

# The quality of Bangladesh's economic growth

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ABDUL BAYES

ECONOMIC growth (rise in GDP) is always deemed to be desirable as an outcome. Economic growth means more output, employment, income and, in consequence, more wellbeing for the people. That is why most nations strive to reach the higher growth path. Economists used to "worship" growth once, till they realised that growth could not be an end in itself; it was a means to an end. In other words, economic growth is necessary but not sufficient for people's welfare.

Bangladesh is believed to have performed well over the years as far as the indicators are concerned. Economic growth rate crossed the 6 percent mark in recent years from a feeble 4 percent or below in the 1980s and 5 percent plus in the second half of the 1990s. Under a business as usual scenario, reaching the target of 7 percent growth rate does not seem to be too difficult. By and large, the per-capita income grew roughly at 4 percent per year in a regime of falling population growth rate.

However, the growth rate that Bangladesh achieved over the years pales when compared with the growth rates of the neighbouring countries. For example -- according to A.R. Khan -- in 1992, India's per-capita income was 41 percent higher than Bangladesh's; the difference rose to 53 percent in 2005. With Sri Lanka, the difference rose marginally from 145 to 147 percent, but with Pakistan it narrowed down from 86 percent to 47 percent.

But recently emerged, the quality of growth has attracted attention. Dr. Rizwanul Islam, an eminent economist who served in the ILO for a long time, takes Bangladesh's growth with a grain of salt. He considers the "quality of growth" from three angles; the rate of poverty reduction, income distribution and employment. Any growth that reduces poverty faster, produces less inequality and absorbs surplus labour to a desirable degree could be construed as "good" growth.

Admittedly, Bangladesh witnessed a reduction in poverty. But the inescapable conclusion of Rizwan is that while the economy of Bangladesh achieved higher growth rate during the 1990s and during 2000/05, the effectiveness of that growth could be higher than realised. But there was lower elasticity of poverty reduction with respect to growth -- 0.62 in Bangladesh compared to 1.28 in Vietnam, for example.

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needs to look at the impacts of that growth on employment and real wage. Likewise, industrial growth cannot reduce poverty unless growth is employment-intensive and inequality-reducing in nature.

Rizwan reckons that with the average elasticity of 2000-05 and the current rate of per-capita income growth till 2015, poverty level could be halved to fulfill MDG target. The economy has the potential to reach the target much earlier but deterioration in income distribution (a rise in inequality) makes it a forlorn hope.

To be pointed on income inequality, the share in total income increased substantially only for the top 10 percent of the households. It is not only that the share of the bottom 40

percent declined substantially but the middle income group also lost its share. Thus, the benefits of economic growth that Bangladesh boasts of bypassed the major portion of the population. This has happened because the contribution of the non-equalising sources of income, i.e. wages and salaries, and non-farm enterprises to total income has increased.

On the employment side, the overall employment intensity of economic growth, as well as the employment elasticity with respect to GDP growth, is reported to be low and declining. With an employment elasticity of 0.495 (during 1990s), and employment growth of 4.4 percent (same as labour force growth), not counting current unemployment and under employment, the country would require a GDP growth of 8.89 percent per year. The lower the elasticity from the observed ones, the higher would have to be the growth rate to absorb the surplus labour. It indicates the magnitude of employment challenges that Bangladesh is faced with.

On the other hand, the transformation of the employment structure has been from agriculture towards the services sectors rather than towards the manufacturing sector. Whatever employment has taken place is mostly in the informal sector; leading to non-formalisation of the economy.

Trade liberalisation and economic reforms do not seem to have posted Bangladesh on a path of development with labour-intensive industrialisation. It is true that openness and reforms opened the doors for some limited export-oriented industries, but also closed the doors of several important traditional industries. It is, thus, no surprise that Lewisian transformation turned out to be elusive for Bangladesh.

After an taking an X-ray of the drivers of



Balancing the economy.

growth and their ramifications, Dr. Rizwanul Islam also made some forecasts. The rate of economic growth could be raised from 6-7 percent to 8 percent by raising domestic savings and investment.

Needless to mention, instruments to mop up small savings need to be devised and incentive to save should be raised through reforms in financial institutions. But higher savings may not translate into higher levels of investment because of three important constraints -- electricity, corruption and tax administration -- that entrepreneurs see as problems.

