From two Economies to two Societies

by Rehman Sobhan

The emergence of two societies has provided our elite with access to high priced privatised and foreign health care and education for their children to a point where they no longer retain any stake in improving public services for human development. Thus financing of the health and education sector as well as public infrastructure investments in the rural areas remain largely driven by aid funds.

HE central argument of this paper states that Bangladesh's emergence as an independent nation was driven by the quest for justice through the creation of an exploitation free society. This national struggle was sustained by the sacrifices of the common people of Bangladesh over two centuries who fought against external exploitation and their local agents. Over the years since our liberation Bangladesh has somehow lost touch with the wellsprings of our nationhood. We have become a more unequal, divided society fostered by the emergence of an unjust social order. This injustice is driven by the asymmetry between rewards and effort which is perceived by the people to be a violation of the social contract which sustained Bangladesh's liberation struggle.

This unjust system is also inefficient because it distorts the incentive system of the economy thereby maldistributing the benefits of development between those who generate growth in the economy and those who enjoy its benefits. This distorted development process accounts for our lack of economic dynamism and the perpetuation of poverty as well as external dependence. Unless Bangladesh can redesign our development agenda to honour its social contract with the people by putting social justice as the principal goal of our development the prevailing social order as well as our democratic institutions will lack sustainability.

The Struggle for Justice and Bangladesh's Social Contract

Some 37 years ago around 1961, along with a few other Bengali economists, I spoke out about the emergence of two economies in Pakistan. This conceptualisation of the emerging regional dualism which characterised the Pakistan economy was designed to substantiate the case for regional autonomy for the then province of East Pakistan, now the independent state of Bangladesh. This argument for regional autonomy articulated by the Bengali economists eventually become the core of the 6 Points programme for regional autonomy presented to the world by Bangabandhu Shaikh Mujibar Rahman in June, 1966. The refusal of the Pakistani elite to come to terms with this demand for self-rule by the Bengalis, ultimately led to the declaration of independence on 26 March 1971 and the war of liberation whence Bangladesh was liberated from Pakistani rule on 16 December 1971.

It was axiomatic that a people who had struggled for selfrule since the Battle of Plassey in 1757 would be consumed with a hunger for justice. The struggles of the Bengali peasant against the indigo planters, the rapacity of the zamindars and money lenders and eventually against the exploitative nature of Pakistani rule, was driven by a search for justice. The struggle of the peasants who were forcibly denied the right to grow paddy on their lands by the British indigo planters, their struggles under the leadership of Nur-ul-din and Titumir against the rapacity of the landlords and the British, more recently their struggles through the Tebagha movement for a

rightful share of the peasant's labour, are part of the folk memory of Bangladesh. These memories of exploitation and the search for justice were apotheosised in the unend-

ing search for self-rule. The first struggle for independence was seen by the Bengalis to have culminated in the false dawn of our absorption within the Pakistan state where the exploitation of the British and the zamindars was replaced by the exploitation of a Pakistani elite. It was apparent that Bangladesh was viewed by the Pakistani elite as a market and a source of foreign exchange to underwrite the development of West Pakistan through the exploitation of the Bengali jute growers and the denial of our just share of external assistance. To sustain this unequal trade demanded an undemocratic polity whereby this same West Pakistan based elite could perpetuate their monopoly over power and resources within the Pakistan state. Thus, the struggle by the Bengalis should be viewed as a struggle for both democracy and an exploitation free society where the sacrifices of Bengali workers and peasants could be recognised through providing them with expanded opportunities for their self development within a just social order. These ordinary people, al-

ways the numerical majority of the citizens of Bangladesh, have, always fought to achieve a decent, dignified life. Such aspirations were expected to be fulfilled through the exercise by the people of their democratic right to freely choose their own representatives. Thus, as and when the people of Bangladesh were given the right to freely vote for determining their future they did so with considerable maturity in 1937, 1946, 1954 and eventually in 1970 hoping that the right of democratic assertion would yield a better life for ordinary people. In this search for the assertion of their national identity democratic rights and for social justice the ordinary people demonstrated extraordinary patience, courage and an enormous capacity for sacrifice which reached its culmination in the wealth of blood shed to achieve the liberation of Bangladesh. This blood shed by the people to achieve self-rule for Bangladeshi may be seen as their down payment on the social contract for a just society which was supposed to constitute the basis of the Bangladesh

