

The narrative on rising inequality



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Inequality occupies a salient spot in Bangladesh's development discourse. Most measures of inequality increased from 2000 to 2016. In recent years, the income Gini coefficient increased from 0.458 in 2010 to 0.482 in 2016. The number of ultra-high net worth (above \$30 million) population increased 17.3 per cent during 2012-17, according to the Wealth-X report.

What do we make of the rise in inequality? **STRUCTURAL TRANSFORMATION** One explanation that seems to have gained uncritical acceptance in the establishment is the Kuznets's inverted U-Curve.

Income inequality is low at very low levels of income. Practically everybody lives at, or close to, subsistence level. As the process of growth began, people migrated from the traditional agriculture where incomes are low to modern industry, garments being the biggest but not the only one, and abroad, where wages are higher.

The scarce physical and human capital are still heavily concentrated among the relatively few. The high returns they command caused income inequality to rise. As the accumulation of the two types of capital becomes more diffused among the population, income distribution will tend to become more equal with the rise in industrial diversification, agency and the welfare state.

The rise in inequality, therefore, is a temporary phenomenon that development will self-correct. This would have been reassuring if we could safely assume inequality predominantly resulted from structural transformation.

In Bangladesh, the change in income share by deciles in 2016 compared with 2010 (the Household Income and Expenditure Survey data of the Bangladesh Bureau of Statistics) depicts a combination of S-shape (poverty trap) at the bottom and elephant shape at the top, notwithstanding the fact that survey data cannot capture top incomes well and are not consistent with macroeconomic totals.

The income shares of the bottom 5 per cent declined from 9.25 per cent in 2010 to 7.95 per cent in 2016 while the share of the top 10 per cent increased from 35.85 per cent to 38.09 per cent. The share of the middle 40-60 per cent rose from 18.33 per cent to 18.85 per cent while those in the 70-90 per cent decile dropped from 36.5 per cent to 35.17 per cent. The share of the bottom 5 per cent declined

from 0.78 per cent to 0.23 per cent while that of the top 5 per cent went up from 24.6 per cent to 27.8 per cent.

Income growth rate has been the slowest at the bottom 30 per cent and negative at the bottom 5 per cent, while they have been the fastest at the top 10 decile. The middle 40-60 per cent had modest growth and the upper middle 70-90 per cent even less so. The ultra-

rich enjoyed much higher income growth, which swamps that of the bottom 30 per cent. Poor still gained, but their growth was dismal compared to that of the top 10 decile.

These patterns are antithetical to the structural transformation explanation. Indeed, in the last four decades, very different pathways observed in developing and developed nations have drawn attention to the criticality

of political and institutional factors in shaping the distribution dynamics. **EXTRACTIVE INSTITUTIONS** Institutional arrangements dominated by elites breed inequality. There is clear link between the two in cross-country data. The correlation between income share of the middle-income quintile and various measures of institutional quality (Worldwide Governance Indicators)

agency dimensions of governance with rising inequality. To the extent growth is biased in favour of the owners of capital in a labour-abundant economy because of trade and exchange rate policy distortions or monopoly rents, it constitutes a technical flaw in the quality of economic governance. The failures of the agency dimension are manifest in the existence of loan defaults, tax evasion, embezzlement of public funds, socialisation of private losses, and predatory business and political behaviour. The flight of this money to safe havens abroad adds insult to injury.

Access to public institutions is heavily biased towards the wealthy. The evidence from Bangladesh glares at one's face when gleaned from various Transparency International Bangladesh reports, the Global Financial Integrity findings, the financial sector and public procurement assessments, the government's anti-corruption drive, and myriad of anecdotal stories on elite capture of trade, fiscal and financial policies.

Inequalities arising from the technical and agency failures of governance are pernicious. High-income inequality allows the rich to wield stronger political influence, thereby subverting institutions.

Weak institutions are conducive to income inequality and inequality weakens institutions. **LOW INTERGENERATIONAL MOBILITY** There is evidence that inequality in human development among children belonging to different socio-economic groups is attributable to the difficulties of overcoming circumstances inherited at birth. Such path-dependent inequalities tend not to self-correct.