Second, what matters is stability and sustainability of the growth so achieved. Investment

in infrastructure (power, roads and telecommunications) will be extremely important to keep the sustainable growth rate above the potential rate. Although, in general, regular

wage employment contributes to inequality, such employment is associated with higher productivity and earnings -- notable indicators of economic development -- and is hardly taking place in Bangladesh.

First, regular wage employment should be encouraged through providing incentives to the growth of such activities and, at the same time, by providing access to education and skills to the poor so that inequality is contained. Second, since non-agricultural enterprises are inequality enhancing, provisions for micro-credit for the poor to undertake such activities should be in the policy agenda. And finally, redistributive measures like progressive taxation should continue. By and large, Bangladesh should target growth with justice rather than growth alone.

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## Reporter's Diary

### Run from the hills

This was the first time I felt pride in an escape, as I did not find a safe place in the hill city that was completely controlled by Bangalee settlers and where adivasi people hid in the forest.

EMRAN HOSSAIN

WHEN I reached Khagrachhari city bus station at 9:30 on the night of February 23 the city was already under curfew and frozen with panic after a Bangalee settler was killed earlier in the morning.

With a splitting headache I got off the bus after a 14-hour journey and found myself alone in the frightening silence of the empty bus station. Before I could ask about a hotel my fellow passengers silently vanished amid widespread fear that the Pahari people were about to swoop on the Bangalee settlers. Fear gripped me, and sensing the impending Pahari attack I spent no time walking into the darkness without even knowing where I was heading.

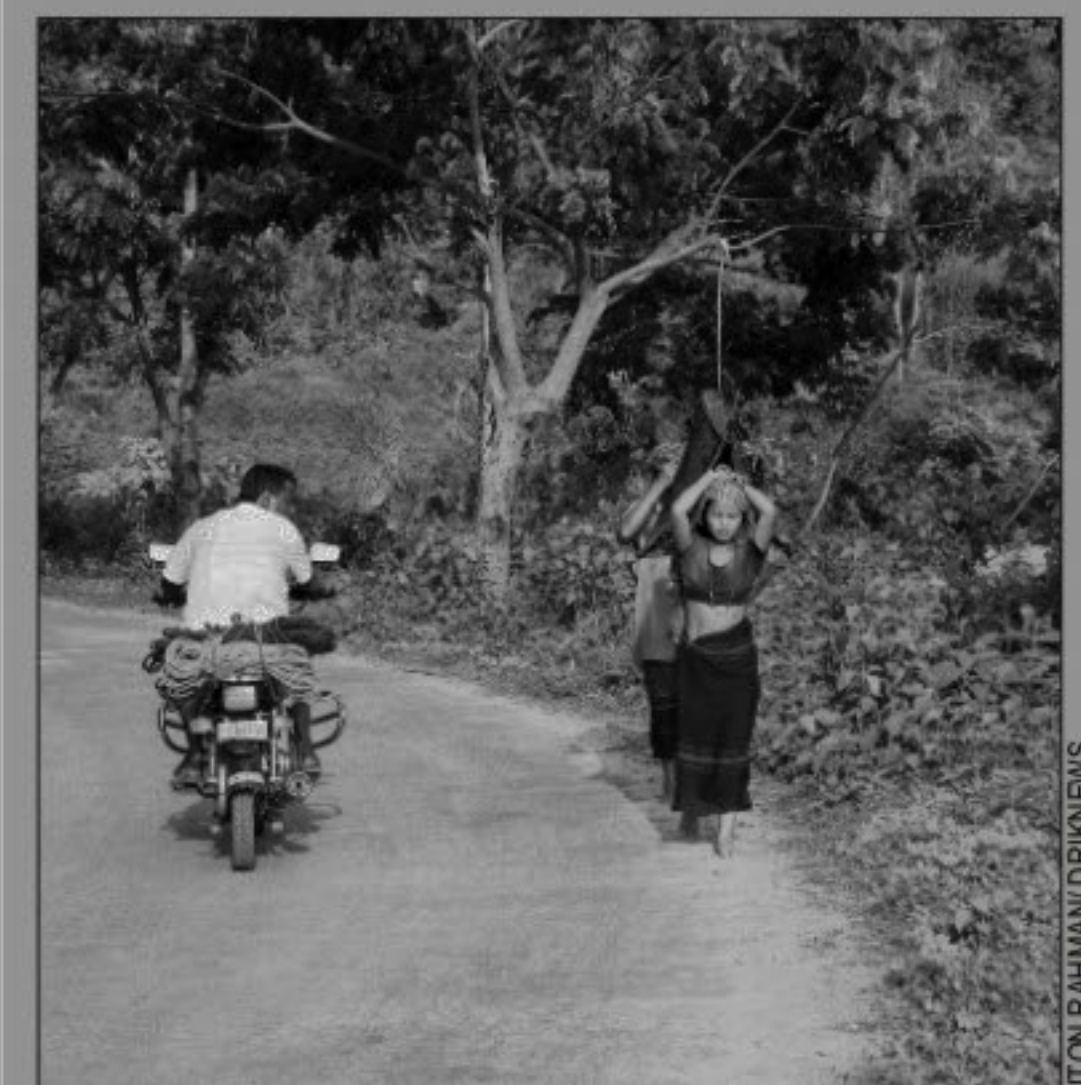
Being a Bangalee, I was lucky that I could violate curfew even though it was pretty late and I was a relative stranger to the area. Soon I found three other Bangalee settlers who came in the same bus as me. "Follow me. You will find a hotel in the direction I am going," one of them said as the group walked towards Khagrachhari municipality.

