

# Economic development: A race against time?

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**T**O most countries in Asia, Africa, and South and Central America, economic development is just that, a race against time. It seems that problems never go away; chronic economic anxiety is ever present. The powerful force of scarcity warps everything in its path, belittling honour, courage, and sacred norms. Everything and everyone become its victim. As a consequence, for a large segment of population, fatalism replaces effort, plan and logic. The return to "nothing will change" is quite the illogic, given the ostentatious claim of modern efforts to make change predictable as well as possible. Most countries in these three continents, having tried all kinds of remedies to underdevelopment, contain population groups over and again subdivided by policies gone awry.

Every generation, over the past century, has produced countries that have climbed out of poverty and despair. Thus, there have been winners. Indeed, the competition among nations is stiff. In that sense, economic development is truly a race against time. However, intercountry competitions aside, from a long run perspective, economic development is not a rat race. Economic development is an achievable agenda for all nations. There is logic to the madness. When unlocked in proper sequence, the mad drive for economic development becomes the only sane alternative. Therein lies the hope that all is not lost, and that sarcasm, a sense of futility, and fatalism must not get the upper hand.

Consider Japan, Taiwan, and South Korea. Japan, starting with Meiji Restoration of 1876, was ready to fight a world war by 1936. That may not have been a laudable and logical objective. After all, in its bid to be rid of the fear of domination by European nations, it forgot a similar and more earnest desire among fellow Asian nations already under foreign domination. Japan, in effect became like the post-monarchy France, extinguishing the hopes of

the ordinary Europeans, under the rampaging policy of Napoleon. Also, Japan has achieved more with trade than it could have hoped to achieve by direct subjugation of neighbouring countries. However, ignoring this commentary, for countries aspiring to economically developed nationhood, the point to remember is that Japan achieved all this in merely sixty years. The story gets even rosier when we consider the other two countries Taiwan and South Korea.

Commencing in early or mid-1950's, these two countries achieved enviable economic status by early or mid-1980's. That is merely thirty years, one generation

implication, based on this note, one may conclude not to give up on economic development yet.

## Definition, values, and necessity and sufficiency condition

Are we less developed, under developed, developing, or a Third World country? As the poet would say, "What's in a name?" There is a lot, actually. Sometimes it is more than a quibbling point. The Nobel laureate economist, Amartya Sen has written that names are the best form of advertisement. Unless a business or a person does not want to be found out, a name must be the telling symbol of one's vision and

forgotten independence movement waged by some of these countries against European colonial power. Industrial revolution was our goal then and it is also such now.

The drive for autarky and balanced growth, under central planning, has proven to be bad because it undermines comparative advantage, gains from specialization and trade. Note this autarky movement is different from the argument for the provision of public goods. It generates a flat profile of effort without promoting any cutting edge and fritters away resource among too many simultaneous ends. Attempting to change institutions and values all over the map has

Ataturk, its per capita income was approximately half of that of Taiwan and South Korea, the latter having been achieved in mere 40 years.

Its aspiration for industrialization that matters.

## Bangladesh economy lacks demand

Can economies like that of Bangladesh be made robust by expanding supply? According to some economists and businessmen, it is not possible. They point out that facts obtained from the Bangladesh Household Expenditure Survey Analysis (BHESA) shows that people here buy very little. So, producing more for domestic consumption does not

producers of blouses under factory conditions reduced their price beyond the price charged by subsistent cottage-industry producers, then more would be purchased. On account of this, the static, snapshot views produced by consecutive BHESA would have to be different.

Empirical evidence, too, amply refutes the hysteria of under-demand produced by BHESA in certain circles. Admission in private universities and purchase of multi-storied apartments prove the case in point. Direct and indirect foreign education runs into a lot of expenditure by way of airfare, tuition and books, food, health insurance, clothing and lodging, far in excess of the maximum of the local expenditure of approximately Tk 1,50,000 annually. Similarly, buying a five-katha plot in Dhanmondi and building a one-storied house on it could easily entail Tk 1.25 crore, whereas an apartment could be managed within Tk 18,00,000-40,00,000. Thus, expenditure on housing ownership could be reduced by 67 per cent or more. In either case, economies of scale allows for domestic production cost to be reduced. As the supply swings to the right, it cuts the demand curve further down, reducing price and increasing quantity demanded.