The Emergence of Two Societies

This long odyssey of the deprived people of Bangladesh for a more just world was expected to reach its fulfillment in an independent Bangladesh. Unfortunately, in the 27th year of our nationhood, a just, exploitation free social order still eludes the people of Bangladesh. Indeed today after 26 years, over half the population of Bangladesh still live in poverty. household income disparities have accentuated and social polarities have widened to the point where we are witnessing the emergence of two societies

in what is now one economy. Bangladesh's two societies are characterised by the emergence of an elite which is becoming increasingly differentiated from the mass of society. It is not possible to either establish any precise statistical co-

ordinates or social parameters to define this elite. Such an elite can, however, be characterized by their patterns of life. Members of this elite are likely to own their own well-appointed houses or apartments, to own or have use of cars, educate their children in English medium Bangladesh has, contrary to the aspirations of the majority

schools, private institutions of higher learning and eventually abroad, to use private medical care, but mostly to go abroad for their treatment. This elite, finds itself well represented in the world of business, the professions, politics, government service, and increasingly in the NGO community. It is an integrated elite which shares a common educational and cultural ethos, socially interacts with each other and intermarry to consolidate their social ties. Many of us sitting here today, including these of us on this platform, are card carrying members of this elite. If one were to set somewhat arbitrary number for this elite it would perhaps not exceed 500,000. some 0.4% of the population of Bangladesh today.

After 26 years, it would be unrealistic to assume that some of those who once happily rode rickshaws, should not own at least own a reconditioned car or should not move from a family house in Gandaria or Wari to a flat in Siddeswari or Dhanmondi if not Gulshan and Baridhara. Economies grow and diversify, new opportunities emerge in a globalised international order, some people remain more enterprising in availing of such opportunities than others. Thus, some people will always remain upwardly mobile and some growth in income disparities remains the inevitable by-product of economic growth and change. But at the end of the day it was to be expected that these emerging disparities would not widen to the point where they divide a nation into two societies.

In a more just social order. the prosperity of a few needed to be inclusive of the improved fortunes of the many who substantially contribute to the prosperity of the few and thus legitimately expect to share in some measure in this new found prosperity. Thus our local institutions were expected to keep pace with these changes in economic opportunities. Our schools were expected to increase in numbers and quality, institutions of higher learning and medical care were expected to match the growing claim for both increased facilities and quality of services emerging from a wider cross section of population.

The New Elite

It would be inaccurate to characterise Bangladesh as unique within the Third World in the growth of its social polarities. We are likely to find far more polarised societies in the Pakistan and the Philippines, in Latin America, in parts of Africa and the Middle East and most recently in what was once the socialist world of Europe. particularly in Russia under Czar Boris Yeltsin. This is not unexpected because we live in a

new economic order, where commitment to a market economy in societies characterised by imperfect markets and weak governance by affluent elites, who control the market and hence can dominate the economy, administration and politics of a country can perpetuate these inherited social dispari-

of their citizens, emerged as a fully paid up member of this group of societies which have institutionalised their social divisions. Such divided societies may now expect to be ruled, in perpetuity, by an increasingly homogenised elite, differentiated from 99% of their fellow citizens, by wealth, education, health, nutrition, life styles. This Third World elite command access to wealth and power which enables them to perpetuate themselves. through the differentiated horizon of opportunities opened up to themselves and their children. This elite class is now becoming integrated into a globalisation process, which continues to exclude the majority of the population of the Third World. This process of asymmetrical globalisation which integrates the First World of Europe, North America and some Asia countries with the elites of the Third World is building a divided world whose faultlines run not just along national but also along social boundaries within each coun-

I do not intend to make my

presentation before you today

into a review of the asymmetrical nature of the globalisation process. My preoccupation is to address the emergence of two societies in a community which always lived in a relatively homogenous society which has even today not broken the links between the town and the village. We are thus a society who can still remember the pedigree and social origin's of the households of Gulshan and Baridhara, of the people who drive air conditioned Pajeros and educate their children today in the best schools of Britain and the US. Most of these people would themselves have been educated in Bengali medium schools, would have graduated from Dhaka, Chittagong or Rajshahi University and been delivered of their now foreign educated children in a local hospital. Our elite is thus of very recent origin compared to the century old Latin American elites who claim to be the heirs of the Spanish Conquistadors or even the long established Pakistani elite who could claim to have earned their jagirs in the service of Lawrence and Havelock, helping them to suppress the Indian

