

Old economy trap: Time to try the new

MAHFUZUR RAHMAN

An old friend of mine, a successful businessman, was telling me the other day how optimistic he was about the country's economic future. To me this was a refreshing perspective. After all we rarely hear anyone, outside of government, talk about the economy except to suggest that it was heading nowhere. Private conversations and public dialogues and we have a lot of both generally centre round doom and gloom.

What then fired my friend's optimism? It is information technology. A whole new generation of people is being hooked to it before our very eyes. Computer literacy is spreading. Computers have been taking over functions that only a few years ago were in the realm of ink and ball point and ledgers. Internet connections are multiplying, and the country is rapidly and ever so closely being wired to the rest of the world. And in our bright young men and women we see a great future for the development of a computer software industry. Computer whiz-kids abound. In short, so my friend suggested, we are on the threshold of the new economy where our salvation lay.

Of course, not everybody is impressed by our forays in information technology. At a recent meeting on science and technology held in Dhaka, many speakers found the pace of progress quite unimpressive. Others pointed out that much of the enthusiasm for the new technology was misdirected, towards video games and music, for example. This, however, did not prevent people from waxing eloquent over the potentialities of information technologies in Bangladesh. A prominent personality has been going around the country, and around the world at great speed, impressing on everybody who would listen the necessity for quick adoption of information technology if we were to survive in the twenty-first century. At a convention of non-resident Bangladeshis, held in Dhaka in December 2000, some speakers expected the country to capture a substantial chunk of the international market in information technology by 2010. Part of this is probably wishful thinking. Nevertheless, it is impossible not to recognize that a beginning has been made or to feel good about it.

The contribution of information technology (IT) to economic growth is notoriously difficult to measure, even in the most sophisticated of economies. In the United States, the role that the new technology has played in the remarkable performance of the economy in recent years is still largely a matter of conjecture. Only recently has there been a consensus among economists that technology has something to do with the sustained increase in economic productivity that largely accounted for the present strength of US economy. The latest information seems to suggest, in fact, that some three-quarters of the increase in US productivity can be attributed to information technology, broadly defined.

Despite its phenomenal growth in recent years, information technology, still accounts for a relatively small proportion of total output of the industrial economies - only about 7 per cent of US output, and perhaps half that figure in the European economies. Of course, the importance of IT cannot be judged solely by these numbers. But they do help to put the sector in perspective.

The vaunted internet economy probably still accounts for less than 3 per cent of the total US gross output.

It is no surprise therefore that information technology forms a tiny fraction of the economies of most developing countries. Here hard data are even skimpier. In India, the sector, broadly defined to include telecommunication, is said to have accounted for one-half of 1 percent of gross output in the mid-1990s. I have not seen any comparable information on Bangladesh. But it appears safe to suppose that the number here is considerably smaller than in India.

With information technology too small to add much to economic growth in the short and medium-term, where should one look for the sources of that growth? The answer may not be all that obvious to everyone. With all

small fraction of the total economy. According to the old statistical series, revised recently, the share of industry in gross domestic product (GDP) remained stuck at some 11 per cent since the 1970s. The revised series puts the share at 13 per cent in 1990/1991. This is said to have risen to 15 per cent by 2000. Even the latter figure is unimpressive compared with, say, India's 19 per cent, Indonesia's 24 per cent, and China's 38 per cent (in the mid-1990s). The growth of industries in Bangladesh so far must be termed unsatisfactory for two time worn reasons. First, statistically, given the tiny base that industry started with, a high rate of growth should have been relatively easy to achieve. Second, given the resource endowment of the country, manufactures have to be among the most important sources of growth of the aggregate economy.

ning, rampant corruption, weak management, labour indiscipline and politicization of the labour force, these are all old problems and there is little reason to suppose that things are getting any better.

The list of problems of the old economy can be easily lengthened, even when the tale is confined to the sectoral level. But a brief reference to one other problem should suffice here: power. We are told that the inefficiency of the power sector causes a loss of some 1.4 billion dollars to the economy. I do not know how that figure was found, but let us take it on trust. Unlike some of the other sectors, the generation and distribution of electricity have received a great deal of attention in recent years. But the problems would not simply go away. Not that there is anything simple here. Years of neglect in investment in generation capacity and distribution network, unmitigated "systems loss" (read "theft") have created an atmosphere of helplessness today where domestic policy makers and international donors have been reduced to trading charges against one another. While the latter finds fault with domestic management, the former faults the donors for not providing enough money to build plants, at the same time allegedly giving plenty of advice, mostly wrong. It looks from newspaper reports that the debates have themselves been generating a great deal of heat, but of the wrong kind.

