

State-Business Relations and the Nature of the Evolution of
Capitalism in Bangladesh:
Some Tentative Observations

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State-business relations as evolved over the last few decades

1972-1990: Strong state and weak business

- At the onset of the independence (first AL government 1972-75) Bangladesh saw the emergence and partial consolidation of a politico-economic order aptly termed as ‘Intermediate Regime’ .
- The domestic Bengali capitalist class enjoyed a marginal position in this elite coalition given its historically contingent economic and political weaknesses and also due to lack of collective action capacity (rudimentary nature of business associations).
- With the change of regime (General Zia and subsequent BNP 1975-81) the country witnessed significant realignment of the state-society relations leading to the emergence of local industrialists and other business elites as politically empowered and mobilized actor thanks to the changes in economic policies (liberalization, privatization) as well as due to their greater access to economic policy making spaces. But the mode of engaging with the state appeared to be predominantly particularistic/collusive in nature and less collective. Initiatives to revive and strengthen business forums could be seen during this period
- Such preferences of particularistic nexus over collective action increased during the regime of General Ershad (1982-90) due to very high degree of cronyism and pre-dominantly deals based business transactions—in many of which General Ershad and his close associates were found to be personally involved. Business forums, as collective platforms, were perceived by the economic actors as largely redundant. Particularistic nexus with the state was thus deemed as strategically more useful and in fact considered as the ‘only game in town’.

State-business relations as evolved over the last few decades

The post-1991 phase witnessed the gradual rise in political salience of the business associations

Reasons being:

- political liberalization
 - more significant reason for this has been the full-blown economic liberalization
 - Meta-level cognitive shift, thanks to hegemony of neo-liberal ideology over polity, economy and society
 - Financial clout over electoral politics
- All these laid the ground for its ambitious effort to revamp the business forums to engage with the state more confidently as a collective actor.
 - As it transpired, the business-state relation that emerged over the ensuing decades revealed that the business community could hardly achieve the lofty ambitions that they set for themselves.

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The post-1991 phase witnessed the gradual rise in political salience of the business associations

- As a starter the collective action process of the business has never been a non-partisan affair. The executive committees, formed after the elections, tended to manifest a balanced composition of business leaders aligned to two parties--logic duopolistic partyarchy--a hedging strategy on the part of the business since regime change, through credible elections (due to third party monitoring), still remained as a possibility. This proved to be short lived.
- Larger political dynamics sent signals to the political elites that the existing duopolistic settlement generates political uncertainty and needed to be replaced by the logic of monopolistic partyarchy.
- Successive regimes were able to progressively monopolize the leadership of the association by ensuring that the FBCCI's elections reflect pre-determined outcomes.

State-business relations as evolved over the last few decades

Politics at Command

- Business-state relation throughout the (CPS) *Competitive Party System* (1991-2013)) stage largely exhibited the dynamics of clientelistic incorporation rather than transiting towards a liberal pluralist order as pluralist interest group theory would have predicted
- The core assumption is aggregation of preferences by actors inhabiting a liberal space with symmetrical power. This also belied modernization theory's principal assumptions that the market actors, given the opportunity, will push for greater pluralism and also contribute to the erosion of particularism in the economy and society.
- The impacts of post-2014 (DPS) *Dominant Party System* on the collective action dynamics of the business community seem to be significant. The partyarchal control over the prominent associations appeared to have reached an unprecedented level.
- The BGMEA, which has hitherto strategically maintained or was able to maintain the duopolistic partyarchal arrangement in governing the forum, seems to have given up such posture and has embraced the partyarchal monopoly as *fait accompli* since 2009 and particularly since 2014

State-business relations as evolved over the last few decades

- **Politics at Command**

- The totalizing motives of an aggressive DPS can partly explain such deepening of partyarchal control over the associational realms of the market actors. Equally important, perhaps, is the incentives of the demand side--the business actors' growing imperatives to signal their collective loyalty to the DPS.
- This is, perhaps, due to at least two meta-level changes—both ideological and economic.
- The most important change has taken place at the level of ideology. Electoral legitimacy or just to reinforce the regime's ideological hegemony over the society, has opted for strengthening political and ideological grips over civil society groups.
- Dominant incentive of the business community seems, at present, is to pack office bearers of the forums with individuals, ideologically accepted by the regime.
- The economic reason is related to changes in the nature of rent (economic benefits/accesses) allocations by the state. During the CPS phase rents were, to a large extent, shared across the political divide also non-partisan business individuals could also access rents by deploying complex strategies
- Such practices, to a considerable extent, have become largely dysfunctional with the advent of DPS and partisan considerations now increasingly influencing the nature of political elites' dealings with the market actors.
- Both meta-level changes have also made the bipartisan strategy of the associations not only largely irrelevant but politically risky too

State, Business Relations and the Evolution of Capitalism: A Complex Scenario

The Nature of Power Dynamics between the State and Business

Instrumental/direct power-:

- Capitalists influence the functioning of democracies by direct participation in politics. When businessmen finance elections to seek favorable policies, lobby governments to tilt decisions in their own favor, or even come to occupy positions of power directly.