Mutiny. This new elite in Bangladesh must be seen as an essentially post-independence phenomenon, the end result of 26 years of our existence as an independent nation. Prior to 1971 we did have elites, largely drawn from our European colonisers, or from the zamindars created by the Permanent

Settlement, who lived lives of luxury in Calcutta based on wealth extracted by the ruthless exploitation of the Bengal peasant. As both the white sahibs, and the zamindars became casualties of independence in 1947, our new Pakistani-based elite remained expatriate to our native soil and lived a socially exclusive life in the land where they made their fortunes in the same way that their predecessors remained removed from the people of Bangladesh. What passed for an emergent indigenous elite was an embryonic social formation, which in 1971 could not be so clearly differentiated from the bulk of the urban and rural middle class as is possible today.

Violation of the Social Contract and the Legitimacy of Social Disparity

This elevation of a group of people, who a little over two decades were part of a shared fabric of middle class society in Bangladesh, into a far more exclusive elite, integrated into the process of globalisation and operating in a policy environment which makes it possible to perpetuate themselves, has far reaching implications for the people of Bangladesh. Such an emergent elite, it is argued, goes in the face of Bangladesh's history, repudiates the spirit of a two-century old democratic struggle of the people of this country. The circumstances in which such disparities have emerged constitute a violation of the social contract binding the Bangladesh state and hence lacks social legitimacy thereby threatening the sustainability of this order.

The sustainability of a social order depends on its legitimacy in the eyes of society. Those who exercise political and economic power should be deemed to do so on the basis of a freely given electoral mandate and through demonstrable enterprise, efficiency and competitiveness. Social disparities originating from such legitimised political and economic disparities enjoy a greater degree of acceptance by society. If such social power is deemed to be illegitimately acquired it remains exposed to instability because it will remain under constant question and hence challenge which can only be contained by a monopoly of force, violence and money in the hands of the elite. Such societies, founded on weak social legitimacy thus tend to be more prone to crime, violence and possible social breakdown.

Issues of Political Legiti-

macy

The weak legitimacy of Bangladesh's social order derives from the questionable ways in which both political and economic power have been attained in Bangladesh. As a society exposed to external political domination for close to 200 years, the struggle for democratic assertion has been strong and recurrent throughout our history. Long tenures of military rule. first under Pakistan and then in post-independence Bangladesh, could never consolidate themselves as was

HE city state of Singapore,

one of the most testing times in

its short history. The country's

sovereignty and survival could

hit by the same economic and

currency turmoil, the city's

rapid double-digit economic ex-

pansion is now history. Future

growth is shrouded in uncer-

The original growth esti-

mate for the first quarter of

1998 was 6.1 per cent. It is now

pegged for the year at 0.5 to 1.5

second half... Next year is un-

"It will slow further in the

Singapore's competitive po-

South Korea, Thailand,

Malaysia and Indonesia have

seen their currencies drop by 35

to 80 per cent against the US

dollar. This depreciation has

increased their exports to Eu-

rope and the United States,

while the Singapore dollar has

depreciated by less than 20 per

staged one of its grandest ever

national celebrations to

commemorate 33 years of free-

dom - it was expelled from the

Malaysian Federation in 1965

So when in August Singapore

cent against the US dollar.

sition has also been hurt by the

depreciation of its neighbours'

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sitting bestride a region in

economic crisis, is facing

Like most of its neighbours

possible for the military in the Republic of Korea (RPK), Taiwan, Indonesia, even West Pak-

The common people have remained at the vanguard of the democratic struggle. Thus, the mandate for electoral democracy always needs to respect popular aspirations for justice and inclusion in the development process. Today, unfortunately these aspirations are being frustrated as our electoral politics are demonstrating signs of being increasingly dominated by the power of money and the capacity to use force. In such a process, ordinary people feel excluded from a political process where only people with considerable resources at their disposal tend to be in a position where they can aspire to represent the elec-The elitisation of our elected

representatives is manifest in the increasing tendency for business persons to seek elective status and for elected representatives to use their political power to pursue business interests. Political power begets wealth which begets political power which in turn perpetuates wealth. The emergence of two societies is thus seen to be manifest in the growing social divide between the electorate and their elected representatives who are now being increasingly seen as part of the new elite. Such a development is occasion for concern over the sustainability of our democratic institutions. It should be kept in mind that ordinary people will be more inclined to fight to preserve a system of representation which is representative of the social characteristics and aspirations of the electorate. It is this popular support which remains the principal bulwark against the usurpation of our democratic

