

The Two Economies thesis: Road to the Six Points Programme

NURUL ISLAM

THE Two Economies thesis marked the beginning of the thinking of the economics professionals of East Pakistan for securing its economic rights and for reversing its slow economic progress that widened the disparity between East and West Pakistan. This was put forward as the most appropriate and essential analytic and conceptual framework for designing Pakistan's economic strategy.

Simultaneously, the political leaders carried out the struggle for political rights which, by 1954, culminated in the virtual demise of the Muslim League in East Pakistan for its failure to obtain the legitimate share of East Pakistan's political and economic power structure, which led to the demand for political and economic autonomy as a consequence.

This article is an attempt to clarify and set the historical record straight on the origin and content of the Two Economies thesis. Over the years much has been said, often inaccurate and misinformed, in the press and on the platform about the parentage, i.e. the source, of this analytical framework for Pakistan's development. But for the fact that the independence struggle founded on the Six Points Programme -- of which this concept was the core economic component -- eventually succeeded, this landmark concept would have probably been lost in the archives of history and not drawn much attention. After all, success has many fathers and failure has none and is an orphan.

The idea that Pakistan consisted of not one but two economies was advanced for the first time in 1956 as the basis for the formulation of development plans for Pakistan at the Special Conference of Economists of East Pakistan on the draft first Five Year Plan of Pakistan (1956-1960). This conference was held at Dhaka at the end of August 1956. The main idea of the concept was elaborated in the Report of the Special Conference of Economists of East Pakistan on the Draft Five Year Plan which was submitted to the Pakistan Planning Commission on September 1, 1956. The entire report is reprinted in my book entitled *Bangladesh - Making of a Nation* (published by UPL in 2003).

The following quotations from the report are self-explanatory: "For purposes of development planning, particularly for the creation of employment opportunities, Pakistan should be conceived of as consisting of two economic units." "The problem of planning in Pakistan is best approached by considering the basic characteristics of the two wings, particularly the heavy pressure of population in East Pakistan, the comparative lack of employment opportunities and the high degree of immobility of labour between the two wings" (underlined section is the critical element in the concept). "The primary requisite of planning in our opinion is a complete zonal breakdown of statistics, namely national income, balance of payments and financial resources -- internal and external." This was prepared and signed by ten economists and approved by the conference. I was the youngest member of the group having returned from Harvard only a year before in 1955 and having joined as an associate professor in the same year. The authors were M.N. Huda, Mazharul Huq, A. Razzak, Nurul Islam, A. Sadeque, A. Farouk, A.N.M. Mahmood, Md. Safiullah Muhammad Hossain and Shafiqur Rahman. I say with great sadness that I am the only surviving member among the signatories.

I had an opportunity to test this framework in the course of the preparation of the report of the Prices Commission appointed by the government of Pakistan in February 1960 to investigate the rapid and high rise in prices during 1959-60. I was the only economist member from East Pakistan. The concept of Two Economies essentially postulated that all economic issues such as the rise in prices had to be looked at and analysed separately for East and West Pakistan. The degree of inflation was much higher in the East than in the West; the reasons for inflation and ameliorative measures needed were also different. I met stiff resistance from the West Pakistan members of the Commission. This novel way of looking at the economic issues in Pakistan was anathema to them -- it smelled of separatist tendencies. I was obliged to submit a supplementary and separate note of my own to the Commission's report.

The next step was to raise this concept directly with the highest political authority in Pakistan, President Ayub Khan. In May 1961, a group of economics professors of Dhaka University were invited by him to discuss face-to-face the problems of underdevelopment in East Pakistan and interregional disparity and possible remedial measures. The group consisted of M.N. Huda, A.F.A. Hussain, Abdullah Farouk (in the absence of Mazharul Huq) and Nurul Islam. At the end of a long and surprisingly frank exchange of views we were requested to submit a written memorandum incorporating our analysis and recommendations. The memorandum was submitted to him in June 1961. As the youngest member of the group, the task of drafting the report was given to me. After it was agreed to and approved by the group it was sent to President Ayub Khan's secretary. Since I am the only surviving member of the group, it is my duty to remind the younger generations of the contributions of my departed colleagues.

