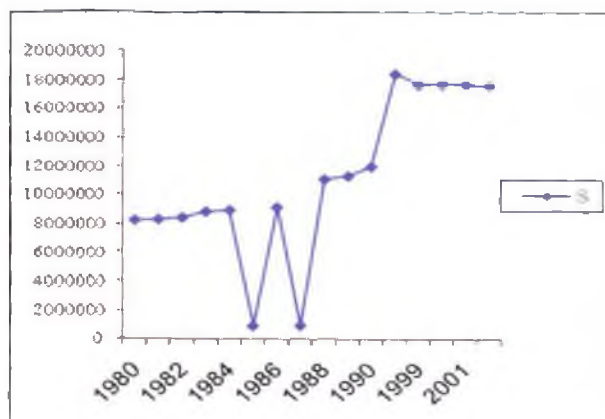
In December of 1971, Bangladesh emerged as a new nation in the globe with 3.54 percent GDP per capita growth rate (CIA Report: 2010, World Fact Book) and reeling from the war damage to its institutional and physical capitals. The economy was ravaged by acute food shortages and famines during the early years of the liberated Bangladesh where these problems had linkages with many issues such as political retaliations by other countries such as USA who were the foes of the war (Ahmed: 2005). Furthermore, after liberation, because of internal conflicts on various issues such as who were heroes in the liberation war, who were not, who were rewarded for sacrifices they made in the liberation war, who were not rewarded etc. were causing a mounting problem in addressing country's economic growth. Also, the newly formed administration was somewhat confused on how to handle economic, security, foreign policies etc. for a rapid progress where these issues have been mounting and getting worse since the British *era*. With these domestic and international barriers in economic growth and prosperity, since 1971 the nation has witnessed early stage of democracy, socialism move, army dictatorships and then efforts on re-establishment of democracy, which makes this country to be found a unique in the world. However, the recent macro-economic trends of gross domestic product depict an impressive improvement. The efforts to achieve the goals of macroeconomic have been problematic since the birth of this nation. There are various factors such as country's large population, corruptions within the government and power shortages etc are still keeping the goals under achievement.

Figure 1: GDP in taka in million in Bangladesh (1980 – 2008)



The x-axis represents year and y-axis represents GDP. This chart depicts the trend of gross domestic product of Bangladesh at market prices estimated by the International Monetary Fund with figures in millions of Bangladeshi Taka. This reflects the formal sector of the economy.

Figure 2: Primary school enrollment (1980-2002) in Bangladesh



The trends of primary school enrollment (1980-2002) suggest that the human capital growth started to pick from year 1987 and it has been growing since 1987.

*The significant improvement:*

Today, this sustained growth in food production and a good record of disasters managements, famines have become a phenomenon of the past. Bangladesh's per capita GDP has more than doubled since 1975. Life expectancy has risen from 50 to 63 years; population growth rates of 3 percent a year have been halved, child mortality rates of 240 per 1,000 births have been cut by 70 percent, literacy has more than doubled, and the country has achieved gender parity in primary and secondary schools (World Bank: 2005). Most of these gains have taken place since the early 1990s, when an introduction of wide-ranging economic reforms coincided with transition to democracy. The growth of per capita GDP had been slow in the 1980s, at an annual average of 1.6 percent a year, but it accelerated to 3 percent in the 1990s, and to about 4 percent more recently. The acceleration resulted partly from a slowdown in population growth but also from a sustained increase in GDP per capita growth, which averaged 3.7 percent annually during the 1980s, 4.8 percent during the 1990s, and 5.7 percent since then.

This rapid & steady economic growth in Bangladesh, despite many impediments, warrant for a thorough evaluation of major sectors in the economy and its performances under the regimes (1972 – to date), which are the goals of this chapter.

We advance this evaluation in two folds. In the first segment, we evaluate economic growth in different major economic sectors where we briefly make a comparison among performances of regimes. In the second segment, we evaluate regimes' political various moves or efforts or policies in the line of economic growth. It is palatable to assume that no public economic policies can produce outcomes over night, in general. Therefore, in the economic growth evaluation segment, we may not be able to

single out whose policy efforts had contributed to the economic growth or had influenced to cause the economic catastrophes in Bangladesh. However, the year of the growth or catastrophe took place will reflect under what regime it took place. By applying backward and forward techniques in scanning the facts of these two segments, the reader should be able to detect whose public policies had contributed or influenced to the results of the corresponding year (s).

#### **I. Economic growth segment:**

The efforts to achieve the goals of macroeconomic have been problematic since the birth of this nation. There are various factors such as country's large population, corruptions within the government and power shortages etc are still keeping the goals under achievement. Furthermore, the privatization of public sector industries has proceeded at a slow pace because of worker unrest in affected industries. To address this issue in June of 2002, the government took a bold step and closed down the Adamjee Jute Mill, which was most costly state-owned enterprise. State-owned banks, which control about three-fourths of deposits and loans, carry classified loan burdens of about 50% (Ahmed: 2006).

#### **Sector wise economic outlook and comparison:**

##### ***Agriculture***

Since after 1971, significantly booming of crop production was seen in 2005-2006 where Bangladesh produced 28.8 million metric tons of rice, which is the principal crop. By comparison the wheat output was 9 million metric tons. It reasonable to mention here that population pressure still continues to place a severe burden on productive capacity,

creating a food deficit, especially of wheat (Chowdhury and Mahmud: 1974). Various kinds of foreign assistance and commercial imports in general fill the gap between supply and demand but the seasonal hunger still remains a problem. This food shortage was severe during Mujib regime where, in one hand, the regime had very little access to foreign aid programs because of the regime's foreign & domestic political policies such as socialism moves, on the other hand, the regimes had failed to craft an effective policies in agricultural sector in new born Bangladesh where the corruptions were mounting exponentially and the share of GDP of agriculture was 56 percent. In contrast to these limitations, after taking over power, Zia regime had engaged to revitalize the agriculture sector probably for two reasons, one, since Bangladesh is agro based country where food self-sufficiency could be achieved and; two, the regime was trying to establish itself over Mujib regime by improving peoples' lives through fulfilling its necessity. Zia regime had implemented the policy of R&D first in agriculture sector, which has been following by every regime since Zia regime. Zia had had many programs including *khal kata* program, which is still crucial for higher food production in agriculture where share of GPD of agriculture sector was over 68 percent (Chowdhury and Mahmud: 1974). After taking over power, Ershad regime had followed Zia's legacy in this sector, however, the regime had lost the *mojo* of engaging with people who live in rural areas in Bangladesh. Instead emphasizing in agriculture sector, it had occupied to legalize it acts in taking over power. For immediate help, it had heavily relied on foreign aids where Middle East blocks had responded to the regime's appeals; however, the aid packages had come with conditions of establishing religious institutions such as *madrashas* etc. With these efforts, during Ershad regime, extremism had grown faster than economic growth where the share of



GDP of agriculture sector declined to 62 percent. Unlike Ershad regime, the Khaleda regime had relied on both western and Middle East countries donations at the same time, it had followed Zia's path in revitalizing agriculture sector. The average annual growth of agricultural GDP had accelerated from 2.5 percent in 1980s to 3.5 in the 1990s and since then it has been either maintaining steady or a growing growth rate. The agriculture sector is the single largest contributor to income and employment generation and a vital element in the country's challenge to achieve self-sufficiency in food production reduce poverty and foster sustainable economic development. Since 1972, each political regime had realized the importance of this sector, however, some had failed to implement agro based policies because of monetary constraints, which had evolved from its stands in a world of favor seeking politics. Among regimes of the post-liberation era, Zia regime had succeeded bidding these odds however. Among regimes, of the re-establishment of democracy era, Khaleda regime had revitalized Zia's policy; however, its enormous corruptions had diverted its focus to something else.

### ***Manufacturing & Industry***

Many new jobs - mostly for women - have been created by the country's dynamic private ready-made garment industry, which grew at double-digit rates through most of the 1990s. By the late 1990s, about 1.5 million people, mostly women, were employed in the garments sector as well as Leather products specially Footwear (Shoe manufacturing unit). During 2001-2002, export earnings from ready-made garments reached \$3,125 million, representing 52% of Bangladesh's total exports. Bangladesh has overtaken India in apparel exports in 2009, its exports stood at 2.66 billion US dollar, ahead of India's 2.27 billion US dollar (Mahmud: 2008).

### *Textile sector*

Bangladesh's textile industry, which includes knitwear and ready-made garments along with specialized textile products, is the nation's number one export earner, accounting for 80% of Bangladesh's exports in 2009 (World Bank: 2007; www.nationmaster.com)

### *Investment sector*

The stock market capitalization of the Dhaka Stock Exchange in Bangladesh crossed \$ 10 billion in November of 2007 and the \$30 billion dollar mark in 2009, and USD 50 billion in August 2010. The major investment in real estate by domestic and foreign-resident Bangladeshis has led to a massive building boom in Dhaka and Chittagong (World Bank: 2007).

### *Other sector*

The Bangladesh government continues to court foreign investments, something it has done fairly successfully in private power generation and gas exploration and production, as well as in other sectors such as cellular telephony, textiles, and pharmaceutical industries. In 1989, the same year it signed a bilateral investment treaty with the United States, it established a Board of Investment to simplify approval and start-up procedures for foreign investors, although in practice the board has done little to increase investment (World, Bank: 2003). In 1990s, the government created the Bangladesh Export Processing Zone Authority to manage the various export processing zones.

Table 1: Macroeconomic balances 1980/81 to 2004/2005 five year average (percentage of GDP)

Indicators	80/81 84/85	85/86 89/90	90/91 94/95	95/96 99/00	00/01 04/05
<b>External sector</b>					
Exports goods & services	5.4	5.6	8.6	12.7	15.2
Import goods & services	14.3	12.8	12.6	17.3	20.9
Workers' remittances	2.7	2.9	2.9	3.6	5.8
Account deficits	6.7	4.7	2.1	1.9	.09
<b>Investment &amp; savings</b>					
Public	4.8	6.1	6.7	6.8	6.4
Private	12.1	10.4	11.3	14.7	17.2
Gross domestic savings	8.0	9.4	12.5	15.3	16.9
Gross national savings	10.7	12.3	15.5	18.9	23.0
<b>Government budget</b>					
Total revenue	6.3	6.7	8.6	9.0	10.0
Tax revenue	5.2	5.4	6.9	7.2	8.4
<b>Expenditure</b>					
Current expenditure	4.6	6.0	6.5	7.2	8.2
Development expenditure	6.6	5.4	5.6	5.7	5.4
Total expenditure	12.9	12.2	13.4	13.4	14.0
Budget deficit	6.6	5.6	4.8	4.4	4.0
Domestic borrowing	1.0	0.5	0.8	1.9	2.2
Foreign borrowing	5.6	5.0	4.0	2.5	1.8

Data Sources: Handbook on South Asian Economies by Anis Chowdhury and W. Mahmud (2008), various publications of World Bank, IMF, Bangladesh Bank and BBS

#### Regimes:

##### Post-liberation era (1972 – 1990)

Mujib: 1972 – 1975 where this regime had made socialism moves

Zia: 1975 – 1981 where this regime had took over power through army coup and in a short period of time it became a civilian popular regime

Ershad: 1982 – 1990 where this regime had took over power through army coup and lasted for a long period with Army uniform.

##### Re-establishment of democracy era (1991 – to date)

Khaleda: 1991 – 1996, 2001 – 2006 where this regime was elected in a democratic process

Hasina: 1996 – 2001, 2009 to present where this regime is / was elected in a democratic process

Notes: since macroeconomic balances of Mujib regime in compare to that of other regimes were not significant, we intentionally ignore its data information in this table.

The Table 1 shows a comparison of macroeconomic balances (a percentage of GDP) from 1980 to 2005. The data further shows that the workers remittances grow significantly since 1991. It further shows that budget deficit has been declining; therefore,

borrowing amounts are reducing significantly since the beginning of the re-establishment of democracy in Bangladesh. However, the expenditure in development sector is not growing faster, therefore, the country is still under poverty level and the infrastructure is still under old fashion. Nonetheless, in city areas it has invested for improvements.