institutions. This emergence of elected representatives who once upon a time were closely associated with and often occupied positions at the vanguard of struggles against social injustice and economic oppression, as part of a new elite is a deeply disillusioning experience for the ordinary people of Bangladesh. Such a tendency serves to alienate the elected representatives from the very people who fought to preserve our democratic inheritance and then cast their votes to put such people in office. The electorate thus looks to these same elected representatives to fight for the interests of ordinary people rather than to use electoral power for private gain or to further the interests of the elite. Such a process of alienation of ordinary people from their elected representatives as well as from electoral institutions to which they can no longer aspire because of their lack of resources, appears to the people to be deeply unjust since such political institutions are seen to be built upon an asymmetry between the sacrifices of those who struggle for democracy and those who reap the benefits of this struggle. This may be seen as yet another violation of our social contract.

Economic Injustice The manifestations of injustice in our political system

Singapore Tries Sweet Talk and

Peace Offerings

Singapore has been trying to placate its neighbours after running into troubles with

Malaysia on one side and Indonesia on the other. Most of the difficulty, reports

Gemini News Service, arises from the economic hardships that have hit the

tices in the economic order which have been accentuated by the policy regimes put in place over the last two decades. A policy agenda based on an indiscriminate belief in the allocative efficiency of the market place, notwithstanding the structural features of an economy, or the institutional arrangements which determine the working of markets, is likely to malfunction with serious implications for social justice in any country. It is obvious in Bangladesh that the market has so far failed in a number of key areas. These include provision of education and health including immunization against basic diseases as well as family planning ser-vices to the financially deprived, micro-credit for the poor on serviceable terms, housing of a standard fit for human habitation for the great majority of the population, an adequate access to jobs and income earning opportunities to elevate 50% of households above the poverty line. Nor has the market provided roads. drainage, electrification and related infrastructure needs for the rural areas. This list of ac-

itself originates in the injus-

tivities could be extended. Whatever improvements have been made in the conditions of life of the poor originate outside the compulsions of the market place and have been largely provided either by government agencies or non-profit organisations such as the Grameen Bank or the NGOs. To this list we may add the doubling of cereal output since independence which largely reflects the enterprise of Bangladesh's small farmers in assimilating the HYV technology in their search for subsistence. However, the efforts of the farmer did require some public support in the form of subsidised fertilizer and irrigation, extension services and dissemination of seeds. In all these areas public provisioning under pressure from the donors to downsize both subsidies and the role of the government, has been in retreat at the cost of the small farmers.

Misdirection of Resources

Ironically, our success stories serve as a measure of some of the glaring injustices of our society. Thus, overwhelming evidence of the economic benetits and social transformation associated with investments in the rural intrastructure, health care and education sector, remain inadequately recognised through a major redirection of public expenditure as well as investment in the improvements in the quality of governance of these sectors. Whilst some progress in these area has indeed been registered in all these areas, we are a long way from giving priority to these areas at the level of Kerala, Sri Lanka or our East/South East Asia neighbours. Thus the quality of public education and health care remains deplorable and Bangladesh's human development record remains worse than, that of India's most socially backward state, Bihar and on a level with the least developed countries of Sub-Saharan Africa. In contrast, the emergence of two societies has provided our elite with access to high priced privatised and foreign health care and education for their children to a point where they no longer retain any stake in improving public services for human development. Thus financing of the health and education sector as well as public infrastructure investments in the rural areas remain largely driven by aid funds.