Nobel laureate Amartya Sen pointed out that individuals can differ greatly in their abilities to convert the same resources into a state of 'being and doing' such as being well-nourished or having shelter. Individuals also differ in their capability to choose between different kinds of life. People can internalise the harshness of their circumstances so that they do not desire what they can never expect to achieve.

The disadvantages inherited when born into poverty is self-reinforcing. Abhijit Banerjee and Esther Duflo explain in Poor Economics how your income today could influence what your income will be in the future. The amount of money you have today determines what you eat, how much money spent on health, education, and ways to improve your work. This in turn influences your incomes in the future. The poverty trap is an "S-shaped" curve where future income continues to be lower than present income.

This explains why social mobility is lower for impoverished people than their counterparts with a higher income. The presence of such a phenomenon at the bottom of the income distribution in Bangladesh was noted earlier.

are in the range of 0.3 and 0.44. Similarly, the correlation between many measures of institutional quality and the Gini coefficient ranges between 0.40 and 0.44, depending on the aggregate institutional measure used.

Governance deficits perpetuate and exacerbate avoidable inequalities. Empirical investigations find significant negative relationship between the technical and

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Export container movement remains halted

ICDs yet to give in

STAR BUSINESS REPORT

The transport of containers between the Chattogram port and private inland container depots (ICDs) remained at a standstill yesterday, leading to uncertainty over the timely shipment of a major portion of the country's export-oriented cargo.

Various businesses have expressed deep concern over the deadlock, fearing that it will adversely impact Bangladesh's foreign trade, which is already facing issues brought on by the global spread of coronavirus.

Considering the current situation of the country's foreign trade, the Bangladesh Shipping Agents Association (BSAA) and the Bangladesh Container Shipping Association (BCSA) yesterday sent separate letters to the Bangladesh Inland Container Depots Association (BICDA).

The letters urged the BICDA to resolve the matter and resume the transport of export containers of the three major ICD companies.

The BICDA stopped transporting containers through the main line operators (MLOs) -- Maersk, Gold Star Line and Orient Overseas Container Line -- because they did not pay their respective ICD charges since January, said BICDA Secretary Md Ruhul Amin Sikder.

The unpaid dues amount to Tk 21.40 crore. Almost all shipping agents of these MLOs and some others who are operating directly in Bangladesh have not paid their charges since January.

"But we stopped transporting containers of the three MLOs since they are not receiving our bills," Sikder said.

Only 25 per cent of the total export cargo is transported through containers owned by the three companies, he added.

Trident Shipping Line, a local agent of Gold Star Line, did not pay the charges as the bills sent by the ICDs had been marked up 22 per cent, Delwar Hossain, senior general manager of Trident Shipping, told The Daily Star.

A revision of the existing ICD charges is now on the cards at the shipping ministry and the shipping secretary will supervise the tariff enhancement, said BCSA General Secretary Captain Shahed Ahmed Chowdhury.

Since the matter has already been brought to the ministerial level, everyone should wait until a decision is taken, he added.

Such a deadlock will have further detrimental effects on the garment industry as the entire sector is going through a rough patch.

The country's apparel exports is facing fierce competition from other garment producing nations, said Nasir Uddin Chowdhury, chairman of the standing committee on port and shipping of the Bangladesh Garment Manufacturers and Exporters Association.

Moreover there is a disruption in the raw material supply chain due to the coronavirus outbreak in China, he added.

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Khatunganj in troubled waters

Traders demand action against monsoon waterlogging

STAR BUSINESS REPORT

The Khatunganj-Chaktai market, one of Bangladesh's largest wholesale hubs for household essentials, is losing its position as the country's top trade centre owing to seasonal waterlogging, lack of proper infrastructure management, corruption and poor road connectivity, among other barriers, experts say.



Businesses have underscored the need to conduct a thorough study on the economic impact of waterlogging and other difficulties faced in the area.

The study will help formulate effective solutions for a comprehensive project in the future that will aim to return the trade centre to its former glory, they said.