## II. Political regime segment:

The aforementioned improvements in Bangladesh economy did not come based on public policy design efforts under a single regime. After ending Mujib regime, Zia had started to address, *at once*, many-fold issues of the nation and the successors of Zia including the current Hasina regime, had / has followed similar policies with making minor changes in approaches so that it can be claimed its own brand. It was not until 1978 - 79 that a stable per capita income had recovered to its steady pre-independence level even though there were very limited inflows western foreign aids, *especially*, from the USA (World Bank: 2003, 2007). This inflection point obviously suggests that under Zia regime, for the first time in the liberated nation, we had seen a positive curvature of GDP per capita income, which begs question whether it was the results of efforts taken or policies implemented by Zia regime. To answer this question and other similar questions, we institute some criterions that we use them in this segment to evaluate political regime in the line of economic growth in Bangladesh.

Generally, the political economy literature concerns itself with the content of public policies such as: will exports be subsidized or taxed, which sectors get more or less protection, who benefits from and who pays for income redistribution, and so on

(Acharya: 2006). However, in this chapter, our policy evaluation segment focuses on the following key features of public policies under different regimes:

- i) Stability - the extent to which policies are stable over time
- ii) Adaptability - the extent to which policies can be adjusted when they fail or when circumstances change
- iii) Coherence and coordination - the degree to which policies are consistent with related policies and result from well-coordinated actions among the actors who participate in their design and implementation
- iv) Quality of implementation and enforcement
- v) Public oriented policy - the degree to which policies pursue the public interest
- vi) Efficiency - the extent to which policies reflect an allocation of scarce resources that ensures high returns.

There are a number of reasons why our evaluation focuses on these key features. First, from the standpoint of development, these features are as important as the content of policies themselves as ingredients for economic development. Second, in many cases the link between the content of policies and the nature of the policy making process is rather tenuous. Third, from the analytic standpoint, these parameters can be used across varied policy domains, thus generating more numerical data statistics and allowing for a more precise mapping between policymaking processes and policy outcomes (Easterly: 2003).

Underpinning these key features, we evaluate policies of each regime in different sectors and then compare the regimes in the lens of democracy vs. economic growth in Bangladesh.

## **1. Post liberation regimes (1972 - 1990):**

### **a. Mujib regime (1972 - 1975):**

After proudly winning in the liberation war, its first administration, the Mujib regime had faced many setbacks where some were created as results of its own decisions on policy designs and some might had linkages with its shortcomings in leading a new born war wreckage-economy for a rapid progress (Faaland *et al*: 1976). In the early administration, the political leaders were somewhat confused on choosing political path such as democracy or socialism or dictatorship, which had caused slower recognitions received from many developed nations, which had slow down the food and financial aids flew into Bangladesh. With the notion rewarding the friends of the war and probably with Mujib's own desires, the regime had mainly relied to so-call socialist nations for recovery assistances. Most Bangladeshi had seen this approach nothing but a stage of establishing *Mujibism*. Whatever the constraints, conspiracy or domestic polity rivalry in new Bangladesh had, there is still general consensus that Mujib's policy manifesto had created the dire situations in Bangladesh (Faaland *et al*: 1976).

### ***First five years plan (1973 – 1978):***

The first five-year plan (1973–78) was aimed to increase economic growth by 5.5 percent annually, but actual growth averaged was only 4.0 percent per year. The major objectives of the plan were increased national income, rural development, self-sufficiency in food, and increased industrial production (Islam: 1985). However, progress in achieving developmental goals had been slow probably because of its slow efforts in receiving recognitions from developed nations, which had caused smaller amount of foreign aids flew into. Political turmoil and untamed natural hazards of cyclone and

flooding have combined with external economic shocks to persistently derail Mujib's economic plans and it had failed to perform essential functions such as n stability perspective and adaptability efficiency issues etc within the nation.

### ***Nationalism***

The Constitution (Fourth Amendment) Act of 1975 was passed on January 25, 1975, which was brought into the Constitution by Mujib administration where Mujib emerged from a Democracy preacher into a lover of Dictatorship. The presidential form of government was introduced in place of the parliamentary system where a multi-party system was replaced a one-party system (Islam: 1985). This amendment had curtailed the powers of the Parliament; the Judiciary system lost much of its independence; the Supreme Court was deprived of its jurisdiction over the protection and enforcement of fundamental rights. This political move scared both domestic as well as foreign investors to invest in Bangladesh, which had caused severe down fall in GDP per capital over the period (Islam: 1985).

### ***Investment policies***

During the War, Pakistani businessmen pulled out of then East Pakistan for fear of possible massacre, which left only a few entrepreneurs in Bangladesh. In the field of trade only physical assets and bank liabilities were remained where the bulk of capital was tied up in the knowledge and experience of the entrepreneurs who had disappeared. The preamble of the Industrial Investment Policy for 1972 - 73 rightly described the situation as the administration was forced to take immediate tasks of restoring the existing industries, however, it faced dilemma (Islam: 1985). First, it assumed that it would require enormous efforts to replacing the entrepreneurs and managers for efficient

and effective management. Secondly, it assumed that this massive government help and intervention would be required to stabilize these abandoned industrial enterprises, which would mirror the policies of the period of the Pakistani rule, which would generate widespread public concerns.

Thirdly, and after liberation, the idea of transfer or sale of abandoned enterprises to prospective Bengali buyers was vehemently opposed by trade union leaders, students and political parties participating in the liberation war.

Fourthly, many with investable funds did not have entrepreneurial ability or interest. They were interested in quick turnover and the prospect of high profits, and remained mainly in trading and speculative ventures. Finally, there were very few, nascent private industrialists where they were ill organized and mostly on the defensive, given their passive role in the Liberation War. Dealing with these dilemmas, Mujib administration believed in internal social revolution for a rapid and steady outcome. With this hope, Mujib government had started socialism move.

Underpinning the aforementioned efforts of Mujib administration in state policies, we find that the administration had failed on

- i) policy stability issues
- ii) policy adaptability issue- the extent to which policies can be adjusted when they fail or when circumstances change
- iii) uniting nation and on coordinating actions among the actors in domestic as well as in international area political arenas
- iv) quality of implementation and on enforcement of policies
- v) establishing public oriented policies
- vi) designing effective policies for the growth of economy.



**b. Zia Regime (1977 – 1981):**

With the change of government, Zia as the military ruler had adopted state policies relied towards privatization, the promotion of the private sector and democracy over socialism either for improving the economic conditions or for diverting attentions of general people for its own stability (the Daily Ittefaq: November 8, 1978). For evaluation, the efforts of Zia regime can be summarized as follows

*In case of domestic policies*

**Military personnel's engagement in politics & employment in civilian jobs:**

Zia had taken charge of a nation suffering from severe poverty, chronic unemployment, shortages & economic stagnation and stopping the socialism move. The team with military-civil oligarchy led by Zia was formed to protect its interests in the state and civil society. It had taken the initiative to maintain its rule by relying on civil bureaucrats and lumped bourgeoisie a new leading class in Bangladesh, which was the product of Zia's policy of denationalization (the Daily Daily Ittefaq: 1978)

**Policies were dominated by foreign aids:**

Furthermore, donations from the Middle East nations were significant because of Zia's appealing foreign policies and efforts on implementing domestic policies emphasizing Muslim faith in general (CIPE: 2007). Furthermore, the Zia administration had opened various restrictions in politics, businesses etc for stabilizing economy and political unrest. Also, with Zia's charismatic approaches in politics and with various new

programs *creation of canals* for improving agricultural sector for nation's faster economic growth, the nation became forgetting the ways that brought Zia in power and, literally, the whole nation became supporting him for the greater benefit of the nation. With this sustained growth in food production and a good record of disasters management and thru poring Middle East nations' donations into the policy system, the Zia regime was able to curtail the magnitudes of poverty level (CIPE: 2007). It was for the first the time after liberation, the people of Bangladesh had started seeing growing economy and they started dreaming for the better (CIPE: 2007). Underpinning this development and successes in many folds under Zia regime, it would not be overstated to say that Bangladesh could get out of poverty by now through policies of Zia regime even though he is still considered to be an army dictator in Bangladesh political history.

#### **Programs to revive the economy:**

Zia-team had begun with announcing a "19-point program" which emphasized self-reliance rural development, decentralization and population control. Zia had worked energetically and spent much of his time traveling throughout the country probably for preaching the "politics of hope" where he had continually urged all Bangladeshis to work harder & produce more (wikipedia.org: 2010) However, the critics suggest that probably Zia had done so in such way because he was trying convey messages that he did not grab the state power to be dictator in stead it was necessary. Whatever, the motto Zia had in mind, he immediately focused on boosting agricultural and industrial production, especially in food and grains, and to integrate rural development through a variety of programs, of which population planning was the most important. Working with the

proposals of international lending agencies, he launched an ambitious rural development program in 1977, which included a highly visible and popular food-for-work program (World Bank: 2007). He had promoted private sector development, exports growth and the reversing of the collectivization of farms. His government reduced quotas and restrictions on agriculture and industrial activities (World Bank: 2007). Zia had launched major projects to construct irrigation canals, power stations, dams, roads and other public works. Directing his campaign to mobilize rural support and development, Zia established *Gram Sarkar (Village Councils)* system of self-government and the "Village Defense Party" system of security and crime prevention. Programs to promote primary and adult education on a mass scale were initiated and focused mainly across rural Bangladesh. During this period, Bangladesh's economy achieved fast economic and industrial growth.

***Restoring law and order:***

After assuming power, Zia immediately moved to restore law and order in the country and for the purpose strengthened the police force, practically doubling its size from 40,000 to 70,000 and had arranged for their proper training. He had also restored order in the armed forces. For the purpose, he took certain steps for the development of professionalism in them through rigorous training and restoring discipline. He expanded their strength substantially from less than 50,000 in 1974- 75 to about 90,000 in period 1976-77.

***Politics for Development:***

Under any lens of examination, it would not be overstated that Zia's philosophy of statesmanship was reflected in the coinage of the term *politics for development not for dictatorship*. This was to bring an end to what is called "power politics", since he observed how ownership of the government offered an easy means for misappropriating public wealth through rent-seeking activities. He travelled thousands of miles across the country on foot to drive home his message. He addressed countless public gatherings, large and small, to encourage people to work hard for growth and development. His approach was quite idealistic in nature. His *khal kata* karmasuchi, for controlling the menace of annual flood, was unique and he had engendered participation of people from all walks of life.

***Islam and Nationalism:***

Zia had moved to lead the nation in a new direction, significantly different from the ideology and agenda of Mujib. He issued a proclamation order amending the constitution, increasing the direct influence and role of Islam on the government, which was then redefined as "economic and social justice". Zia introduced the principle that "the state shall endeavor to consolidate, preserve and strengthen fraternal relations among Muslim countries based on Islamic solidarity (World Bank: 2003). Furthermore, Islamic religious education was introduced as a compulsory subject in Bangladeshi schools, with provisions for non-Muslim students to learn of their own religions.

In an effort to promote cultural assimilation and economic development, Zia appointed a Chittagong Hill Tracts Development Commission in 1976, but resisted holding a political dialogue with the representatives of the hill tribes on the issue of autonomy and cultural self-preservation. In year 1977 Zia had organized a tribal convention to promote a dialogue between the government and tribal groups.

After the formation of Bangladesh Nationalist Party, Zia took initiative for formation of political institutes and sponsored workshops for the youth to get active political lessons on Bangladeshi nationalism. In such workshop in September 1980, Zia spoke to the learners on the idea that an effective political ideology could not be based on any certain religion; therefore, the entire political activism could not be oriented in accordance with religion. This development in his short political life suggests that Zia was moving towards democratic political institution where elimination of poverty from Bangladesh society was one of his pledges to the nation.

***Move for Democratic Institution:***

A believer in democracy, Zia had moved dramatically to democratize the polity by re-instituting the institution of election either for enabling own political party to assume power or for transferring it to other political party peacefully (Asian Development Bank: 2004). What was his intention, Zia had allowed the disbanded political parties to be revived and political activities to be carried on once again. He had also disallowed the ban on the newspapers and inaugurated the free flow of news by making the news media free. He had further reinstated the independence of judiciary as the bulwark of rights of the people (wikipedia.org: 2010).