It was a strange curfew, indeed. Through the area I walked I found groups of Bangalees guarding important areas of their respective localities with sharp weapons, rods and sticks. The Bangalee groups were shouting and generally causing a scene. They ran from place to place, chasing shadows of imaginary Pahari attackers along the way.

For a couple of moments I stood surprised and puzzled on the bridge beside Khagrachhari municipality where the police, Rab and army were stationed while groups of Bangalee settlers were searching the area under the bridge following a rumour that adivasi people has taken refuge under the bridge from the aggressive Bangalee settlers.

The next morning was like any other sunny Wednesday morning. There was no strike like the previous day, but there were no vehicles, not even a rickshaw on the street. There was an indefinite ban on gatherings of five people or more, but that did not stop the Bangalees from doing so.

However, there were no Pahari people seen on the streets. Only some adivasi kids were walking in groups



LITON RAHMAN/DRINKNEWS

of a hundred or so holding each other's hands. Guarded by teachers they were going to attend the SSC examinations as Bangalee settlers stared them down.

Luckily our Khagrachhari correspondent arranged a motorbike and we left for Gangaram Mukh in Baghachhari even though Bangalee settlers claimed that we would be attacked by the Paharis if we went there.

We got quite worried because as we reached Dighinala, around 50 km from Khagrachhari town, a group of Bangalee settlers waylaid us and took away our motorbike keys. "Are you from The Daily Star?" asked the group. I was dumb struck by their unexpectedly accurate information. I was sure they didn't even know if the newspaper was an English or Bangla publication. "You leave Khagrachhari by tonight. If I find you in Khagrachhari town, you will see what's what?" they ordered and gave back the keys.

I turned the motorbike and took an alternative route, avoiding the main road. As soon as we get on main road near Kobakhali, two Bangalees on another motorbike approached us.

"Are you the journalists? Two journalists are supposed to come through this road," asked one of them. "No, we are not journalists. But we saw a private car behind us carrying journalists," I lied to them and sped up.

It is near Bame Baibachhara and Dane Baibachhara where I first came into contact with a group of adivasi people. They were standing by the side of their burnt houses as smoke continued to flow out of the rubble. As we rode forward we saw charred wooden pillars and burnt grass. Standing by the Kasalong riverside, we saw villages in ashes on the other side of the river. We saw burnt houses and temples along with adivasi people hiding in the jungle.

There was a strike called by Parbatya Bangalee Chhatra Parishad the following day. Nothing unusual happened except for the news that more adivasi houses were set on fire.

At around 5:00 pm on February 25 while I was writing a report, one of the hotel boys named Anwar almost banged the door down looking for me. A trembling Anwar told me that was some Bangalee settlers had entered the hotel looking for me a couple a few moments ago and that he could not let me stay anymore as the settlers would return any minute. He helped me pack my bags and took me out through the back door.

That night I hid in the house of a local settler, a friend of our local correspondent, and left town next morning. This was the first time I felt pride in an escape, as I did not find a safe place in the hill city that was completely controlled by Bangalee settlers and where adivasi people hid in the forest.