About 3,000 firms, including 250 wholesale shops and 5,000 warehouses, are located in Khatunganj and the adjoining Chaktai and Asadganj areas, where waterlogging alone inflicts losses of several hundred crores of taka each year.

"Traders in Khatunganj have endured huge losses due to

waterlogging for the past 15 years," said Mahbubul Alam, president of the Chittagong Chamber of Commerce and Industry (CCCI).

"Khatunganj is gripped by major challenges such as poor infrastructure, drainage and the encroachment of Chaktai canal," said Khandakar Shabbir Ahmed a professor of the Department of Architecture at the Bangladesh University of Engineering

and Technology, while delivering a presentation on the primary findings of a study.

Narrow entrance road causes gridlock for hours and there is a lack of truck terminals. Trust is an issue which hampers trading as fraudsters enjoy impunity, said Ahmed.

They spoke at an inception workshop styled "Private Sector Resilience Study" at the Bangabandhu Conference Hall of the World Trade Centre in Chattogram yesterday.

The event was organised by the National Resilience Programme (NRP) and the Programme Division of the Planning Commission in association with the CCCI and

attended by several business leaders and senior officials from various government organisations.

During the workshop, the Planning Commission announced that it would conduct two separate studies on the economic impact of waterlogging on local trade -- A Study on Khatunganj, Chattogram and an Industrial Sector Risk Profile for Chattogram -- with assistance from the NRP and technical partner United Nations Development Programme (UNDP).

Planning Division Secretary Md Nurul Amin stressed the need to formulate risk management plans ahead of the launch of any project to ensure sustainable development.

"Government organisations such as the Chattogram City Corporation (CCC), the Chattogram Development Authority (CDA), the Chattogram Wasa and the Chattogram Port Authority (CPA) need to coordinate in order to mitigate waterlogging in an effective way," he said.

He cited numerous unsuccessful attempts by government bodies to solve the problem in the past.

The NRP will help conduct the studies as a part of the organisation's duty to promote risk-informed development and resilience practices in private sector investment, said Nurun Nahar, deputy chief of the NRP and the project director.

The first study will identify the economic impact of waterlogging on the local trade in the port city and make recommendations on how to minimise risk.

It will also try to outline how waterlogging in the area may be associated with climate change as a hydro-meteorological and planning problem by identifying natural, man-made and planetary threats.

This includes tidal flooding, encroachment, erosion, solid waste drainage, soil permeability, excessive rainfall and a rise in sea level.

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NEXT STEP

Making a DIFFERENCE

Bangladesh is rapidly moving towards middle income status by 2021. Our businesses definitely offer immense opportunities for the growing economy and this diversity needs a stage for the stories untold. See Bangladesh make its mark on the global map as Making a Difference brings you our proudest success stories from across the country.

4 ways to maximize productivity at work

To be productive at work, you can either spend more hours on it or schedule all the projects properly and work smartly. As time is a limited resource, you need to use effective strategies to maximize your output or productivity.

STOP MULTITASKING

We think that the ability to multitask is an important skill for increasing productivity. However, it is not humanly possible. Juggling with several tasks may result in lost efficiency and time. A habit of dealing with one work before moving on to another is the best way to cope up with all the projects and complete them faster.

USE 80/20 RULE

You can use the 80/20 principle to prioritize the tasks according to the need. It implies that you need to identify the most important 20

percent of your work to maximize efficiency and cut down the less significant 80 percent of your work schedule. It allows you to save time for the other important things. It's like getting 80% of the outcome from 20% of the efforts.

TAKING BREAKS

Taking breaks while working may sound counterintuitive. But scheduled breaks can improve the power of concentration. Breaks should be structured and deliberate so that they can help you get recharged and come up with new ideas with enthusiasm.

ELIMINATE INEFFICIENT COMMUNICATION

Responding to all the emails and messages all the time can cost a huge part of work time. These time-consuming jobs can be settled by writing precise and clearer emails and messages. And notifications should be turned off to avoid distractions. Checking all these things after specific intervals can save time to handle the additional workload.

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