***Dynamic Economic Policy:***

Zia's dynamic economic policy laid emphasis on private sector development. A new development strategy designed to encourage the private entrepreneurs, both local and foreign, and to promote agricultural development through massive subsidies to the farmers was initiated. The process of handing over nationalized industries to their former owners began. Promotion of export of conventional and non-conventional goods became a national priority. Food production reached a new height and Bangladesh began exporting rice.

***In case of Foreign Policies:***

Zia began reorienting Bangladesh's foreign policy, addressing the concerns of nationalists who believed that Bangladesh was reliant on Indian economic and military aid. Zia withdrew from his predecessors' affinity with the Soviet bloc, developing closer relations with the United States and Western Europe. Zia also moved to harmonize ties with Saudi Arabia and the People's Republic of China, who had opposed Bangladesh's creation and had not recognized it till 1975 (wikipedia.org: 2010). Zia also dropped the demands of reparations and an official apology demanded by Mujib and moved to normalize relations with Pakistan (wikipedia.org: 2010). While distancing Bangladesh from India, Zia sought to improve ties with other Islamic nations. Zia's move towards Islamic state policies improved the nation's standing in the Middle East (Ahmed: 2006). Zia also proposed an organization of the nations of South Asia to bolster economic and political co-operation at a regional level, which is today called South Asia Association of Regional Cooperation (SAARC) (wikipedia.org: 2010).

*Economic boom in short term:*

From the late 1970s to the beginning of the 1980s, there was a short-lived investment boom in both public and private sectors, with growth at nearly 15 percent annually in real terms (Mahmud: 2001). This was made possible by relying on an increasing flow of foreign aid, adopting a privatization strategy based on lavish dispensation of cheap credit, and provision of other incentives such as highly protected markets for domestic industries (Asian Development Bank: 2004). The credit of this short economic boom goes to Zia regime; however, later this program had become the large-scale default of bank loans, which was originated from the experiment with aid-dependent, state-sponsored private capitalism created by Zia.

*Indemnity:*

In Zia short political life, he had enacted several controversial measures, some to discipline the army, some to unify the nation and some to win the support of Islamic political parties (Asian Development Bank: 2004). However, he took no actions against AL leaders who were infamous for corruption. When he reintroduced multiparty politics, he had allowed Hasina, the exile daughter of Mujib to return to Bangladesh. However, he did not disapprove Jamaat-e-Islami, which was widely believed to be committed war crime, which had been earlier banned by Mujib. Golam Azam, the exiled chief of the Jammata-e-Islami, was allowed to come back to Bangladesh with a Pakistani passport on a visitor's visa, and he remained in Bangladesh following its expiry. No court case was lodged for his trial over his alleged role in committing wartime atrocities. Also, some

Jamaat leaders were appointed in ministerial posts (wikipedia.org: 2010). Zia also rehabilitated a high-profile opponent of the creation of Bangladesh, and several men accused of murdering Mujib. The Indemnity Ordinance proclaimed by President Mustaque was ratified in the Parliament when Zia's party BNP had a landslide victory in the national election of 1979. The ordinance thereby became Indemnity Act (wikipedia.org: 2010).

Underpinning the aforementioned important components of Zia administration's efforts, we find that the administration had succeeded significantly on

- i) policy stability issues
- ii) policy adaptability issue- the extent to which policies can be adjusted when they fail or when circumstances change
- iii) uniting nation and on coordinating actions among the actors in domestics as well as in international area political arenas
- iv) quality of implementation and on enforcement of policies
- v) establishing public oriented policies
- vi) designing effective policies for the growth of economy

**c. Ershad Regime (1981 – 1990):**

***Struggles in legalizing power grabbing activities***

After Zia's assassination, the new president Abdus Satter had led the BNP to victory in a democratic election of 1982 where this victory was solely seen as the victorious of Zia's policies on establishing a democratic political institution in Bangladesh. However the BNP government was not doing well and it was facing internal power conflicts. With this weakness within the governing party, like his predecessor



(Zia), Ershad took over power with a similar slogan “growing corruptions and inefficiencies of the civilian government” (wikipedia.org/ershada, 2010). Ershad had started building on Zia’s earlier political platform of advancing an increased role of Islam in culture and politics in Bangladesh. In little longer timeframe, Ershad had sought national referendum on his leadership; however, comparing with the success of his predecessor, this time turnout was small, which suggests that grabbing power by Ershad was unwanted by the people of Bangladesh. To overcome this limitation and for implementing a grass-root *Ershadism* over *Ziaism* in politics, two month later of his initial referendum election, he held local council Chairman election where pro-government won majority, which had created a background for executive decentralization program (wikipedia.org: 2010). Meanwhile, Ershad had formed Jatiyo Party (JP) and in the following parliamentary election, the JP had secured a majority of 300 seats, which had helped him legalizing his acts of grabbing state power etc. Furthermore, the SAARC was materialized during Ershad regime where he had benefitted from it significantly in both domestic issues and in dealing with neighboring states.

#### ***Dictatorial Mentality:***

From the beginning of grabbing state power, Ershad had been trying in many ways to institutionalize a dictatorship administration (wikipedia.org: 2010). As his predecessor’s, the Council of Advisors of Ershad was drawn from the members of the civil and the military bureaucracy. Similar to Pakistani army dictator Ayub Khan, Ershad had believed and sounded that military administration was the answer for an effective administration and economic growth in Bangladesh. With this belief and implementation

of the said model, he had behaved as a military dictator and visited mosque after mosque displaying his faith in both domestic and international forums. Unlike Zia; Ershad, for the first time in Bangladesh political history, had pushed through a controversial legislative bill in the parliament to include military representation on local administrative councils, which had inspired the opposition to walkout the parliament, which was the beginning of ending Ershad *era* movement.

***Breeding Islamism Phobia:***

Although Zia, for the first time, had started using Islam as a political discourse and favored Islam-based parties, unlike Ershad, Zia was able to switch gear of his policy in stabilizing domestic policy and religious based movement (wikipedia.org: 2010). However, Ershad's failure in this perspective, had allowed the Islamists to advance their agenda in the civil society in Bangladesh. Additional factors, such as grinding poverty, pervasive illiteracy, foreign aid dependency, and the inability of the civil-military bureaucracy to improve the socio-economic conditions might also have helped the Islamic parties to promote their political objectives during the Ershad regime (GOB: 2006).

***Accomplishment in Transportation Sector:***

During Ershad's rule, the construction of the Jamuna Bridge connecting the country's north and south was started. The Jamuna Multipurpose Bridge Authority (JMBA) was set up by an ordinance to implement the project. For mobilization of domestic resources, another Ordinance was promulgated by which a Jamuna Bridge

surcharge and levy were introduced. A total of Tk 5.08 billion was mobilized in the process (BBS: 2002).

***Stabilization Military Unrest and Utilization of Military as Human Capital:***

Ershad had stabilized the Bangladesh Armed Forces which was facing a series of Coups and counter Coups ever since its emergence as a nation in 1971 documents the Bangladesh Army's history regarding this. Under Ershad's administration, the Bangladesh Army started its participation in the United Nations Peacekeeping Operations for the very first time, which turned out to be one of the highest sources of foreign currency earners today (wikipedia.org: 2010).

***Efforts for Stopping Barbarism in society:***

Ershad was the first leader in history to sign a death sentence for throwing acid on women. This led to a dramatic lowering of throwing acid on girls as time pass on. He also issued death sentence ruling for any one who would mutilate children for begging. In Bangladesh he was the one who passed a law that if a child is found crippled on the road he has to be taken to police custody and then from their to a hospital and appropriate institution. This also led to a dramatic decline in crippling children begging in Bangladesh. He also had a long term ruling on health care with issuing free Tuberculosis and leprosy drugs for the patients in all the health complexes. He stopped human transportation on the Bangladesh Borders. He launched a wide spread campaign against use of Illicit drugs and opening of drug rehabilitation centre in Bangladesh (BIDS: 2001).

***Efforts on Denationalization:***

The *Land Reforms Ordinance of 1984* (CPD: 2003) granted important rights to tenants for the first time in the history of Bangladesh, and a new plan for the divestment of government industries promised to move the country away from socialism.

***Becoming Corrupt Regime:***

It is well published that Ershad had come in power with a promise to stop corruptions; however, his administration was directly engaged in benefiting from corruptions in all stages of administrations including wife of Ershad.

This figure shows the rapid expansion of corruption during Ershad regime. Ironically his slogan for seizing political power was "stamp out corruption from society". Zia had the same slogan.

Underpinning the aforementioned important components of efforts of Ershad regime, we find that the administration had

- i) Failed in policy stability issues and acted as dictator, which had suppressed the movement of democracy in political institution where he had polluted the political environment, which, in some instances, we see in today's rivalry politics between two major parties.
- ii) Failed policy adaptability issue- the extent to which policies can be adjusted when they fail or when circumstances change
- iii) Failed on uniting nation and on coordinating actions among the actors in domestics as well as in international area political arenas
- iv) Failed on quality of implementation and on enforcement of policies
- v) Failed on establishing public oriented policies
- vi) Failed on designing effective policies for the growth of economy.

#### **d. Re-establishment of democracy in Bangladesh**

##### **1. Khaleda Regime (1991 – 1995, March to June of 1996, 2001 – 2006)**

After Ershad regime's dramatic fall in the face of civil movements for establishing democracy, with a unanimous vote across all political lines, the BNP-led government along with opposition parties supports had restored the parliamentary system through the 12<sup>th</sup> amendment to the Constitution (wikipedia.org: 2010). A neutral caretaker government had overseen that election, which was broadly considered to be free, fair and truly democratic election in Bangladesh political history. Khaleda had become the first female Prime Minister in Bangladesh history.

##### ***Progress in Education Sector:***

While in power, Khaleda regime had followed Zia's philosophy and made considerable progress in the education sector, including introduction of free and compulsory primary education, tuition-free education for girls up to class ten, stipend for female students and the Food for Education program (BBS: 2002; CPD: 2003). On the environmental issues, the regime had inspired for tree plantations, which later became a nationwide social movement. Furthermore, in continuation of Jamuna Bridge construction, Khaleda had played a commendable role in revitalizing the SAAR, which was the vision of Zia (CPD: 2003). Furthermore, under the regime, the age limit for entry into the civil service from 27 years to 30 years was increased and the regime had made highest budgetary allocation in the education sector, which in combined had inspired the young generation and had restored their hopes.

***Restoring Zia fames stands on Zia platform on the issue of Mujib killers:***

After taking over power, Khaleda had tried to restore Zia fames by naming universities, roads etc and had followed similar policies that was implemented under Zia regime on the issue Mujib killers, which was not a sensitive issue to the general people in Bangladesh as because the outcome of policies implemented under Zia regime.

***Provision of Caretaker Government in the Constitutional:***

Khaleda became Prime Minister for the second consecutive term after the BNP had a landslide victory in February of 1996 general parliamentary election. However, the election was boycotted by all other major parties who were demanding that the elections be held under a neutral caretaker government as it was held in 1991. The short-lived parliament had hastily introduced the Caretaker Government through 13<sup>th</sup> amendment to the Constitution, and then the regime was dissolved to pave the way for a parliamentary election. Four months later, in the election, the BNP lost to a united multiparty, which was led by Hasina, leader of Awami League (AL).

***Alliance with Liberation Fores:***

Aiming to return to power, the BNP had formed a four-party alliance in 1999 with its former political foe, the JP, and with the Islamic party of Jamaat-e-Islami and the Islami Oikya Jot who were foe to the liberation war. With its supports, the BNP had launched several agitation programs against the AL. Even today in political arena, Khaleda, like her husband president Zia, has been criticized much for making alliance with these parties (The Protham Alo: November, 1999).

In 2001 general election, the Khaleda alliance won in the general election with a two-third majority of seats in parliament with a slightly higher percentage of votes over the alliance of Hasina. For the third term, Khaleda was once again sworn in as the Prime Minister of Bangladesh.

***Breeding Religious Militant:***

Khaleda's third term was plagued by rising religious militancy, continuing its spiraling of corruption (including successive damning reports by Transparency International), a rise in alleged attacks on minority groups (such as Hindus and Ahmadiyas as documented by the US State Department and Amnesty International) and an increasingly explosive political environment. A particularly controversial piece of legislation introduced by the government was the banning of Ahmadiya publications in January 2004, which attracted considerable concern from international observers.