Structural/indirect power:

- When capitalist economy itself constraints capitalist states. The economic actors get what they want whether they actively seek it or not since they control key economic levers in any capitalist society, politicians must take into account the preference of business actors, both to secure economic growth and to ensure their own political futures—developmental legitimacy.

A Complex Scenario

Hegemonic Status of the Business

- Has the power gone beyond from *veto power* i.e. power to block changes in policies that are threatening to their collective interest
- to *agenda setting power*—i.e. power to shape future configurations of economic political changes
- Pervasive ideational power—business has successfully created a cultural context whereby their control over economy and polity to some extent seems natural and inevitable to the people

A Complex Scenario

The Evolving Nature of Business Power in Bangladesh

Instrumental power surely increasing over the decades but we should note the limits of this process:

- Increased parliamentary representation, as individual, but the parliament is very weak vis-à-vis the executive
- Increased participation in the party political process, as individual, but the process itself is largely controlled by dynastic politics, charismatic leadership (focal point in the game); constrained political empowerment of the business
- Individual and collective business are willing political clients of ruling political elites in the last instance (incentive compatibility, self-enforcing Nash equilibrium)—clientelistic incorporation is the dominant strategy
- Still some collective actors tend to possess high political capacity in terms of veto and agenda setting power (BAB and banking sector regulation; REHAB and DAP; BGMEA and tax;) which is contributing to developing and consolidating structural power of the business

A Complex Scenario

The Evolving Nature of Business Power in Bangladesh

Structural power (logic of the capital) increasing over time thanks to expansion of the private sector:

- Economic, budget, tax, regulatory etc. policies reflect broader interests of the business
- Taming of labor at the behest of the business
- Genealogy of extra-judicial killing—roving bandits replaced by stationary bandits
- Decline of hartal: More political logic than capital logic—hartal was exempted for the industry but never for the larger population—political efficiency consideration mattered; current decline of hartal indicates highly efficient violence enforcement capacity of the party-state

Given the increased structural power of the business and confidence and aggressiveness, especially of certain collective actors (BAB, BGMEA, REHAB) , are we witnessing transformation of these actors from **class-in-itself** (prone to particularistic lobbying as in the earlier decades) to **class for itself** (oriented towards collective lobbying) and being increasingly successful in bending the state to their will?

Hegemonic power of the business?

- No effective countervailing forces and ideology

A Complex Scenario

What Kind of Capitalism Emerging in Bangladesh?

Liberal capitalism:

- Capital logic/structural power predominates; Business actors (collectively mostly but individually as well) have high hegemonic power; veto power and agenda setting power. State here tends to enjoy very little autonomy and largely conforms to the Marx/Engels' notion of "a committee to manage the common affairs of the bourgeoisie." —Communist Manifesto). Anglo-Saxon capitalism (USA, UK) approximates this variant. A system Bangladesh may want to avoid?

Political Capitalism:

- Political logic/instrumental power predominates. Business actors (individually and collectively) have all three powers but in an uneven and precarious manner. Political capitalism: a system in which actors (generally political elites but sometimes business as well) use political power to achieve economic gains. States in political capitalism are generally autonomous (vis-à-vis business), to various degrees, in terms of their capacity to alternately encourage/empower and rein in the private sector according to the national interest.
- Think of current China. Tactical flexibility, adjustment of strategies, balancing growth with common prosperity, 'correcting' the power of the unregulated oligarchic capital (Ali Baba), disciplining social media capital to prevent moral degeneration of young people, and so on. A desirable model for Bangladesh?
- State having **relative autonomy** from the capitalists making it capable to look after general and long term interests of capitalist polity/economy/society (Marx:18th Brumaire and others).

A Complex Scenario

What Kind of Capitalism Emerging in Bangladesh?

Political Capitalism but the state lacks the degree of autonomy as in China

The relation between capital and politic logic is in a flux and it is difficult to say what kind of equilibrium will emerge

The contingent nature of the political order will significantly determine the nature of capitalism's evolution in Bangladesh

Capitalism's trajectory will have critical consequences in terms of inclusivity of development and quality of democracy—
oligarchic capitalism and polity