The weaknesses in the individual sectors of the economy, of course, add up to the weakness of the economy as a whole. The real strength of an economy lies in the efficiency with which inputs are used. The growth of an economy certainly depends on the growth of inputs, that is, labour and capital. But it depends even more importantly on the growth of productivity. In Bangladesh, the idea of productivity is not yet part of the industrial culture. There is not even any acceptable indicator of growth of productivity for the economy as a whole. I heard it to be said that productivity need not be a matter of great concern for an economy at a very low level of development. This is wrong. As any first year student of economic development knows, empirically, the contribution of the growth of productivity to economic development always exceeds that of physical inputs, though there are conceptual and measurement problems here. This again is conventional wisdom. Recently, calculations of past national saving and investment have been revised upward quite significantly. Gross investment is now put at 20 per cent of gross domestic product for the 1990s compared with 16 per cent in earlier estimates. This is good to know. But the higher figure, if correct, may also suggest that we are using our scarce capital resources very inefficiently, since the estimate of the growth of total output has remained unchanged. There is little doubt that the same can be said of our use of human resources.

These are all old problems of the old economy and the failure to focus on them only perpetuates the somnolence of our economic performance. No amount of hype about the new economy can change that. Only an appropriate plan of action can.

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the excitement about the internet, micro-credit, and poverty alleviation all worthy of full attention, in the country today, this is unsurprising. On the other hand, stating what appears obvious may sometimes be necessary and we should not shy away from it. In the 1992 United States presidential election, candidate Bill Clinton stated the obvious in his now famous "It is the economy, stupid!" In our case, it is the old economy. So will it remain for many years to come. As another year begins, the old economy may be worth reflecting on.

The old economy is growing, but not at a rate that could significantly reduce the number of the poor in the foreseeable future or raise the general level of prosperity. Over the 1990s that growth has been just under 5 per cent a year. That translates into a 3 per cent growth in the desperately low per capita income. It is true that many developing countries of the world have failed to achieve even that modest growth. The performance of most economies of sub-Saharan Africa has been far worse. But it is dangerous to be merely mediocre, which is how the Bangladesh economy can at best be described in the aggregate. At the present rate of economic growth it will take some two and a half decades to double income per head, to a paltry 700 US dollars, or about the same level of per capita income in Indonesia today.

Behind the lack-lustre performance of the aggregate economy lie serious weaknesses in some critical areas. These again are old and familiar sights. A striking feature of the Bangladesh economy, which also explains its overall growth performance, is the slow growth of manufacturing industries. Over the period 1980-2000, manufactured output had been growing at just under 7 per cent a year. This may look a respectable figure, but not in the Bangladesh context. Manufacturing industry is still a

The performance of individual manufacturing industries also brings up many old questions surrounding the old economy, only more strikingly. Here is a story of achievements in areas which protagonists of quick modernization once sneered at, as well as of failures in many areas where the real foundations of industrialization were supposedly laid. Take the case of achievement first. The development of the readymade garments industry is regarded by many as a success story in Bangladesh. But note also that this unexciting, traditional, industry was something like a butt of joke among 'modernist' development economists in the country in the early 1970s when the industry was being advocated. I still remember one example of this. In the summation of the proceedings of the annual economic conference of the Bangladesh Economic Association in the spring of 1976, a paper of mine, advocating the industry, and other labour-intensive industries, was not even mentioned by the rapporteur, a radical figure at the time. Development of 'basic' industries, especially in the public sector, was all the rage then.

That was only by way of suggesting that the potential cost, in terms of income and employment, of ignoring what was perceived as an old-fashioned industrial development strategy was great. The actual cost of not being successful in some of the other industries that were actively advocated and promoted has also been very large.

The list of large-scale industries that were supposed to be the mainstay of industrial development, but had become a millstone around its neck, is long. Stagnant or declining production and huge operating losses, that have to be met from the state's coffers, describe the state of major industries in the public sector, like jute, cotton textiles, chemicals and steel. Gross overman-



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Tips on preventing colorectal cancer

- Colorectal cancer is associated with:
- ! Diet low in fiber, high in fat
 - ! Hereditary factors
 - ! Colon polyp leading to cancer
 - ! Long-term exposure to environmental or occupational toxins
- Risk factors include:
- ! Over age 40
 - ! Diet low in fiber, high in fat
 - ! Past history of breast or gynecologic cancer
 - ! Family history of colorectal cancer or adenomatous polyps
 - ! Personal history of colorectal cancer or adenomatous polyps
 - ! Past history of inflammatory disease (ulcerative colitis or Crohn's disease)
- Preventive measures and early diagnosis save lives:
- ! Adopt a low-fat, high-fiber diet
 - ! Consider taking calcium supplements and increasing consumption of foods with
 - ! High levels of vitamins C, A, and D
 - ! Follow colorectal cancer screening guidelines
 - ! Reduce your fat intake to less than 30% of calories.
 - ! Increase your fiber intake to 20-35 grams per day; include a variety of vegetables,
 - ! Natural grains, and fruits.
 - ! Avoid becoming over weight.
 - ! Minimize consumption of salt-cured, pickled, and smoked foods.
- See your doctor for:
- ! Rectal exam every year beginning at age 40
 - ! Stool blood test every year beginning at age 40
 - ! Flexible sigmoidoscopy every 3-5 years beginning at age 50
 - ! Earlier screening tests if family members developed cancer at a young age