***Economic Policies:***

All broad sectors of the economy—agriculture, industry, and services—contributed to the growth acceleration since the early 1990s. The average annual growth of agricultural GDP accelerated from 2.5 percent in the 1980s to 3.2 percent in the 1990s, industrial GDP from 5.8 to 7.0 percent and the service sector GDP from 3.7 to 4.5 percent (Hossain: 2003, World Bank: 2007). But Khaleda regime had faced escalating criticism on various issues including power & water shortages, rising prices of essential goods including foods and an unstable security environment. Back-to-back suicide bomb attacks in southern and central regions of the country and nationwide protests on the said issues

became intensive. Under the BNP leadership, Khaleda's conservative coalition had faced stiff competition from the coalition of centrist led by Hasina leader of secular AL.

***Corruptions:***

Under both second term and the third term, the Khaleda regime had appeared to be softening to the practices of lobbying for winning government contracts, which were openly persuaded by her two sons and other relatives. The intensity of these practices were severe enough for noticing in peoples' daily lives, which had caused rising prices of even essential goods, which openly opposed by the media and general people. The members of her team had followed her two sons in practices.

Underpinning the aforementioned efforts of Khaled regimes in state policies, we find that the regimes had produced a mixed result in its efforts in the line of economic growth

- i) policy stability issues – it had failed to stick with Zia's visions at least during the second and the third terms. However, the efforts for economic development during her first term were significant.
- ii) policy adaptability issue- the extent to which policies can be adjusted when they fail or when circumstances change – the first had contributed in this perspective, however, the second and the third term were used to serve the regime itself.
- iii) uniting nation and on coordinating actions among the actors in domestics as well as international political arenas – it had failed to connect with the general people in Bangladesh during the second & the third term where it had produced Islamic phobia is the society.
- iv) quality of implementation and on enforcement of policies -
- v) establishing public oriented policies -
- vi) designing effective policies for the growth of economy –



## **2. Hasina Regime (1996 – 2000, 2009 – present):**

In 1996 parliamentary election, the AL won parliamentary elections and formed a coalition government led by Hasina where Justice Shahabuddin Ahmed, who led the first caretaker government, was chosen as President, which was praised by most Bangladeshi. Hasina had articulated the need for national consensus and took initiative to form an all-party government. Hasina had emphasized good governance and formed several commissions with government and nongovernment members (wikipedia.org/hasina, 2010). The commissions reviewed several sectors including education, local government, health, and civil administration to suggest reform measures. As a result, new industrial and health policies, among others, were approved.

### ***Major Political Move and Achievement:***

In a major move, the constitutional indemnity protecting the killers of Sheikh Mujib and other AL leaders in 1975 was revoked and judicial inquiry and trials were started against the killers under the common law of Bangladesh. Furthermore, the regime had started to *undo* Khaleda's efforts on revitalizing Zia's fame, and had acted to rename university, roads etc so that Mujib's fames can be flourished where the people were discouraged by these efforts (wikipedia.org/hasina,2010), A major achievement of Hasina government was to strike a treaty between India and Bangladesh concerning the Farakka Barrage, a bone of contention between the two countries ever since it was built in the 1960s. Later, Hasina had created a 'Peace Treaty', which was a vision of Zia regime, with the tribal rebels in the mountainous southeast of the country, thus seemingly solving a

problem as old as Bangladesh itself. Though rebel activities have reduced greatly after the treaty, the region still remains a hotbed of tension.

***Surplus in Food Production:***

When Hasina became prime minister in June 1996, Bangladesh was a food deficit country. The average cereal deficit was of the order of 4 million tons per annum. When she left office, Bangladesh had a surplus of 2.5 million tons of food grains, for the first time in its history. Appropriate policies, programs and inputs for the food and agriculture sector and their timely implementation had enabled this, i.e., the transformation of the country from a food deficit to a food surplus one (BIDS: 2001). In recognition of her success in the food, nutrition and agriculture sector, the UN Food and Agriculture Organization (FAO) awarded her the prestigious Ceres Award (1999).

***Leadership Roles in the line of Democracy:***

For her leading role in promoting peace at home and abroad she was the only head of government to be invited to address the Hague Appeal for Peace Conference. When both India and Pakistan detonated nuclear devices and became nuclear powers, Hasina took a major initiative in defusing tension in the region by visiting both the countries and counseling to balance and restraint to their leaderships.

In domestic politics, Hasina had initiated necessary moves to consolidate democracy and give it a firm root (The Pratham Alo: November 1999). She had made parliament the focal point of all discussions on major policies, introduced and enacted scores of bills for reforms and made all actions of her government accountable and transparent. Similar to British Commons, Hasina had introduced the Prime Minister's question time for the first time and took questions every Tuesday whenever the

parliament was in session. She had reformed the parliamentary committee system by making MPs rather than ministers, their chairpersons. The system worked with remarkable success and for the first time in the history of Bangladesh, the committees became effective and lively forum of debates and recommendations on major national and international issues.

***Down side of her Administration:***

The AL was criticized for harboring gangsters turned politicians (wikipedia.org/hasina, 2010). Her government was also criticized for overusing Mujib's name in the media and naming many major public institutions and constructions after him. The BNP had also accused the AL for politicizing the administration and state-owned media. Her party was also accused of being lenient towards India, *especially*, after a shootout between border forces of India and Bangladesh left 16 Indian and 3 Bangladeshi border guards dead.

***Corruption:***

During the last year of her regime, Transparency International declared Bangladesh to be the most corrupt country in the world. Though Bangladesh had almost always been in the bottom five, the last position created uproar and was seen by many as a major failure by Hasina administration (World Bank: 2007). Though Hasina was voted out of the office later, Bangladesh remained at the last position for some more years. The opposition demanded that Hasina resign and declare early elections, but Hasina refused to do so. She became the first democratically elected prime minister to complete her term

(wikipedia.org/hasina: 2010). With all these policies, efforts on governing country, *undo* acts and failure to connect with general people of Bangladesh and the magnitudes of corruptions had landed her to defeat in the 2001 general parliamentary election.

In December of 2008, Hasina returned to power for the second term with an overwhelming majority where she had pledged to build a "Digital Bangladesh" by 2021 (wikipedia.org/hasina, 2010). Khaleda, however, had rejected the results of the election, sarcastically thanking the Chief Election Commissioner "for stage-managing the parliamentary election" in a statement. But, according to the views expressed by foreign and local election observers, the general elections were free, fair and credible (wikipedia.org/khaleda: 2010).

#### ***Recent Policies and Efforts:***

After taking over power, the Hasina regime has signed few treaties with India in aim resolving power crisis, stopping terrorism acts etc. However, the opposition major party has vowed against it. Furthermore, her recent approach on transit, which will be used by India becoming a controversial issue. The opposition has raised question on whether it is free; however, the Finance Minister of Bangladesh has responded to opposition concerns and has ensured that Bangladesh will be charging fees for using territory where fees will be based on capacity maintenance as the Bangladesh infrastructure will be used by the Indian cargoes.

During the second term, it appears that Hasina regime is trying to adopt policies, make treaty etc by either justifying thru legal system or by making appealing to general

people so that her successor (s) do not or can not over write her policies without having any legal decision or general peoples' approval. In this perspective, it would not be an overstated to say that her so far approaches in policy design, governing approaches etc have some basic to justify and that is all about the democracy. However, during the current term, major *undo* approaches have not been seen yet. In this perspective, let us take an example, underpinning Court verdict, the Hasina regime have been trying to evict Khaleda from her Cantonment house. Without questioning right or wrong, all we say here that this is a better approach than the ones Hasina had taken in her first term to *undo* her predecessor's efforts. This adjustment in her political philosophy obviously suggests that the democracy is in place and it is working.

Underpinning the aforementioned efforts of Hasina administration in state policies, we find that the administration a mixed results

- i) policy stability issues – stayed with Zia philosophy but with different approaches in implementation; tried to rewrite predecessor's efforts in the first term, however, in the current term, her democratic approaches have been improved, which suggests policy stability scale is higher.
- ii) policy adaptability issue- the extent to which policies can be adjusted when they fail or when circumstances change: She had failed in her first term, however, the second term is progressive in this perspective.
- iii) uniting nation and on coordinating actions among the actors in domestics as well as in international area political arenas: Failed in first term, however, second term is impressive

- iv) quality of implementation and on enforcement of policies: second term is better than that of first term
- v) establishing public oriented policies: she has not yet put forward any burning issue before general people on how they feel, before making policy decision such as recent transit & fees issues with India; therefore, she has failed in this perspective
- vi) designing effective policies for the growth of economy: in this perspective the second term is impressive over the first term.

## **Chapter 7**

### **Relationship between Democracy and Economic Growth**

Economist and scholars have extensively debated on identifying the relationship between democracy and growth. Many empirical studies have been conducted in order to find out whether democracy contributes as an explanatory factor for growth and development. There is a sharp difference between growth and development in case of Bangladesh. While the concept of growth indicates the major aspect of development, the term development implies the broad perspective of a countries socioeconomic scenario. This present chapter aimed to show the relationship between democracy and economic growth of various regimes.

Democratic features such as political pluralism, the system of institutional checks and balance, and the periodic renewal of policy makers through elections protect the economic system against predatory behaviors typical of most authoritarian regimes. The democratic process is viewed as more suitable to economic prosperity because it can better nurture civil liberties and secure property and contract rights. Consequently, it provides agents with incentives to undertake investments and to seek to maximize welfare. Democracy makes it possible for individuals to examine opportunity costs freely, to engage in the entrepreneurial initiatives of their choice, and to benefit fully from the fruits of their labor.

However, the empirical studies conducted to examine above views led to contradictory results. Some works suggest that, there is strong relationship between the two; some indicate almost negative relationship and some other papers find inconclusive results. Interestingly, the works suggesting inconclusive results conform to the opinion that economic freedom, open market, liberal trade and other democratic features are conducive and helpful for economic growth.

#### **Difference between Growth and Development:**

There is a sharp difference between growth and development. While the concept of growth indicates the major aspect of development, the term development implies the broad perspective of a country's socio-economic scenario. However, in the present paper, the two terms been used synonymously.

#### **Implications of Democracy for Economic Growth in Bangladesh:**

As mentioned earlier. Bangladesh has a very short history of democracy that started mainly from the early 1990s. Twenty years before this democratic journey, the country has devoid of harvesting the fruits of democracy under the Awami League rule of Sheikh Mujib during 1971-75 period, chaotic but quasi democratic regime of Ziaur Rahman during ,1976-'81 period, and the military regime of General Ershad during 1982-91 period. For the convenience of the present work, we will look at the growth scenario and democratic profile of three periods: (a) the period from 1973 to 1990. (b) the period from 1991 to 2001 end (c) the period from 2002 to the present time.



Three types of government mark the first period: first, the fusion of democracy and one party rule featured the years from 1971 to 1975. During this time, though democracy was incorporated as one of the four State principles, the Presidential form of government was maintained and one party system was introduced. Almost all newspapers were taken under the government control.

In the early Awami regime, the growth rates, in 1971 and 1972 were -5 percent, and -15 percent respectively while in 1973 and 1974 growth rate rose to almost 5 percent and 15 percent. The increased rate in 1973 and 1974 was perhaps the result of huge foreign aid and external assistance. However, the striking point is that the overall growth rates were highly fluctuating during this time and in some years the country had experienced negative growth.

The second type of government in the first period was the army rule that took the power at the most critical junction of the country's history and attempted to transform the country to the path of democracy in a slow and steady way. The period from 1976 to 1981 was marked by high political turmoil, unpredictable socio-economic and political scenario and a number of coups and counter coups. Although the Martial Law was declared under the military rule in the first few months, after a short time, the military ruler introduced multiparty democracy, conducted general elections and led the country to the direction of a nascent democracy. Amidst chaos and political uncertainties, the country seemed to move towards democracy.

The extreme growth fluctuation observed in the initial years seemed to be reduced during the post-1975 period when democracy emerged in the offing in our country. The curve shows a bit steady trend in economic growth during this time. The country could also overcome the trends of unstable and negative growth experienced in the Awami League period immediately after independence.