Bangladesh's domestic re-

sources, both in the public and private sector have been heavily committed to the development of our metropolitan centres, particularly the national capital. This concentration of investment in our metropolitan centres has contributed to the move of the rural poor into our cities to the point where the population of Dhaka has increased from 1 to 10 million in the last 25 years. In response, our investments in the urban sector have been inefficiently used and urban planning and municipal services have been grossly misgoverned. As a result our metropolitan centres have degenerated into urban slums in danger of imploding from the pressures of the mismatch between rampant urbanisation and the deterioration in urban governance. It is noticeable that our construction industry, which has demonstrated significant enterprise and technological upgradation and is transforming the skyline of Dhaka, is still catering only to the housing needs of the elite who can afford to invest in the luxury flats and houses under construction over the last decade. There is no corresponding evidence of the market responding to the growing hunger for decent housing, whether for ownership or rent, emerging from the unsatisfied needs of the more numerous lower and middle class let alone the increasing numbers who live precarious lives in the proliferating bustees of our metropolitan centres. In this area neither the government or the market has done much to cater to the needs of the vast majority of the population. Thus, in the rural areas it is left to the Grameen Bank and a few other NGO's to provide housing loans to the rural poor which have given some of the rural homeless opportunities to build and own more durable habitations. In the same way that we have neglected the housing needs of

the poor majority whilst responding to the needs of our urban elite, we have failed to reward our small farmers for their enterprise in doubling our crops and saving the foreign exchange costs of importing grain to feed 120 million people. Instead we have reduced the share of public investment in agriculture thereby reducing subsidies to the farmers which has raised the costs of fertilizer and irrigation so vital for the farmers. We do not provide sufficient agricultural credit particularly to small farmers who have no corresponding access to microcredit available to landless households. In recent years small farmers are paying back more to the banking system than they receive. Above all we have denied any form of price stability to our farmers. Thus in years of good harvests for paddy and jute, prices crash thereby denying farmers the rewards of their labour. No great effort has been made to build institutions which can provide incentives, security and guidance to our farmers commensurate with their creative energies. This enormous injustice in our policies and allocative regime is both inequitable as well as inefficient and represents a misallocation of scarce resources.

(To be concluded)

(This is the first of the two part of the Nazmul Karim Memorial Lecture delivered by the author)

Review of 1998 Flood as on 22 August

TOW big is the flood this year? How the flood this L year compare with the flood of 1987 and 1988? These are a few relevant questions being discussed in the news media these days. Highest flood level of the

year is commonly considered as the measure of flood intensity. But flood distress is also caused by how long the flood level prevails above danger level and by how much. There could be a combined unit - the metredays-above danger level (MDA-DL). While peak flood level may be called flood intensity the MDA-DL may be called flood distress level. The following is a compara-

tive table of 1987, 1988 and 1998 (up to 22/08/1998) floods for the stations Bahadurabad. Sirajganj, Hardinge Bridge, Bhairab Bazar and Dhaka. For each of the flood year the highest flood level (peak level). number of days the flood level had been above danger level and a newly introduced parametre (MDA-DL) metre-days-above-DL have been tabulated for the flood years still clear in the memory of many affected peo-

I have carefully selected the stations one each from the major rivers (Sirajganj, Hardinge bridge, and Bhairab Bazar) and one at Bahadurabad the upstream station of the most flood producing major river and Dhaka on the Buriganga which by virtue of its location to some extent integrates the flood effect of the Brahmputra with those of Ganges and Meghna through back water effect. The following are a discussion on each of the stations. Thus on a country wide basis the sum of the distress levels of the three floods

1987 flood 44.02 metre-days-above-DL 1988 flood 106.88 metre-days-above-DL 44.98 metre-days-above-

DL up to 22/8/1998 Thus on the country wide basis the distress level of 1998 flood has crossed that of 1987 flood but well below that of 1988 flood. The evaluation on the individual stations are furnished below.

by M A Matin SUM-MDA-DL MDA-DL Station Peak leve Days above DI Bahadurabad Hardinge Bridge Bhairab Baza Dhaka Bahadurabad Hardinge Bridge Bhairab Bazaar 21.64 Dhaka Bahadurabad Hardinge Bridge Bhairab Bazar

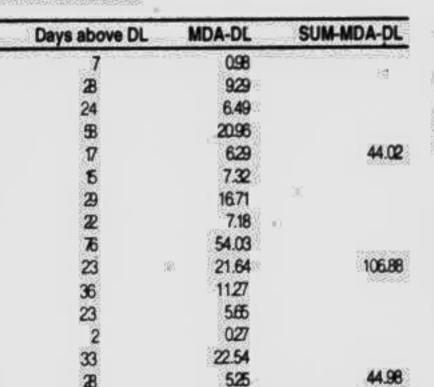
At Bahadurabad, the flood this year has crossed 1987 flood level by .46 metre but is .45 metre below 1988 flood. By duration above danger level and metre-days-above-DL the flood this year has crossed distress level of that of 1987 and 1988.