Miscellaneous

Elders and self-medication

Elders in the family like parents, grandparents, brothers or uncles presume that they have enough experience. During their lifetime they have suffered from a number of diseases and have taken a variety of medicines and based on their own judgement they give medicines to their children. Sometimes children take medicines to obey their elders whether they are really sick or not. This is not right.

Tomorrow: Know your medicines.

Rough seas ahead for the new US President !

A M M SHAHABUDDIN

"Democracy is a raft. It wets your feet, but it never sinks", said somebody. So is the 'wet-feet' former Democrat Vice-President and the most formidable rival of Republican George W. Bush, Al-Gore. He now stands out there much larger than his size after acceding defeat most gracefully, perhaps in the greater interest of his nation than further making the 'waters' more 'troubled' for fishing. It is indeed a unique example in the history of democratic elections, particularly in the centuries-old democratic country like America, that who wins by popular vote is declared defeated by a single vote by the Electoral College. And that also is done with the 'connivance' of five judges of the US Supreme Court, who in a 5-4 split vote stayed the recount of some 40,000 votes, earlier ordered for manual recount by the Florida Supreme Court. It's neither a fairy tale, nor a fiction but a strange fact. And sometimes facts are stranger than fiction.

"Unsigned opinion" - the last word!

Thus the verdict, given by the five judges out of nine, in a reportedly "unsigned opinion" (!) was accepted as the last word, rather the last nail, ending the prolonged dispute over the election results. (An "unsigned opinion" by the judges, how valuable it is! Elsewhere, as in our country, an 'unsigned' official letter has no validity!). Indeed it has raised more questions than answered so far. In fact, many consider the doubtful 5-4 split verdict had not only stabbed the unhindered democratic process in the back, but it has also inflicted an irreparable damage to its own reputation. One of the senior most

of the four dissenting judges, John Paul Stevens, in a comment on the verdict, said: "Although we may never know with complete certainty the identity of the winner" (of the last year's Presidential elections), the identity of the loser is perfectly clear." What a sharp pointer. Another judge of the four, Stephen Breyer opined that the court was "wrong to take the case", adding, that "it was wrong to grant a stay" (the manual recounting of 40,000 votes). A political analyst of the University of California, Mark Petracca sees in it "a long-term damage to the court's reputation", as a result of, according to him, "a highly partisan ruling." But the mystery remains unsolved as to what prompted the five judges to 'cut their own noses' to stop another's sure victory, knowing full well that they would have to put up for a long time with their "self-inflicted black-eye", to quote another analyst.

Democracy gets a deadly blow!

It is a tragedy, rather an irony, that in a democratic country like America which was on a razor-thin divide over the presidential election so far as people's voice is concerned, the same vox populi was given an unceremonious and silent burial, by a mere stroke of the so-called Electoral College, consisting only of equal number of members from each of the 51 states. If the indirect election by the Electoral College has the last laugh in deciding the fate of a presidential candidate then why this farce of staging a country wide election of direct franchise by the people, with well-orchestrated thunderous election campaigns, wasting billions of dollars and unlimited time and energy? If the American people had learned any hard lesson from this election they should be up for a drastic change in the electoral

system for a more acceptable and popular result.

Winning in such a disputed and controversial election, with the help of the crutch provided by the five judges of the US Supreme Court on one hand, and the most archaic system of Electoral College on the other. George Bush will be facing a very rough sea ahead in both domestic and world affairs. Naturally, as a traditional Republican character, he would be more eager to appease his home-front first, rather than the most vexed problems haunting the world at several trouble spots in Asia, Middle East and Europe. So if Bush follows a successful domestic policy to the full satisfaction of the people in general by adopting measures in the fields of health-care, education, job opportunities, tax cuts and overall economic growth, he would undoubtedly thrive as a successful 'domestic president'.