The third type of government in the first period started with the onset of the 1980s when the decade long authoritarian government ascended the throne of the political power, under the then Army Chief General Hussein Muhammad Ershad. After the first decade of uncertainty and political chaos was over following the independence, the appropriate time for development preparedness was in the making. Unfortunately, however, the dictatorial regime of 1980s obstructed the anticipated development goals. The years throughout the eighties experienced series of anti-government democratic movements suiting in torture and humiliation on the opposition. Finally, the autocratic government could not survive. In the early 1990s, the military government had to quit in the face of the democratic uprising.

The growth rate and trend of the country began to increase in the democratic periods in the 1990s and in the beginning years of the twenty first century. The immediate past caretaker government that grasped the power following the 1/11 incident led the country to an uncertain and unpredictable political situation. The deviation of that government from the basic democratic values threw Bangladesh into a serious economic hardship. The author assumed that if a democratic government could come to power after

the next parliamentary election on 29 December 2008. Bangladesh might have attained the long-expected increased growth rate and socio-economic development. The new democratic government formed with the Mahajot alliance proclaimed to build a digital Bangladesh. Now is the time to expect that the present government would be in a new era of growth and development by nurturing the values and culture of democracy.

### **Comparison of contributions to GDP growth rate in line of Regime types:**

In this sub segment, we first show in Figure 5.7 various regime types based on its executive powers. The figure shows that Mujib had no executive constraints since its socialism move. It further shows, when Zia took over, initially, he had zero executive constraints, soon after taking over, he had moved to democratic path there he had partially constraints. During Ershad regime, he had no executive constrains, therefore, he is known as authoritarian regime in Bangladesh political history. The year 1991-92 was the beginning of reestablishment of democracy and since then regimes whose were in power are considered to be democratic regime.



Figure 3.3: Executive constraints of the regime (s)  
 The constraints scale = 0 to 7  
 Higher constraint = Democratic regime, lesser constraints = non democratic regime

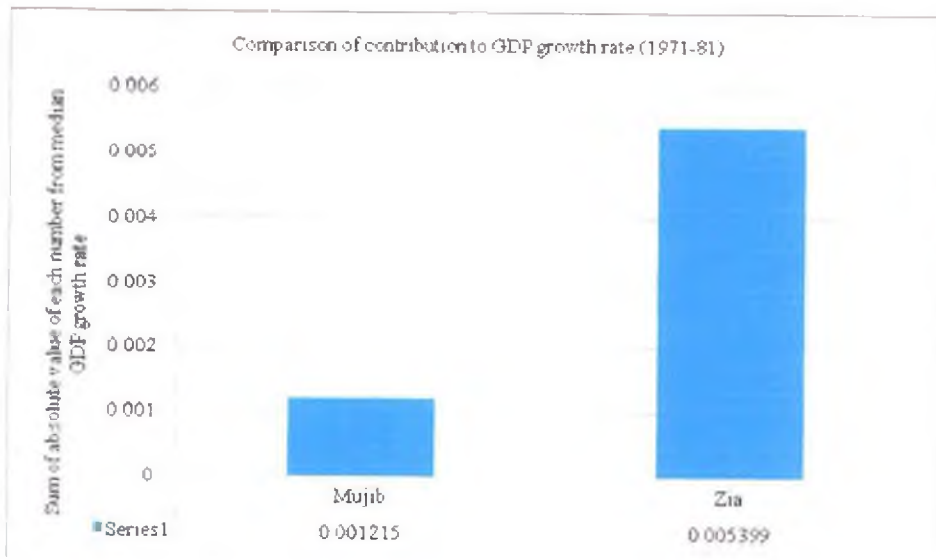


Figure 3.4: Comparison of contributions to GDP growth rate between Mujib and Zia during the first decade  
 (The data represents the sum of absolute deviations of each number from the median of the GDP growth rate)

Data source: World Bank, World Development Indicators  
 Data updated: December 21, 2010

Figure : 2 suggests that Zia had contributed with a greater rate than that of Mujib to the GDP growth rate percent during the first decade. If we had used the mean value measure, we could find that Zia had surpassed Ershad in contributing to GDP growth rate percent in Bangladesh. Using the same approach, it may further show that Zia's contributions to GDP had surpassed the efforts of the initial democratic regime (the third decade). This is because Zia was quickly moving to democratic path and, therefore, it can be said that economic growth of any country can be achieved even under a non democratic ruler if and only if the ruler have the policies in practice for the greater benefit of its nation.



Figure : 3: Comparison among Decades (1981-2010) in line of contributions to GDP growth rate (The data represents the sum of absolute deviations of each number from the median of the GDP growth rate)

Data source: World Bank, World Development Indicators  
Data updated: December 21, 2010

The data in the Figure : 3 represents the sum of the absolute deviations of each number from the median of the GDP growth rate under each decade in Bangladesh perspective. The figure further suggests that the second decade (1981-90) had contributed

very slow growth rate to GDP, however, the third decade (1991-2001) had contributed in a higher rate. In the fourth decade, it had contributed in a much more faster rate.

## **Chapter 8**

### **Summary and Conclusion**

The political saga of 2006 on forming caretaker government, handover power and the end-results of it suggest that Bangladesh polity has passed the litmus test of being democratic institution where the army backed interim government (2007 – 2009) was formed to end the crisis. Furthermore, it remains relatively stable and on democratic moves where it had escaped from major internal political upheavals such as socialism moves and army dictatorship phases etc (The Daily Star.net, December: 2007). Since after the reestablishment of democracy in 1991, the democratic changes of regimes in Bangladesh, via forming caretaker government for holding fair election, has become a norm in today politics. In Bangladesh polity, regimes are now changed through ballots, not by bullets or by any other conspiracies or army coups. However, the political power oscillates between two principal parties where the founder of one party was landed with socialism moves and the founder of the other had emerged from an army dictatorship. Protecting the images of these founders and for political scoring, the current party-leaders, daughter of one party-founder, and the wife of another party-founder, occasionally engage in rivalry acts. However, they face uphill challenges by the general people when their acts or policies are something beyond the democratic moves or are contradictory to the meaning of democracy. The recent elections and the responses received from both party-leaders on the acceptance of the election-outcomes signal the existence of a vibrant democracy in Bangladesh, which just (year 2010) passed its puberty stage where this adulthood-teenaged requires lots of guardianship and nursery so that it can blossom to its fullest for the greater benefit of the nation.

Despite this continuous improvement in establishing a phase of a full swing for democracy, Bangladesh is in the midst of a host of internal crises (thedailystar.net, January: 2009). This crisis can undermine social harmony and discourage domestic as well as foreign investors for investment etc, which may slowdown the economic growth in the long run. The Bangladesh polity is dominated by personalized politics, which causes a formation of shaky political institution, absence of political accountability, lack of responsible opposition and enormous corruptions. Furthermore, there is a growing Islamic fanatic in society where some politicians often engage behind the scene and inspire this fanaticism for political scoring (thedailystar.net, January: 2010). Furthermore, the leaders of major parties very often hold monarchy styled mentality and they become desperate to setting up party manifesto so that its progeny can easily takeover the leaderships in their absence. This mentality in leaderships dents the proficiency in crafting sound public policies and undermines the potentiality of others in society to be a rising-star in polity, which is paradoxical to the true meaning of democracy.

All these growing problems can lead to interrupting the economic growth in Bangladesh where it receives a significant amount of foreign aids and monetary donations in contingent to a sustained vibrant democratic political institution. Nonetheless, individually these factors are neither unique to Bangladesh nor a serious challenge to its stability. But they might be the factors of undermining the potentiality of capital – physical, human, social and political, *especially*, the foreign investments in various sectors. Furthermore, the polity is still pre-occupied with personal animosities and rivalries on many folds such as a debate on who should be rewarded by the state for the contributions made by the founders of these two parties. Very often this rivalry can



turn into destructive and unpatriotic acts including treasons, attempts of killing leaderships etc where some associates of these parties try to take own advantages. For example, when one party is in power, in one hand, it tries to establish recognition of its founder's efforts in political history. On the other hand, it tries to denounce other founder's efforts and tries to undo the policies in this aspect were adopted by the other party when it was in power. In first scenario, some associates of the party try to establish its positions in administration by supporting the recognition efforts. In second scenario, some associates of the party-in-power try to link its own issues, which were affected by policies when other party was in power, with administration's efforts for undo the policies so that these associates can gain advantages by supporting the undo efforts.

Referring the current political situation, in one hand, the current administration is still unable to address the basic issues such as protection of lives and properties of ordinary citizens, establishment of "rule of law" policy in practice (Ittefaq.com, March: 2010). Furthermore, the administration has not yet shown effective efforts in addressing corruption issues, uprising market prices of foods, essential goods & services and the growing unemployment rate geometrically (Ittefaq.com March, 2010). It has failed to work with opposition parties in many fronts where political dialogue should be a technique over the destructive acts such as tantalization politics, creation of unnecessary legal actions against opposition leaderships on old or new issue etc. for political scoring. On the other hand, the opposition major party has been boycotting the parliament session for the party-leadership's own issues. For example, the corruption charges against its leaderships, question on legality of BNP leadership's residence, located in Army Cantonment area, which was allocated to the family of the late founder of BNP by the

state where the party's current political moves, calling for *hartal*, so that these issues can be resolved by creating political pressure instead of practicing "land of law" policy. Nonetheless, this approach is not new in Bangladesh polity where the current administration had followed similar approach to resolve its own unethical issues when the other party was in power. However, these destructive approaches undermine the growth of democracy and discourage investors for investment in Bangladesh because they believe that the policies adopted today may be collapsed tomorrow once the regime is voted out.

***Achievement of the Chapter:***

These problems beg question whether consolidation of democracy along with checks and balances, greater accommodation and tolerance of political differences, norms of political dialogue over destructive acts and gestures on guardianship of democracy by polity-leaders are the essential components for a sustainable democracy in Bangladesh. It furthermore begs questions whether an introduction of special courts, non political commission for establishing "rule of law" policy in practice & for legislations evaluation, and military assistance *at least* for election purposes could partly be the helpful tools improving the situation.

The goal of this chapter is to examine whether i) the aforementioned causes have delayed today's democratic process, ii) the economic growth of Bangladesh has any linkages with these factors iii) to answer to the questions posed in this chapter and then to conclude the findings of the analysis. In other words, this chapter empirically examines the extent to which progressive democratic reforms in Bangladesh are associated with

economic growth or *vice versa*. It further diagnoses the political regimes (1972 - to date) of Bangladesh through democracy lens where its' various political choices and performances of public policies are scrutinized, which interprets the causes of its ups and downs in polity and finally, it concludes the research findings.

***Steps taken to achieve the Chapter:***

In this chapter, first, we use the variables identified in Chapter 2 on democracy and economic growth measurement in Bangladesh perspective. Second, we discuss the methods that are employed to test our hypothesis where we construct a *prima facie* for a historical understanding of movements for democracy in Bangladesh and its relationship to economic growth in Bangladesh. This translates into a straightforward empirical modeling strategy: regress country's economic growth rate on a democracy variable and a number of control variables and then see whether the partial correlation between democracy and economic growth is statistically significant. These efforts can explain the variations in a) GDP - per capita growth rates, b) human capital, which can be derived from primary school enrollment rate, etc. that exist during each political regime, which can be used judging the regime on its contributions to democracy. Here each regress can be treated separately; however, for this study we only use GDP per capita growth rate and human capital as our dependent variables. Third, we discuss the results of these regression tests. Fourth, we discuss the directions for future research on this issue and further.

## Information gathering and knowledge building:

### *Literature review and specification of our model*

We begin this subsection by revisiting the debate over whether institutions cause economic growth or whether alternatively economic growth leads to institutional improvement and then the full-swing of democracy in the long run. The issue of causality is at the foundation of any study that examines economic relationships. General understanding of how a change in one variable affects another is paramount in comprehending economic behavior and in formulating policies. Fortunately economic theory is often available to help guide building models that are used to empirically examine the causal relationship among variables. However, this is not always the case. As for example currently there is no theory that provides a sufficient explanation of the possible connections if any, among measures of economic growth and democracy. The research methodology that has been widely used extensively in recent years to gain further insight into such situation is Granger Causality. However, this methodology does not provide “proof” of causation.