Finally, if the BHESA inference currently in vogue were to be correct, then one might have argued in the 1940's against the introduction of penicillin, quinine and vaccination because the existing pattern of expenditure then would have shown that people did not spend on these items. So, any production along that line was bound to be futile. True, these products were at the time provided free of charge as public goods. Even now that appears to be the characteristic of its provision. However, even at a price, there is no doubt that a large segment of the population would have been eager and able to purchase these products then, as they would be now.

The key to industrialization is to come under people's budget.

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in family time. These countries, including Japan, sorted their political processes to give a measure of stability, articulated national ambition through a meaningful set of agenda, and achieved an understanding of the market economy much greater than other countries in similar situations.

Thus, economic development is not really a race against time. Increasingly, the time span involved in achieving economic development has shrunk. While countries today, like Bangladesh, witness problems that Japan, Taiwan, or South Korea did not face when they set their course, the pace of transfer of knowledge and economic integration now may offset those negatives and still allow for economic development in a record time.

Perhaps just like these exemplary countries, if we really put our minds to it, Bangladesh can be off the floor economically in 50 years. With that strategy, to aim for a 50-year stock of gas is not a foolish proposal. After all, the US itself is holding back on exploration in major ways.

Regardless of the above policy

character. Subterfuges are for James Bonds and shady personae and institutes. If names were immaterial except in the sense of worded telephone number then people would have merrily accepted name calling as innocuous and parents of new born would have dropped the pretension that a good name for their child would be propitious and prophetic.

I suggest that instead of carrying the name given us by our western godfathers, we should call ourselves industrially aspiring country or IAC. It is truly descriptive of our vision and character. We seek industrial revolution. It immediately brings focus and frees us from nebulous agenda bred by terms such as underdeveloped. In standard textbooks, development has meant growth plus change. True, industrial revolution also demands change. However, under the 50's definition, we need all kinds of change – cultural, religious, political and economic, to name a few. Some of the suggested changes are valid, some not, and others, contentious. Also, the list of changes essentially flies in the face of the logic of the long

produced similarly unfocused failure and it has generated unnecessary and untimely frictions. Hence, to the extent IAC rubric restores and provides focus to the agenda of industrialization, the more relevant it is.

Considering the experiences of Japan, Taiwan and South Korea allow to make a final point about change, values and economic welfare. We see that Confucianism and Buddhism were strong throughout their industrialization processes. In fact, Christianization of these countries has been pursued with great vigour. So, dropping old-fashioned traditions has not been a necessary condition for industrialization. Next, considering Russia, China and Turkey, it can be established that it is also not a sufficient condition to be rid of old-fashioned values to achieve industrialization comparable with western and North American countries. For example, Turkey abandoned tradition, exiled the religious scholars, changed its Arabic script to Latin, and went for skirt and alcohol, and yet in 1990, 72 years after the ending of the WWI and the ascendancy of Kemal

make sense. There is simply no market. For example, conversion of some export-oriented garment factories to mass-produce locally demanded femalewear is not a feasible alternative to sagging international demand. Industrialization has hit a behavioral snag that no policy can alter any time soon.

However, such a dismal conclusion is absolutely unwarranted. Moreover, it is a shock that expert analysts should make a puzzle out of a non-puzzle. Both theoretically and empirically, the apprehension is misplaced. For theoretical refutation of this inference, the first few chapters of the Consumer Behavior section of a first level Microeconomics book suffices. Therein, BHESA conclusions are proven to be of static nature in origin. Given preference, fixed budget and fixed prices, any welfare-maximizing consumer will buy a certain package of goods. The BHESA identifies such a package in any point in time. However, if any of the three underlying factors were to alter, so would the observation obtained by BHESA. Thus, if mass-

# Crisis and macroeconomic management

## A lesson from the Caribbeans

ARINDAM BANIK

**O**NCE upon a time, protectionism and control were considered as powerful ingredients of economic development. Unfortunately, it didn't work. Today a feeling is widespread that the process has had enhanced corruption and poverty.