The trodden path

While enunciating his domestic policy, Bush has very boldly announced that he would go ahead with America's National Missile Development Programme, which was initiated by Clinton, but left unattended because of criticism by China and Russia. This will be tantamount to opening the pot of worms to vitiate particularly the Asian political atmosphere. One of the major concerns that would create problems for Bush in Asia is to agree to sell sophisticated weapons to Taiwan and build the national missile development project, the latter one has already been bitterly criticised by China and most of US allies including Canada and Russia. The Asian leaders also apprehend that if Bush follows Clinton's Asian policy based only on "treasury's perspective", thereby by-passing many burning political issues like Kashmir, it would jeopardise peace

and stability in the South Asian region. Moreover, any US programme to sell sophisticated weapons to Taiwan, that 'renegade' province of China, would embitter US' relationship with Beijing. "Whenever the US and China have tensions the rest of the region has to bear the brunt of it", said Melina Mathan of the Singapore-based Institute of Defence and Strategic Studies. Hence Bush's attempts of strengthening defense arrangements by building up the 60-billion dollar national missile defense project will create more problems than it could solve in the Asian region. Of course, implementation of the missile project will undoubtedly make bush a national hero, but it might be a temporary phase as it had happened with his illustrious father George Bush Sr. who became a Gulf War hero to his people but they didn't allow him to cross the bridge as a 'hero' for his second term of presidency.

Bi-partisan agenda

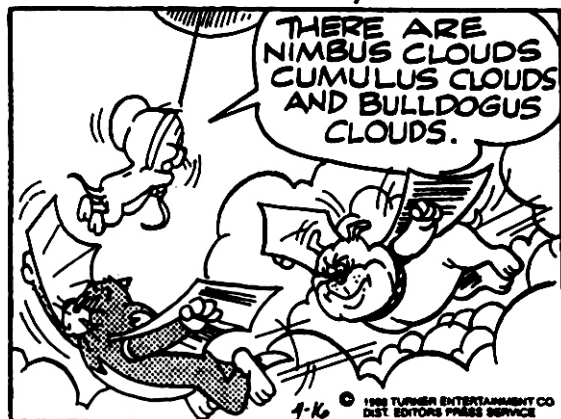
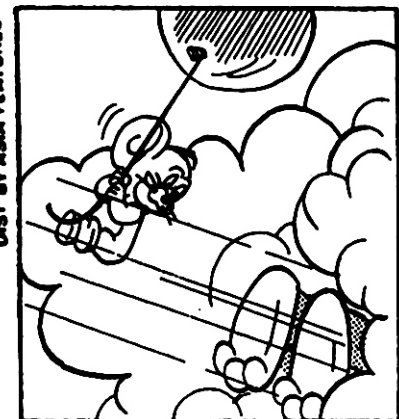
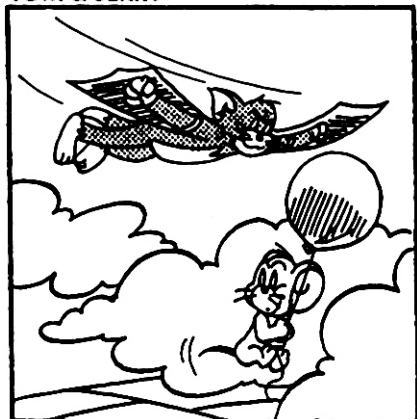
It is too early to predict which way Bush will steer clear his new administration. As pointed out by an old US official who had served in many departments that 'as long as the US economy stays healthy and the growth rates stay solid, Americans will be willing to tolerate huge trade deficit and won't get too excited about trade problems.' Keeping in view this 'safety cushion', Bush will have to make his domestic programme balanced with his international programme. But how far he would stretch himself in the international field only time will show, because he seems to be a bit 'novice' in the field of international relations, as pointed out in the DS editorial (21 Jan.) that "till he entered the presidential race, Bush made no secret of his disinterest in world affairs.... He was ill-prepared for the international role that the US

presidency demands." The new Republican Administration should, therefore, get out of the past 'trauma' of 'isolationism' to play USA's much-expected role as the only super-power left in the world. For this, if necessary, Bush and his party shouldn't hesitate to make a 'common-cause' with the Democrats in their own interest. Because the

Republicans will now have to face the Democrats in the divided congress, with the new Senate evenly split. Hence to be successful both in the domestic and international fronts, the best choice before Bush will be a 'bi-partisan agenda' which is 'no more an option, but a requirement', as one Democrat leader said.

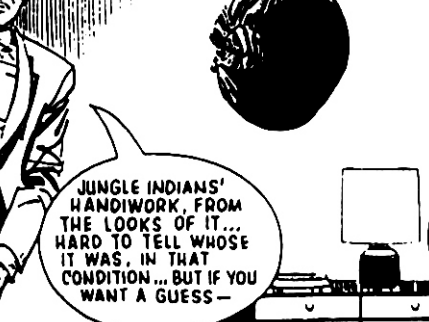
The writer is a retired UN official.

TOM & JERRY



James Bond

BY IAN FLEMING
DRAWING BY MORAK



By Hanna-Barbera