With this limitation in literature and since our goal is to examine the relationships between regimes and economic growth in Bangladesh, we use a probabilistic statistical model where the deterministic component is referred to as the “line of means” where the mean  $E(y)$  is equal to the straight-line component of the model. Since we use more than one independent variable, our preferred model is Multiple Regression Analysis (MRA) where we develop multiple regression models so that our independent variables can be incorporated into the models. Since Bangladesh was born with democracy as a

foundation of promise under the Constitution of 1972, it is palatable to assume that the level of democracy should grow with a linear line pattern over time period if and only if there was no interruption to it. In other words, if any policies of the executives were beyond the boundary of democracy, the level of democracy would have been halted, which might have resulted a regression line other than straight-line. The shape of this line curve or regression line can be detected by examining the variables that are connected with the definitions of democracy and the choices of political regime where time span runs on its own course, however, the variables of democracy are exogenous. Therefore, in this study, our preferred mathematical model is

Economic growth (EG) =  $f$  (indicators of EG) and Democracy (D) =  $f$  (indicators of D) i.e. EG =  $f$  (GDP, HC, PI, II, DI, STP), D =  $f$ (EC, GE, CI, JI, AAIP, DG, PS) and EG =  $f$ (D) in Bangladesh perspective where EG is dependent variable and D is independent variable.

Underpinning our study goal in this study, we use EG =  $f$ (GDP) and EG =  $f$ (HC) separately; and in case of independent variables we use D =  $f$ (EC, GE, CI, JI, AAIP, DG, PS). Therefore, our regression model is

$$y = \beta_0 + \beta_1 x_1 + \dots + \beta_i x_i + \varepsilon \text{ where}$$

dependent variable  $y$  can be written as a function of  $i$  independent variables,  $x_1, x_2 \dots x_i$ . Although, time has influence to any economic growth in general, however, we control the time variable in our study. The coefficients here represent population parameters and they are unknown, therefore, it is adequate enough showing any relationships including the straight-line in the examination. Here the random error term is added to make the model

probabilistic rather than deterministic where the value of the coefficient  $\beta_1$  will determine the contribution of the independent variable  $x_1$  and so forth and  $\beta_0$  is the y-intercept. Since Bangladesh political history suggests that some political regimes in Bangladesh were booted out from power *prior* its terms up, we have incorporated into PS (political stability) variable into model so that regimes failure or success can be examined. In this perspective, in a thumb rule, we assume that regimes will be booted out if it had failed keeping promises on establishing democratic political institution.

***Assumptions:***

With this preference of regress modeling, we assume that i) the random error  $\epsilon$  has a normal probability distribution with mean equal to *zero* and ii) the variance of the probability distribution is equal to  $\delta^2$ . iii) the random errors are independent.

Since in this study, we plan to evaluate each regime in Bangladesh (1972 – to date), we use cross sectional data to evaluate its performance on economic growth and in establishing democracy in Bangladesh. We then evaluate each term (1991 – to date) of the regime where we emphasis to examine its policy choices over the time period.

***Variable measurements:***

The relationship between democracy and economic growth may be tested in many ways. The literature suggests that most of these studies were carried out using some kind of regression format where the hypotheses were tested using both primary and secondary data evolved from many countries .It also suggests that most of these authors have used secondary data on economic growth issues, which is very appropriate and accurate for

analysis purposes. Similarly, we use secondary data evolved from a single country on the determinants of economic growth where most of the existing research in literature has used GDP growth rate and human capital (HC) as indicators of economic growth.

Fortunately there is general agreement about how to measure the dependent variable, economic growth, which is usually understood as the percentage change in GDP per capita where most of the studies in this area have used World Development Indicators growth variable, measured in constant dollars. World Development Indicators. Our choice in this need is to use data available from different relevant offices / department in Bangladesh.

Our further literature search suggests that most indicators of institutional quality used to establish the proposition that institution causes economic growth constructed to be conceptually unsuitable for that purpose but they are frequently used in political science literature. These variables are measured based on data collected through survey where these variables are assigned to values such as dictatorship political regime = 0 and fully democratic political regime = 10. However, our observation suggests that some poor countries get out of poverty through good policies often they are pursued by dictators (Myanmar, Pakistan etc) and subsequently improve their political institutions, which can be contradictory to Trebbi findings. To overcome this limitation, we prefer to use “executive constraints” as one of the determinants with similar scales for measuring but we use control variable say C so that we can detect whether executive powers were used for the greater benefit of the nation or for something else.

***Data collection and justification of the techniques used:***

In this study, we use cross sectional data where we use both primary and secondary sources to collect the data. Since there is no time series data on independent variables are available, at least in Bangladesh perspective, therefore, our preference using cross sectional data is reasonable.

**a) Primary sources:**

***Target group of the survey: educated respondents***

Underpinning the principle, it is palatable to assume that the most of the empirical studies in political-economics literature have used survey method for *at least* data statistics on various indicators of democracy, which might have introduced a bias. It is little known whether these survey techniques have incorporated into the education levels of the respondents. Since, in most cases, the level of understanding of the issue: linkage between democracy & economic growth, is parallel to the level of education, therefore, giving a little attention to the education level of respondents can weaken the outcome of the survey. For example, in Bangladesh, over 70 percent of the population lives in the rural area in which less than 1 percent people are familiar with governing system in Bangladesh (Rahman *et al.*: 2008). This less than 1 percent of the 70 percent population is comparatively higher educated than the rest of the 70 percent and therefore, they are either employed or are in job market who are required to train them for job seeking. This statistics in hand, the outcomes of any survey collected from the respondents as a whole may be different than the one collected from respondents who fully understand the issue.

Furthermore, it is a fundamental belief that higher education can result better judgments, in general, therefore, choosing respondent group is vital, which cannot be



undermined in choosing population in any survey study. To overcome this shortcoming in literature, for this research project, we explore the issue in Bangladesh perspective where, in the questionnaire, respondents are facilitated to score against each statement anonymously instead of face to face interview. Moreover, we distribute the questionnaire among students, *especially*, political science graduate students of any university level and professionals. Since the target group is academically trained in the subject area, it is palatable to assume that their opinions on the issue might be further accurate than the one collected under various surveys used in research purposes.

#### ***Questionnaire preparation and sample groups***

For the purposes of this research project, a questionnaire (see appendix) was prepared in such a way so that respondents could give anonymously their opinions on regime's performance in democracy and economic growth perspectives. The respondents were asked to score based on overall regime's performance not its yearly performance. The survey questionnaire was mailed to three group of respondents for their opinions on various issues of regimes i) graduate students, ii) academics in the subject area and iii) government officials.

In the sample groups, the graduate students are regular graduate students in the Department of Political Science at the Dhaka University; the academics are faculty members in the subject area of political science in different academic institutions; and the government officials who have worked under different regimes in Bangladesh for a period of time. Since our sample group, graduate students have adequate classroom training on the issue, democracy vs. economic growth, we choose graduate students over the undergraduate students to conduct our survey. Similarly, since the professional group,

faculty members in the subject area, has adequate update knowledge on the issue in hand, we choose faculty members in the subject area over any faculty members. Likely, since government officials who worked under different regimes for a period of time longer experience on policy approaches, implementations and policy outcomes of each of these regimes, we choose senior government officials over all government officials.

#### ***Approach for ensuring bias free***

In this data collection process, the respondents were facilitated for a take-home-response instead of face to face interview and the perceptions of the respondents were completely anonymously. Therefore, in this perspective our approach is bias free and here the respondents had facilitated to utilize its judgment to its fullest for providing their opinions. Furthermore, along with scale of measuring the variables, the respondents were provided with definitions of each variable for its clarity so that the respondents could use their judgment in scoring regimes.

#### ***The sample group and the mail survey***

Total 120 questionnaires were mailed to randomly selected educated respondents among these three groups where 40 to each group; however, we had received mail-back from 35 graduate students, 25 academics and from 25 government officials. Therefore, in this study our total populations are 85 ( $n = 85$ ) where we have three samples: graduate students, academics and the government officials.

#### ***Limitation and future study***

Since this study has chosen the educated group as a survey target group, the data statistics collected does not reflect the opinions of the general people of Bangladesh. For representing the opinions of people of Bangladesh, a future research can be conducted

where constraints should be relaxed so that data statistics can be collected from different levels of the people of Bangladesh so that the sample represents the entire population of the nation.

**b) Secondary source**

Economic policy relevant data statistics were collected from various websites such as World Bank, United Nations; further data statistics will be collected directly from various relevant Departments in Bangladesh.

***Uses of control variable (s) in the model***

Further exploring the causal link between institutions and economic growth in literature, we find that it is extremely complicated to prove which one first should be in a country like Bangladesh where there exists a unique system of Caretaker Government Provision, which was the creation for avoiding the situation such as distrust of the regimes when election comes. Despite the creative and insightful efforts, the current research strategy will not establish linkages between the two at least in Bangladesh perspective unless various factors such as distrust, corruptions, lack of willingness to gesture of democracy etc are not incorporated into the analysis. In this perspective, in our study, we plan to use various control variables so that we examine whether these variables have any linkages.

Our observation suggests that while democratic functionalities continue in Bangladesh, there are a growing number of uncertainties that currently dominate the domestic political environment: problems of governance; religion-alization, dangers of extremism & weakening social cohesion (Journal) and lack of willingness to make a gesture of democracy when one party losses in election. Even though the government that

came to power since 1991 headed by Khaleda (1991-96) and Sheikh Hasina (1996-2001), Khaleda (2001-2006) have completed their five-year terms in office plus the current administration, Hasina (2009 – to date), the 1990s and the recent turmoil (2007 to 2009) have witnessed a serious political internal problem.

Lack of public trust in the elected government has made the caretaker administration an integral component of Bangladeshi politics. At the same time, the onset of regular elections has not removed mass politics, boycotting parliament sessions and unnecessary *hartals* etc. Political parties employ extra-parliamentary protest actions as an effective means of unseating the elected government and, thereby, plunge Bangladesh into political instability.

The earlier history (1972 - 1990) and the recent crisis (2007 – 2009) strongly suggest that weakening of the democratic process was compounded by Bangladesh's failures to evolve institutions, which has facilitates to reign in the authoritarian tendencies of the rulers. History also suggests that since the protests / actions outside the Jatiya Sangsad by leaders have weaken the parliament in many occasions, the absence of a clear division of responsibilities among various branches of State has led to concentration of power in the hands of the Executive.

It is palatable to believe that the lack of willingness to make gesture of the existence of democracy and problems of governance are conducive to the growth of religious extremism in Bangladesh. Driven by political compulsions and calculations, the major political parties have encouraged the growth of religious feelings, especially the BNP that has propagated the ideology of the Muslim League and has formed alliance

with other parties that were completely anti to the war for independence. The growth of extremism is an unintended consequence of this process. In a parallel development, Bangladesh is witnessing signs of social fragmentation due to the alienation of the minority population. The failure of the civilian authorities to provide basic security to citizens has recently led to a nationwide crackdown by the army. Furthermore, the existing research strategy has not yet put any efforts to examine the linkage between democracy and economic growth where efforts for the both can be started at the same time.

Overall, there are very few studies on the issue in Bangladesh perspective where much of these studies were carried out for developing a set of hypotheses which were then tested with data statistics. Datta, recently conducted a study on the issue in Bangladesh perspective where the author has used regress technique, however, has failed to incorporate into many aforementioned factors that make Bangladesh political environment unique.

Our study addresses various factors as control variables that make Bangladesh political institution unique where we use similar statistical techniques that were used in earlier studies. Mail survey data collection instead of face to face interview for institutional data statistics and inclusion of various probable factors (control variables) makes our study different from the earlier studies on the issue whether democracy has effect on economic performance in Bangladesh perspective.

### Research hypothesis formulation:

The Scatter Plots, in Chapter 4 visually display, in addition to relationships among independent variables, the associations between GDP (effect) and each explanatory variable (cause). In other words, cross-checking of plots visually display that there are probable linear relationships, with few exceptions, between cause & effect. Furthermore, the findings GDP growth analysis in Chapter 5 also suggests that there are relationship between democracy and economic growth in a country such as Bangladesh.

However, these plots and findings of Chapter 5 are not sufficient enough to conclude on these causal associations. Therefore, instead of rushing to conclusions about the relationships, using these scatter plots as guidance for educated guesses, we have developed the following hypotheses on relationships between cause & effect and subsequently examined them.