The lesson of the economic development in the select developing countries tells us that successful development requires markets underpinned by solid public institutions. Ideally the institutions in turn protect property rights, regulate market participants, maintain macroeconomic stability, provide social insurance and manage conflict. For example, the Caribbean model fashioned their own workable model for development in implementing the stated parameters. It hardly followed the blueprints of traditional development model. In contrast home-grown strategies adopted by the select Caribbean countries reveals their own model of success not imitation of US-style capitalism.

In the case of East Asia, the miracle or the success may be explained by development of high

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skill and quality education. This contrasts the traditional view of "export is engine of growth" that often cited by the multilateral agencies. What are the factors that explain the recent East Asian economic collapse? The economists confront with the question. It is now generally accepted that institutional failure in managing the financial institutions is the root cause. That explains the rest: a short-term borrowing (for example working capital) diverted to long term borrowing particularly in the real estate by mass corruption. It was Central Bank and other institutions that failed to monitor.

The case of Barbados is an interesting aspect in the macroeconomic literature. The country inherited strong institutions from the British colonial era, including competent civil service and tradition of good economic management. The

1991 crisis and the policies adopted by the concerned government was undeniably a great success. It was perceived as a politically impossible step largely through government policies designed to reduce consumption and income. The leadership decided to preserve fixed exchange rate with US currency. It didn't follow the imported blueprints (World Bank-IMF sponsored) of currency management. Because in the context of Barbados a depreciation of the currency typically provides only temporary gains in export competitiveness due to the fact that nominal wages and prices rise rapidly to erase the real decline in costs. This diminishes the ability of the country to use exchange rates as a lever to undertake macro economic adjustment.

A number of small countries are the real beneficiaries of their openness to global capital system. The

complementary aspects of virtuous policies such as trade policy openness may create incentives for government to adopt less distorted domestic policies. Likewise, the reduction of both fiscal and budget deficits and more disciplined types of macroeconomic management might enable the small countries to borrow in "bad time" from the international market.

The traditional microeconomic theory tells us to borrow when you have bad time to meet your needs. That simply explains either your poor financial management or failure to understand the future and uncertainty. The Barbados case is somewhat different. A rational firm would be willing to borrow in order to meet uncertain future during good time. It is only possible if they could manage their own economy. This

may explain borrowing with a lesser cost. What is actually fixed rate of foreign exchange? A fixed rate implies that the country's central bank is committed to supplying foreign exchange for local currency at a fixed rate, but does not specifically link the volume of local currency to the bank's foreign exchange reserves.

There is much to commend the role of market supporting institutions in Barbados in this context. The public institutions in this island country are deeply rooted. They are able to manage the distributional conflicts triggered by the external shocks. To quote Standard and Poor (2001). The country's total external debt is around 60 per cent of current account earnings, less than half the median value for similarly rated sovereigns. With total debt service at around 20 per

cent of exports – less than half the median level in similarly rated countries – and foreign exchange reserves exceeding 300 per cent of short-term debt, Barbados enjoys comfortable external liquidity."

The macroeconomic management of Barbados version may be a lesson to developing countries with particular reference to Bangladesh. Sometimes, policies dictated by the multilateral agencies are not properly thought. Suggestions are often standardized and thus deviated from the country-specific problems. It is in this context to be mentioned here that many developing countries in Latin America are in serious troubles by just following the standard package of economic reform and structural adjustment programmes .The leadership in the developing countries should avoid fads, put globalization in perspective and focus on domestic institution building. The "Caribbean miracle of macro management" is thus sustainable in the long run.

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**All health information to keep you up to date**

## Take care, drink safe

Enjoying breakfast in the morning or 'afternoon special' with a cup of tea is a part of our daily life style. It doesn't matter – city, mafussil or village! Consumption of both tea and coffee in Bangladesh like rest of the world has been increasing considerably over the last few decades. An average cup of strong tea contains 50 mg and that of coffee 100 mg of caffeine, but there may be some variations. Today the scientists have recognized caffeine as the most widely used psychoactive drug in the world. Caffeine exists in our diet mainly from – coffee, tea, chocolate and cola drinks. Caffeine is often incorporated into therapeutic preparations.