As my bus reached Alutilla hill on way back Dhaka, I got a phone call. "Four more adivasi houses were set on fire in Alutilla," said our local correspondent from the other side.

Emran Hossain is Staff Correspondent, The Daily Star.

# Red Shirt demonstration reveals class divide

The protest is set to be the biggest since the Red Shirts rioted in April last year, leaving two dead and scores injured. The Red Shirts mainly represent Thailand's rural poor, who benefited from Thaksin's populist policies, and say that Abhisit's government is elitist and military backed, and has ignored their democratic rights.



MD. MASUM BILLAH

THE streets of Bangkok, one of the most attractive and beautiful tourist spots of Asia, are once again witnessing tens of thousands of protesters wearing red shirts, which has a significant meaning. They are the supporters of deposed Thai premier Thaksin Shinawatra.

The "Red Shirts" travel mostly by pickup truck and car, playing loud music and waving

red flags and heart-shaped clappers in jubilant spirits. They want the government of Abhisit Bejjajiva to step down, and the House dissolved. But the government has declined to step down, and enacted the strict Internal Security Act to monitor the rallies and allow the authorities to set up checkpoints, impose curfews and limit movement.

Prime Minister Abhisit Vejjajiva and the top brass have taken shelter at a military barracks. The PM cancelled his a weekend

trip to Australia because of the rally. He said: "We should not be complacent because there are some groups of people still wanting to create violence."

The protests came two weeks after Thailand's top court confiscated Thaksin's assets worth \$1.4 billion, and are the latest chapter in a political crisis that has beset Thailand since Thaksin was toppled in a 2006 coup. Thaksin, who has been living mostly in Dubai to escape a two-year jail term for corruption at home, has been encouraging his supporters using text messages and his Twitter page.

The protest is set to be the biggest since the Red Shirts rioted in April last year, leaving two dead and scores injured. The Red Shirts mainly represent Thailand's rural poor, who benefited from Thaksin's populist policies, and say that Abhisit's government is elitist and military backed, and has ignored their democratic rights. Thaksin, in contrast, is loathed by rival royalist "Yellow Shirts" backed by Bangkok's establishment, who accuse him of corruption and of disloyalty to the revered royal family.

Deputy Prime Minister Suthep Thaugsuban, in charge of the country's security, said that the protesters would be permitted to approach the barracks and encircle them, but they could not obstruct traffic or intrude into the barracks, when they would be arrested. He said that it was too early to say if emergency would be invoked to crackdown on the rally, and that he would have to see how the situation developed. He reaffirmed that he would act reasonably and appropriately.

The protesters turned to shock tactics, pouring gallons of their own blood into a glistening puddle at the gate of the prime minister's office. They believe that Abhisit came to power illegitimately with the connivance of the military and sections of the traditional ruling class who were alarmed by Thaksin's popularity, particularly among the poor.

On March 17, thousands of protesters wearing red shirts formed long lines to have

their blood drawn by nurses a day after their leaders asked them to collect at least one million cubic centimetres of blood to spill near the Government House. They claimed to have collected 300,000 cubic centimetres. Riot police allowed protest leaders to approach the iron front gate and pour the blood, which oozed under the gate as national television broadcast the mages live. Hundreds of protesters then marched and rode pickup trucks and motorcycles to the nearby ruling Democratic Party headquarters and splashed several more jugs of blood on the pavement outside.

It is learnt that there are four kinds of parliamentarians in Thailand. The first kind are business tycoons who come to the parliament just to make their own fortune. They hardly think of the nation and the poor. They are strong in different provinces as well. They are smart but spend their smartness and talent in illegal activities.

The second group are the professional politicians who dedicated their lives for the parliament and as parliamentarians. They seem to have forgotten the poor. The third group is known as "daddies' group," who come to parliament by virtue of their powerful fathers. They are aged below 40. The fourth group constitutes the most inefficient people, who only occupy the parliament seats. They seem to be free but are chained to their "gurus" by an invisible thread.

Do the "Red Shirts" just want Thaksin as prime minister again? Under the United Front for Democracy against Dictatorship lakhs of people are demonstrating, apparently for a people's alliance for democracy. But the real truth lies under the surface. The present move is a manifestation of the class divide in Thailand. It is the conflict and friction between the rich and the poor. Why have the poor people identified and selected a billionaire as their leader? What did lakhs of people move from village to city? Were they well treated in earlier days?

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