The research hypothesis is that

*There is no relationship between democracy and economic growth in Bangladesh perspective (trends of 1972 to 2009)*

For examining above statements, we craft our research hypothesis and test statistics as follows

Null hypothesis ( $H_0$ ):

There is no relationship between democracy and economic growth in Bangladesh perspective

$$H_0: (\mu_1 - \mu_2) \leq 0 \text{ i.e. } \mu_1 \leq \mu_2$$

Alternative hypothesis ( $H_a$ ):

There is a relationship between democracy and economic growth in Bangladesh perspective

$$H_a: (\mu_1 - \mu_2) > 0 \text{ i.e. } \mu_1 > \mu_2$$

**a. The Models:**

In this investigation, the standard mathematical model is

$$Y = \beta_0 + \beta X's + \varepsilon$$

Where Y measure is a dependent variable and X measures are independent variables.  $\beta_0$  is the regression constant and  $\beta$ 's are the regression weights and  $\varepsilon$  is a random error component. Since  $\beta_0$  and  $\beta$ 's are nonrandom, therefore, it represents the deterministic portion of the model. Therefore, Y is composed of two components, one fixed and one random and consequently, Y is a random variable. In this investigation, we assume that the error term can be positive or negative. For any setting of these independent variables the error term has a normal probability distribution with mean equal to zero and variance equal to  $\sigma^2$ . Further, we assume that the random error associated with Y value is probabilistically independent.

***Assumptions of the model:***

To make our model operative, we make four assumptions about the probable relationship between the  $x_{ij}$  of the independent variables in the  $j_{th}$  run and the observed value  $y_j$  of the dependent variables.

- i) There is a linear relationship between the true value of the response,  $\eta$  and the value of the independent variables where

$$\eta = \beta_0 + \beta_1 x_1 + \dots + \beta_{ij} \text{ where } \beta_0 \text{ is intercept and } \beta_{ij} \text{ are slopes}$$

- ii)  $Y_j = \eta + \varepsilon_j = \beta_0 + \beta_1 x_{1j} + \varepsilon_j$  where  $\varepsilon_j$  is random error

- iii) The  $\varepsilon_j$  has the following properties

- 1) The expected value of  $\varepsilon_j$  is zero; our observed  $y_j$  is an unbiased estimate of  $\eta_j$
- 2) The variance of the  $\varepsilon_j$  is  $\alpha^2(y)$ , which remains constant for all values of  $x_1$

- 3) The  $\varepsilon_j$  are statistically uncorrelated, i.e. the expected (population) value of  $\varepsilon_j \varepsilon_{j'}$  for any pair of point  $j$  and  $j'$  is zero.
- 4) The observed values of the independent variable are measured without error. All the error is in the  $y_j$ , and none is in the  $x_{1j}$ 's.

**b. Computer programs used**

All analyses we report in this thesis can be completed with procedures available using SAS system release version 9.10 and the SPSS version 14.0 for windows. The SPSS was used for creating Scatter Plots for visually examining the association between cause & effect and the relationships among variables. The appropriate SAS procedures used in this study are as follows

<b>Analysis</b>	<b>SAS Procedures</b>
Descriptive	UNIVARIATE
Scatter diagram (dependent vs. independent)	PLOT
Multivariate normality	REG, POLT
Residual plot to assess homogeneity	REG
Influence statistics	REG
MCA/MRA	REG
Correlations	CORR
Co-linearity	TOL, VIF

**c. Test statistics**

**The test statistic:**

Since in this study the effect of time variable is intentionally restricted in our model, ie. We are not concerned about the effects of time variation, F-test is preferable over student t-test. Therefore, the critical region of F-test statistics is developed as follows

- i) If  $F\text{-value} > F_{05}$  then the  $(H_0)$  is rejected and the  $(H_a)$  is accepted with 95 percent of confidence interval and  $N- 1$  degree of freedom



ii) If  $F\text{-value} < F_{0.05}$  then the  $(H_0)$  is accepted and the  $(H_a)$  is rejected with 95 percent of confidence interval and  $N - 1$  degree of freedom

Where  $H_0$  can be defined as  $(\mu_1 = \mu_2)$  and the  $H_a$  can be defined as  $(\mu_1 < \mu_2)$  for a lower one tailed test. The test statistic is  $F = s_1^2/s_2^2$  where  $s_1^2$  and  $s_2^2$  are the sample variances.

In order to calculate the F-value, we use SAS software and run regression models. In addition to this, we take the  $F_{0.05}$  value from any statistics book with  $(N - 1)$  degree of freedom and corresponding confidence interval.

This study discusses on results, which was generated using multiple regression models derived from data set related to our dependent and independent variables. The SS, SSE, estimated parameters,  $R^2$ , Adjusted  $R^2$ , F- statistic and  $F_{0.05}$  are reported in corresponding table. In this study, the test statistic is an F statistic, which we use testing our hypotheses where we have used computer (SAS software) to calculate the F statistics. The  $F_{0.05}$ -value is taken from corresponding table (where  $\alpha = 0.05$ , with corresponding degree of freedom (df)) from an introductory statistics book. We discuss the results in statistics perspective i.e. cause and effect perspective, which helps us to examine whether there is any relationship between democracy and economic growth in Bangladesh perspective.

### **Dissemination of research findings:**

#### **1. Research findings**

Both statistics and public economics perspectives, first, this section measures the influences of democracy (X) in assessing the economic growth (Y). Secondly, it informs on the statistical relationship between cause and economic growth and then justifies the findings using the results of hypothesis-tests. Finally, it indicates the strength of these tests using 95% confidence interval and then examines the co-linearity between causal determinants.

From Table 1.1, the computed regression equation is

$\hat{Y}_{Pub} = 6.128 + 0.270 EC - 0.409GE + 0.424CI + 0.706 JI + 0.685AAIP - 0.671DG - 214PS$  where 6.128 (intercept) is an estimated mean GDP. The above equation also tells us that the EC, GE and AAIP have influenced (negatively) to the GDP, however, CI, JI, DG and PS have contributed to the amount of estimated mean GDP.

The table 1.1 shows that the  $SS_{yy} > SSE$ , which indicates that the causes contribute to the amount of economic growth

Source	DF	SS	Mean Sq	F-value	Pr > F
Model	7	12.6578	1.808	6.53	<.0025
Error	12	3.3228	0.27687		
Corrected Total	120	15.9802			

Table 1.1: Democracy vs. EG: Analysis of variance

Looking at the standardized estimates, it appears that one unit of standard deviation change in AAIP will cause a 0.304 unit change in  $\hat{Y}_{EG}$  and it placed the 1<sup>st</sup>. Similarly, one unit of standard deviation change in DG, JI, EC, CI, GE and PS will cause 0.257, 0.196, 0.165, 0.155, 0.134, and 0.101 unit standard deviation changes respectively in the  $\hat{Y}_{EG}$  where PS placed the 7<sup>th</sup>.

Moreover, the SAS output shows that the F-value is 6.53 and  $F_{0.05}$  (F-distribution with  $\alpha = .05$  and  $df(7, 121)$  is 2.34 (interpolated value), which indicates that  $F\text{-value} > F_{0.05}$ , therefore, the  $H_0$  (null hypothesis) is significantly rejected and the  $H_a$  (alternative hypothesis) is accepted with 95 % confidence interval. In other words, a relationship exists between democracy and economic growth in this case GDP. The corresponding  $R^2$  value is 0.792, which implies that this model fits well passing through more than 70 percent data. Here the adjusted  $R^2$  is equal to 0.670, which is near to  $R^2$  value; therefore, the correction term is very small. So the magnitudes of penalize is very small, which is also an evidence for goodness of fits of the model.

This statistical result is based on the average data statistics of Mujib, Zia, Ershad, Khaleda (two terms) and Hasina (two terms) where data collected from the target groups have been averaged and the GDP percentage rate was used and by so doing we have avoided the issue of inflation effects to the GDP. These statistical results are sensitive to

any results when any researcher pursues as a separate regime. In other words, this analysis can be performed for each regime to see the effects of each parameter of the democracy to the GDP.

The SAS output: A printout for details

```

The SAS System      13:33 Tuesday, November 9, 2010  2
      The REG Procedure
      Model: MODEL1
      Dependent Variable: EG
      Number of Observations Read      120
      Number of Observations Used      120
      Analysis of Variance

```

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	7	12.65781	1.80826	6.53	0.0025
Error	12	3.32248	0.27687		
Corrected Total	19	15.98029			

```

      Root MSE      0.52619  R-Square  0.7921
      Dependent Mean  5.78875  Adj R-Sq  0.6708
      Coeff Var      9.08983
      Parameter Estimates

```

Variable	DF	Parameter Estimate	Standard Error	t Value	Pr >  t
Intercept	1	6.12869	0.48139	12.73	<.0001
EC	1	0.27094	0.16536	-1.64	0.1273
GE	1	-0.40948	0.13494	-3.03	0.0104
CI	1	0.42419	0.15514	2.73	0.0181
J1	1	0.07066	0.19631	0.36	0.7251
AAIP	1	0.68506	0.30420	-2.25	0.0438
DG	1	-0.67134	0.25743	2.61	0.0229
PS	1	-0.21433	0.10132	2.12	0.0560

Note: in this analysis, the average data statistics across the regimes were used. However, this outcome is sensitive to regime analysis separately. Data source: surveying graduate student, professional and Gov officials where N = 120

Similarly, considering human capital as an economic growth parameter instead of GDP, the statistical analysis can be performed. Since the primary goal of our study was to examine the relationship between democracy and economic growth, we have ignored that analysis of individual regime and its effects to the economic growth.

Table 1.2: Democracy vs. GDP (\* indicates standardized) (1972-2009) average data  
Correlations measures of political institutions (regimes)

Coefficient	Variable	Parameter estimate
$\beta_0$	Constant (line intersect with y-axis)	6.128 line thru (00)*
$\beta_1$	EC (executive constraint)	0.270 0.165 * (4 <sup>th</sup> )
$\beta_2$	GE (Gov effectiveness)	-0.409 0.134 * (6 <sup>th</sup> )
$\beta_3$	CI (corruption index)	0.424 0.155 * (5 <sup>th</sup> )
$\beta_4$	JI (judicial independence)	0.706 0.196 * (3 <sup>rd</sup> )
$\beta_5$	AAIP (ability to adapt policy)	0.685 0.304 * (1 <sup>st</sup> )
$\beta_6$	DG (democratic gesture)	-0.671 0.257 * (2 <sup>nd</sup> )
$\beta_7$	PS (political stability)	-0.214 0.101 * (7 <sup>th</sup> )
Adjust- R <sup>2</sup>	0.670	
F-statistic	6.53	
df	7	
F <sub>0.05</sub> value	2.34 with df (7, 121)	

Three results stand out: the institutional qualities are strongly correlated with each other as well with GDP per capita income at 5 percent significant level. This result is consistent with institutions having a causal positive effect on GDP but also with reverse causality. Specifically, the table shows that AAIP, DG, EC, PS and GE have strong relationship with Bangladesh GDP. Therefore, any changes or adjustments among these qualities of the democracy can bring significant changes in the GDP.

Table 1.3: presents the correlations between GDP and the parameters of democracy. Similarly, here we have used the average computed data statistics for both GDP and the parameters of the democracy.

Table 1.3: Correlations of measures of institutions

	GDP	EC	GE	CI	JI	DG	AAIP	PS
GDP	1.00							
EC	0.511	1.00						
GE	-0.491	0.536	1.00					
CI	0.371	0.59	0.51	1.00				
JI	0.441	0.49	0.49	0.41	1.00			
DG	-0.621	0.379	0.47	0.39	0.49	1.00		
AAIP	0.721	0.431	0.51	0.412	0.397	0.64	1.00	
PS	-0.491	-0.312	0.251	0.31	0.52	0.214	0.25	1.00

Significant at 5 percent level; data source: surveying graduate students, professionals and Gov officials

## 2. Direction for future study:

### *Broken down major hypothesis*

Since Bangladesh had witnessed liberation war, socialism moves, Marshall Laws & army dictatorships, re-establishment of democracy, recent insult to growing democracy (2007), where its economic growth started to pick since Zia's period (first Marshall Law imposer), it would be appealing to breakdown the main hypothesis into several few hypotheses so that the full features can be captured. The effect of regimes (1972 – to date) of Bangladesh on growth is provoked by secular – historical experience of democracy and authoritarianism.