Caffeine has a wide range of pharmacological effects and has been associated with stimulation of cardiovascular and central nervous systems, glandular tissue, action on the kidney to produce diuresis, and relaxation of smooth muscles. Some reports have suggested that the habitual consumption of caffeine leads to the development of tolerance to the drug's cardiovascular and neuroendocrine effects. Pharmacological effects can be experienced from 50 mg upwards, and doses exceeding 250 mg (according to some, 300mg or more) are likely to produce significant effects. Even the decaffeinated coffee has some biologically active agents remaining. It's true that it is not addictive, but it can be habit forming. When caffeine intake is stopped abruptly, some individuals may experience headache, fatigue or drowsiness. As well as age and body size can make dissimilarity.

Tea and coffee may also be useful as a minor stimulant to the central nervous system (CNS). As well as tea appears to be effective in improving the efficacy of minor painkillers and can be a good source of certain minerals, especially manganese and fluoride. It is also said that caffeine is chemically similar to theophylline, a potent medicine used in treating asthma. In contrast, because of the biological activities of caffeine and related compounds, excess tea and coffee consumption may have a number of adverse effects. For those who have acidity/reflux or stomach or duodenal ulcer problem – caffeine is not good. It is a potent stimulator of gastric acid secretion. Decaffeinated coffee is even more active in this respect. Tea and coffee also inhibit zinc absorption. Consumption of tea or coffee at mealtime can reduce the amount of iron absorbed from vegetables to one third. So this is not that good for specially women of childbearing age, as they may run the risk of becoming iron deficient. Some studies have found abnormal heart rhythms and restless legs at night and some scientists believe that it increases blood cholesterol too. Recently some researchers have found that drinking three/or more cups of coffee a day significantly raises 'blood pressure' and increases the risk of coronary heart disease and stroke. Caffeine has also physiological effects similar to those observed in association with psychological or psychosocial stress. In a few words other unfavourable effects of tea/coffee could be anxiety and nervousness, depression, insomnia and passing of excessive amounts of urine

Then again, there is no obvious confirmation so far that caffeine intake is undoubtedly associated with heart disease, hypertension, osteoporosis or high cholesterol. The caffeine has complex actions on the circulatory system, and some believe the final effects largely depend upon the situation existing at the time of administration, the dose used, and perhaps the history of exposure to methylxanthines. But, people who have certain health problems or specially pregnant or aged need to check with their doctor for guidance about their daily tea/coffee consumption. Some people are more sensitive to caffeine's effects than others and may experience effects at smaller doses. So although there are some advantages of tea/coffee, it is better to be aware of its unpleasant effects.

**Next: ABC of diabetes**

# People's role in protecting environment and ensuring sustainable development

## BOOK REVIEW

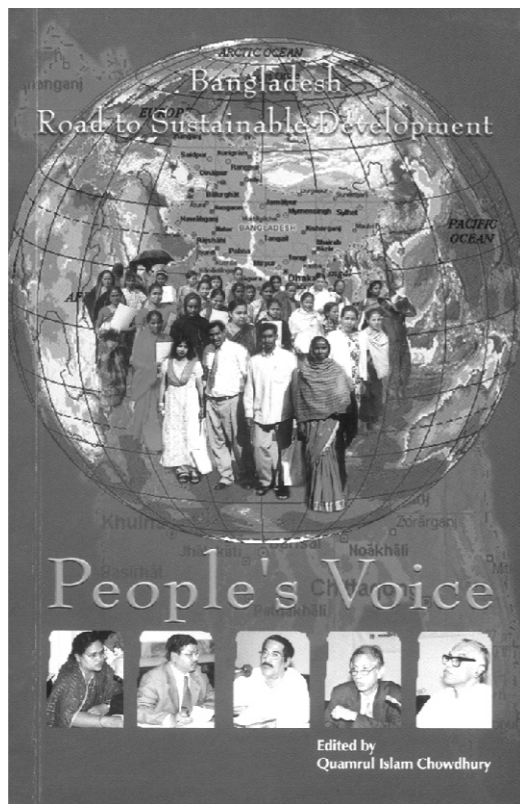
RAFFAT BINTE RASHID

**I**N Bangladesh, people voicing their concerns and policy makers accommodating them in their drafts is something unheard of. In fact such an ideal working environment is never possible many will agree, unless they read **Bangladesh Road to Sustainable Development: People's Voice**, a publication of the Forum of Environmental Journalists of Bangladesh (FEJB).