At Sirajganj, the flood this year (up to 22/8/1998) is below 1987 and 1988 level by .23 and .78 metre. By days above DL and by metre-days-above-DL the flood at Sirajganj this year is well below the days above danger level and distress level of 1987 and 1988 flood.

At Hardinge Bridge, the flood this year is .48 and .55 metre below 1987 or 1988 flood level. Days above danger level and distress level is also well below that of 1987 and 1988.

At Bhairab Bazar, the flood this year has crossed 1987 flood level by .18 metre while it is below 1988 flood level by .57 metre. By days above danger level and by the newly defined distress level the flood at Bhairab Bazar this year is well below the flood of 1987 and 1998.

At Dhaka, the flood level this year (up to 22/8/1998) is below 1987 and 1988 level by .19 and 1.13 metre. By duration above danger level the flood this year has already crossed that of 1987 and 1988 floods but flood level so far has been only marginally above danger level As such metre-days-above-DL is well below 1987 and 1988 flood



ing and distress level will further increase. Super-imposed hydrograph (1987/1998) of the Buriganga at Dhaka is placed herewith. The newly introduced flood

level. The river is however ris-

parameter can help us in comparing flood distress level of the same station for different years and floods any area (basin or country as a whole if the stations are judiciously selected).

Flood Hydrograph Buriganga at Dhaka 1987/1998 V 5 00 4 50 -

22/6/87 2/7/87 12/7/87 22/7/87 1/8/87 11/8/87 21/8/87 31/8/87 10/9/87 20/9/87 30/9/87 10/10/8

whole region. Yusaman B Haji Ahmad writes from Singapore.

GOH CHOK TONG

likely to be much better" said Difficult times for Singapore Prime Minister Goh Chok Tong there was only partial cause in his national day address to for celebration. the country.

Singapore measures slightly more than 600 sq km and has a population of about three million. Its inhabitants are made up mainly of descendants from mainland China.

Having risen from the ashes of the break with Malaysia, the island transformed itself from a land deprived of natural resource that struggled to survive to a nation with the highest living standards in Southeast

Today economics is not the only problem that is unsettling Singapore. Diplomatic ties with its two bigger neighbours, Malaysia and Indonesia, have grown cold and appear difficult

Malaysia and Singapore relations have always had bouts

of irritation. But ties recently changed for the worse when Singapore only a 15-minute stroll across a bridge that links the city-state with Malaysia's southern customs, immigration and quarantine facilities - moved to a new location on August 1, despite Malaysia's refusal to move

to the new checkpoint. A host of other problems have also cropped up.

Singapore's senior statesman, Minister Lee Kuan Yew, was forced to apologise for his remarks last November that labelled Malaysia's Johor state, "crime-ridden."

Rhetorical fire has since been exchanged over other issues such as pension rights for Malaysians working in Singapore, water supplied by Malaysia to Singapore, media coverage in Singapore of problems at Kuala Lumpur's new airport, Malaysian shippers use of Singapore's port, and whether Singapore deliberately failed to publicise Malaysia as a

tourist destination. Ties with Indonesia, cordial and strong during the reign of President Suharto, received a jolt when the new leader, President Jusuf Habibie, talked about Singapore's unfriendliness towards his crisis-hit

country. "You see, a friend in need is a friend indeed.... I don't have that feeling from Singapore," he

Singapore did pledge about \$5 billion to fund a trade financing scheme for Indonesia, but the deal stalled after Jakarta found it difficult, if not

impossible, to meet some of the

island republic's conditions. Separately, Singapore has also promised millions of dollars in humanitarian food and medical aid for Indonesia, the world's fourth most populous nation, now suffering its worst economic turmoil since world

War II. Habibie has not been impressed with these efforts. His recent comments about Indonesia's 211 million strong population was perceived by Singapore as a threat and show of strength. The city-state be-

came worried. A minister was immediately despatched to Jakarta with gifts of rice and medical supplies. Also included were compliments from Goh to Habibie for "his success in surmounting the difficult problems faced in In-

donesia." It will take more than sweet talk and peace offerings to repair the damage.

Singapore needs to improve Its diplomatic tact and, more importantly, it needs to abandon a supercilious stance that looks down on its Malaysian and Muslim-dominated neighbours.

The writer is a freelance journalist in Singapore.