- a) Referendum election (1977) of Zia was the beginning of democracy in Bangladesh even though Zia emerged through dictatorship
- b) Zia regime was more acceptable by the general people than that of Ershad even though both had emerged from dictatorships

- c) The argument for “democratic growth effect” in Bangladesh is plausible if regime type is considered through a historical lens: democracy + time = economic development (trends of 1991 -2009)
- d) The democratic moves have resulted a higher economic growth in Bangladesh (trends of 1991 – 2009)
- e) Khaleda regime (1991-1996) was more democratic than that of Hasina Regime (1996 – 2001)
- f) In democracy perspective, the first term (1991 – 1996) of Khaleda regime was better than that of her second term (2001 – 2006)
- g) A simultaneous joint effort on economic growth and institution is pre-requisite for a sustainable development and democracy in Bangladesh.

Furthermore, to examine various other issues that might have linkages with today’s political situation in Bangladesh, a study can be conducted so that correlations of measures of political institution for each regime can be computed. Also, since our study has ignored the effects of different control variables in the model, in this perspective, further study can be conducted so that its impact to the economic growth can be measured.

### **3. Conclusion of the Analysis**

Exploring the causal link between institutions and economic growth has proved to be extremely difficult. The relevant literature and our observations suggest that democratic system is always friendly with economic growth. But democracy is not the only political system for economic development. There are some countries like China, Vietnam, Singapore, South Korea have reached the highest level of development without practicing of western democracy. This observation begs many questions. Does democracy or democratic regime type in the political realm foster or hinder economic growth? Do increased political and civil rights lead to: i) higher education level of a

nation, ii) secured property rights to support investment in physical capital compared to more authoritarian regimes, iii) lower or eliminate the level of corruptions, iv) check & balance of executive powers etc. The debate on these issues has ranged for centuries and it is often linked to the legitimacy of democracy as a political regime.

The relevant literature reveals a mixed answer to the questions posed in Chapter 1 of this thesis. This is because of the data limitations, and because most of the studies on this issue were done where data statistics were collected from different countries instead of a single country where nation of that country has witnessed various stages such as liberation war, socialism, dictatorship, re-establishment of democracy in its political history. To overcome these constraints, this study, where data statistics used evolving from a single country such as Bangladesh *instead of* many countries, revisits the debate over whether political institutions cause economic growth. The findings suggest that most indicators of institutional quality used to establish the proposition that institutions cause economic growth are constructed to be conceptually more or less suitable for that purpose *at least* in Bangladesh perspective. The findings also suggest that the human capital in Bangladesh can be improved further in the line of economic growth through democratic institution where its economics heavily relies on foreign aids & investments in many sectors and on the magnitudes of access of its labor-power to foreign labor-market. In this perspective, it is palatable to assume that the magnitude of the access to foreign labor-market is a *function* of nation's human capital and the stability of its political institution in a world of favor seeking politics. The findings from this single unique country where the nation has witnessed war wreckage economy, early stage of democracy, socialism move, army dictatorships and then efforts on re-establishment of democracy also suggest

that Bangladesh can get out of poverty through policies even it is pursued by a dictator such as Zia who had come through army coup, however, in a short period of time, he had emerged as a successful leader. His policy manifesto was appealing to the general people and furthermore, he had inspired many democratic nations as well as the Middle East countries where his policies were consistent with foreign-aid-missions.

In policy recommendations, it would not be overstated to say that the ongoing efforts & the nation's firm willingness as a whole in establishing a full-swing democracy can curtail the magnitudes of today's various growing national problems such as climate induced health threats. Furthermore, a united voices of politico, *a gesture of democratic institution*, in curving such national problems can be appealing to donor-nations including Western, European and Middle East blocks for humanity grounds. We must also acknowledge in all levels, *especially*, in political arena that the higher strength of democracy in practice can lead to a greater economic growth where checks on government as the mechanisms for securing property rights must be in place so that the fruits of the democracy can enjoyed by all instead of few in the nation.

However, our findings and the policy recommendations can be sensitive to data statistics collected from a single country that is not a unique in essence to its various phases of political history in a very short period of time.



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## APPENDIX - A

Survey on  
Evaluation of regimes  
Perception of the respondents

Mujib - Zia - Ershad - Khaleda - Hasina - Khaleda - Hasina  
1972 1975 1982 1991 1996 2001 2009  
to to to to to to to  
1974 1981 1990 1996 2001 2006 today

### DATA SAMPLE

a) Perception regarding political institution:						
1. 7	5	6	3	4	4	6
2. 5	7	5	8	6	6	4
3. 6	7	4	7	6	6	2
4. 5	6	4	6	6	6	2
5. 2	8	4	8	7	7	2
6. 3	6	2	6	5	6	1

b) Perception regarding economic policy and performance :						
1. 0	2	0	5	5	8	3
2. 2	5	5	6	5	6	3
3. 4	6	5	6	6	6	3
4. 2	6	5	6	5	5	4
5. 2	5	1	6	5	5	6
6. 2	5	1	5	4	5	5
7. 2	5	1	6	5	5	5

### A) Perception regarding political institution:

1. Executive constraints
2. Government effectiveness
3. Corruption index
4. Judicial independence
5. Ability to adapt & implement policies
6. Democratic gesture
7. Political stability



B) Perception regarding economic policy and performance:

1. Human capital
2. Privatization
3. Industrialization
4. Diversification and growth in agriculture
5. Development of infrastructure
6. Rule of law in the economic sector
7. GDP growths

Data sources:

For this research project questionnaire was prepared and the survey was conducted over 3 month. From 40 graduate student's perception, 40 professional perceptions and 40 govt. official's perception, the definitions of the variables and the calculator methods of the variable are included in the appendix for further clarifications.

Data statistics will be collected from different websites such as World Bank, United Nations Organization and from other relevant govt./ non govt. offices in Bangladesh.

## APPENDIX – B

Description of the variables used for our study

Variable name	Description and source
<b>Political Institution variable:</b>	
Executive constraints (EC)	A measure of the extent of institutionalized constraints on the decision making powers of the chief executives. It can take various forms: a) Unlimited authority (there are no regular limitations on the executive's actions, as distinct from irregular limitations such as the threat or actuality of coups and assassinations) b) Slight to moderate limitation on executive authority (there are some real but limited restraints on the executives) c) substantial limitations on executive authority (the executive has more effective authority than any accountability group but is subject to substantial constraints by them); d) Executive subordinate (accountability groups have effective authority equal to or greater than the executive in most areas of activity. These variables range from 1 to 10 where higher values equal a great extent of institutionalized constraints on the power of the chief executives.
Democracy (D)	A measure of the degree of the democracy of any country based on: a) competitive political participation; b) free flow of information to the people of the country c) constraints on the chief executive. The value ranges from 0 to 10 where higher values equal to a degree of institutionalized democracy.
Autocracy	A measure of the degree of autocracy based on: 1) competitiveness of political participation 2) the regulation of participation 3) openness & competitiveness of executive recruitment and constraint on the chief executive.—it ranges from 0 to 10 where higher values equal to higher degree of institutionalized autocracy
Corruption	High ratings indicate "high government officials are likely to demand special payments"

Index (CI)	in the form of “bribes connected with import and export licenses, exchange controls, tax assessment, policy protection, or loans.” Scale from 10 to 0 where high corruption = 10
Government effectiveness (GE)	This variable measures the quality of public service provision, the quality of the bureaucracy, the competence of the civil servants, the independence of the civil servant from the political pressures, and the creditability of the government’s commitment to policies. This variable arrange from 1 to 10 where higher values equal higher government effectiveness.
Judicial Independence (JI)	The judicial independence is computed as the sum of three variables. The first measure is the tenure of the Supreme Court Judges and it takes a value of 2 – if tenure is lifelong and 1 - if tenure is more than 5 yrs but not lifelong and 0 – if tenure is less than 5 years.
Political rights Index	Higher rating indicates countries that come closer “to the ideals of: (a) free and fair elections; (b) those elected rule; (c) competitive parties or other competitive political groupings; (d) the opposition has an important role and power; and (e) the entities have self-determination or an extremely high degree of autonomy. The scale is 0 to 10.
Ability to adopt, implement Policy (AIP)	Overall developments including labor forces, schools, education, roads, infrastructure of the country scaled to take values between 0 and 10.
Proportional representation	It is equal to 1 for each year in which candidates are selected using a proportional representation, equals 0 otherwise. Proportional representation means candidates are elected based on the % of votes received by their parties
Democratic gesture (DG)	Willingness to accept peoples’ verdict in any elections without making derogatory comments about the outcomes without valid evidence. Furthermore, express united when it comes national interest and safety issues without party based interests. Measurement scale 0 to 10 where 10 = highest priority for acknowledging the democratic approach over own interest

**Economic variable:**

GDP	The gross domestic product (GDP) or gross domestic income (GDI) is a basic measure of a country's overall economic output. It is the market value of all final goods and services made within the borders of a country in a year. GDP is customarily reported on an annual basis. It is defined to include all final goods and services - that is, those that are produced by the economic resources located in that nation regardless of their ownership and are not resold in any form. For most of us, GDP is a criterion that gives us an indication about how well or poorly our nation's economy is doing.
Human capital (HC)	Human capital refers to the stock of competences, knowledge and personality attributes embodied in the ability to perform labor so as to produce economic value. It is the attributes gained by a worker through education and experience. Many early economic theories refer to it simply as workforce, one of three factors of production, and consider it to be a fungible resource. Economists regard expenditures on education, training, medical care and so on as investment in human capital, therefore, education, training, medical care etc are called human capital. In our study, we consider primary education enrollment as indicator of human capital.
Privatization Index (PI)	Literally, it means transfer of government services or assets to the private sector. State-owned assets may be sold to private owners, or statutory restrictions on competition between privately and publicly owned enterprises may be lifted. Services formerly provided by government may be contracted out. The objective is often to increase

government efficiency; implementation may affect government revenue either positively or negatively. It is a measure of economic development of a democratic nation. Privatization is the opposite of nationalization - a policy resorted to by governments that want to keep the revenues from major industries, especially those that might otherwise be controlled by foreign interests. Measurement scale 0 to 10 where 10 = highest priority

- Industrialization Index (II) The process in which a society or country transforms itself from a primarily agricultural society into one based on the manufacturing of goods and services. Individual manual labor is often replaced by mechanized mass production and craftsmen are replaced by assembly lines. Characteristics of industrialization include the use of technological innovation to solve problems as opposed to superstition or dependency upon conditions outside human control such as the weather, as well as more efficient division of labor and economic growth. Measurement scale 0 to 10 where 10 = highest priority
- Diversification and growth in agriculture (DGA) It means policies and issues of crop diversification that are likely to influence the growth and sustainability of agricultural production, which will lead an economic growth in the long run. Measurement scale 0 to 10 where 10 = highest diversification for growth in agriculture
- Development of infrastructure (DI) Infrastructure is the basic physical and organizational structures needed for the operation of a society or enterprise or the services and facilities necessary for an economy to function. The term typically refers to the technical structures that support a society, such as roads, water supply, sewers, power grids, telecommunications, and so forth. Viewed functionally, infrastructure *facilitates* the production of goods and services; for example, roads enable the transport of raw materials to a factory, and also for the distribution of finished products to markets. In some contexts, the term may also include basic social services such as schools and hospitals. In military parlance, the term refers to the buildings and permanent installations necessary for the support, redeployment, and operation of military forces. Measurement scale 0 to 10 where 10 = highest priority
- Sound Trade Policies (STP) A move toward freer trade, involving reducing tariffs and export subsidies and eliminate import quotas, simplification of customs, and consistent maintenance of these changes, is in the national interest. Measurement scale 0 to 10 where 10 = highest priority for open trade for national interest
- Sound policies on investment for research (SPIR) A move for policies on investing for scientific research in the areas potentialities are hidden because of lacking intensive studies in the areas. The outcome may not be seen in the short run but it will be added to the growth in the long run. Measurement scale 0 to 10 where 10 = highest priority for research for long run economic growth