People's Voice is an outcome of a series of grass-roots level consultations held across Bangladesh over a two-month period in the run up to the World Summit on Sustainable Development (WSSD) slated for August-September 2002 at Johannesburg, South Africa. Six such public consultation workshops were held at six administrative divisional headquarters of Bangladesh, which were finally capped by a national consultation meeting held in capital Dhaka on May 20, 2002. All this exercises for the first time had been designed to take into account the views and opinions of the local people from all over the country. These grass-roots level consultations proved to be quite a useful tool in eliciting the common people's opinion on a wide variety of topics related to environment and sustainable development.

Quite interestingly, many of these ordinary citizens, people from all walks of life – including farmers, fishermen, factory workers, women as well as professionals from different vocations and trade – came up with useful suggestions related to many of their local problems that hitherto missed the attention of the policy planners at Dhaka.

The effort was based on a bottom-up approach of participatory policy planning to ensure that views of different groups of local people are seriously taken into account while drafting the country paper for global action on environment and development issues. The participants were told that the government wants to



place the people's views in the country paper through a comparative study of the views emanating from these divisional level workshops.

The workshops were also told that the idea of formulating a pro-people assessment report aimed at meeting the demands of the current and next generations of Bangladeshi people for a planned and sustainable use of the country's natural resources.

The participants exercised their absolute freedom in

reviewing or assessing successes and failures in the development process in the past one decade, expressing their expectations and recording their views and suggestions on future development strategies.

Many of the participants were of the view that there had been an inherent conflict between "development and conservation". Some said that a sustainable development process could be ensured only through striking a balance between the two as the concept of sustainable development refers to the idea of continued development without affecting the nature or any group of people.

In the southwest coastal Barisal division, the participants said this southern riverine region was losing its ecological and social character with introduction of unplanned development programmes in different sectors particularly in agriculture – affecting the heritage and livelihood of the people.

In southeast coastal division of Chittagong – also covering the tribal inhabited Hill Tracts -- it was found that indiscriminate cutting of hills, deforestation, monoculture, massive jhum (slash & burn) cultivation and "faulty" land management system in the hills were not only destroying the nature but also telling upon the livelihood of the people, including the indigenous tribal population of the region.

In the northeastern tea-growing region of Sylhet, the participants said, the existing management system had failed to protect the hillocks, water bodies (haors) and fisheries, and forests, the most important resources of the region.

Sand and stone collection from rivers, a major source of local livelihood, problems of the ethnic groups particularly the tea garden workers and involvement and participation of expatriates hailing from Sylhet who are now residents abroad in the local development process are major issues of the region.

Water related problems surfaced as the most crucial issue at the divisional level workshop in northwestern Rajshahi. Participants there expressed concern about the downward trend in the groundwater level, onset of the process of desertification, massive use of aquifer for irrigation and drinking, and withdrawal of water in rivers

upstream in India across Bangladesh's border.

In the central Dhaka division, the participants identified unplanned urbanisation and industrialization, unplanned development of infrastructures, air and water pollution, encroachment of rivers and water bodies, extinction of fish species, unplanned embankments, filling of natural water bodies, increased dependence on ground water, indiscriminate felling of trees, distribution of khas land as major issues.

The workshops pin-pointed on growing incidences of women repression and rape, lack of security, failure to introduce direct election of women to parliament, dejection, disorder among the youth, drug addiction, increase of terrorism, obstacles in performing responsibilities by elected women representatives in local government bodies at grassroots.

The participants in the six workshops also shared their visions. They demanded involvement of all stakeholders in development planning since the people themselves know their issues and problems better. They pointed out that development is meaningless if it does not bring people's welfare. They also stressed on the need for planning based on regions under a democratic process. The participants also said that they wanted a sustainable development programme based on national priority. It should be reality-oriented and self-reliant as far as possible.

The people were now more aware about the issues concerning them but this awareness could do little to solve their problems. 'Ensure people's role to protect environment and ensure a sustainable development,' was a common opinion as the participants expressed their views.

Edited by **Quamrul Islam Chowdhury**, the book allows us to see that despite being an overwhelmingly homogeneous country in terms of language and culture, the geography divides Bangladesh with diversified environmental and natural features. However, this series of public consultations made us realize that charting a future together is the only workable formula to sustainable development.