The most important features of the memorandum (the entire document is reproduced in my book *Bangladesh-Making of a Nation*) were expansion and

detailed elaboration of the suggestions made in the earlier report of East Pakistan economists.

The main analysis and recommendations of the memorandum were as follows:

At the heart of the concept of Two Economies was the immobility of labour between the two wings of Pakistan. Therefore, investment in one wing did not create employment opportunities in the other wing since investment in one wing did not enable labour in the other wing to take advantage of opportunities in the former. This was aggravated by the limited mobility of capital and very high cost of transportation. Moreover, in many cases the cost of goods imported from another wing was higher than the import cost of very similarly priced goods from abroad because of the very high cost of transportation from the other wing.

To select investment projects on the basis of their returns, irrespective of their geographical location, would result in low investment for East Pakistan and widening disparity. This was because economic returns in many cases were high in West Pakistan because of its built-in advantages in respect of physical and social infrastructure which were inherited from pre-independence days, and this was not sought to be balanced or offset by increased investment in East Pakistan in the post-independence years. Worse still, after independence the bulk of the non-development expenditures of the central government as well as overwhelming proportion of large defence expenditures were spent in West Pakistan, which added heavily to the imbalance in infrastructure. The multiplier effects of such expenditures increased income and resources, which in turn fuelled private and public investment in West Pakistan. The latter, in turn, was actively promoted in the West by the discriminatory allocation of foreign exchange earnings and foreign aid to the West as well as by a liberal supply of credit to the private sector in the West.

Therefore, the development policy on the basis of Two Economies concept required that the objective of income

inter-wing communications.

The monetary and credit policies of each region would be conducted by the local board of directors of the State Bank of Pakistan even though the same currency would be there.

All government revenues as well as domestic and foreign exchange resources should accrue to the respective regions in which they originate. The two regions would contribute to the expenses of the central government according to the ability to pay and benefits derived from central expenditures.

The report concluded by saying that if the above suggestions were accepted an expert group could work out the details. It added that "the present group is also studying this problem and might be in a position to submit a paper on the subject as and when required."

There was no response from Ayub Khan's secretariat to the report, and it transpired that it was sent for examination by his trusted advisers, the planning and finance ministers. The latter branded this group as either misguided dupes of politicians or, worse still, motivated by crass ambitions for political power. They, therefore, advised Ayub Khan to pay no attention to the report.

It should be noted, however, that comparable suggestions, specially about the severely restricted functions of the central government, had been made since mid-fifties. For example, the United Front Party in its Twenty One Point Programme suggested a central government with three subjects only -- defence, foreign affairs and currency.

To refer back to our memorandum to Ayub, it needs to be stressed that it was not considered a secret document even though it was submitted by a small group of economists. The members of the group were left free to share the reports with interested persons of their choice. As a result, a large number of economists of the time came to know of its basic contents and main recommendations, if not all the technical details. Following the above-mentioned East Pakistan economists' report of 1956, which was widely publicised in the press and on the platform, the Two Economies thesis and inter-regional economic disparity were the most dominant themes in discussions about the economic development of East in public forums of all kinds comprising economic journalists, informal economists and public intellectuals. This memorandum with its detailed arguments and recommendations added powerful ammunition to this public discourse on East-West economic relations.

As far as I was concerned, I must record that in the first place not only had I shared the report but had also discussed in detail the full contents of the document -- all the arguments and recommendations -- with my close friend and colleague Rehman Sobhan in the course of writing the report as well as the preparation of the final report. We were both engaged in public discourse on the subject. The main contents were also conveyed by me to various professional colleagues who were engaged in writing or discussing this subject.

Secondly, I distributed copies of the report to the East Pakistan members of the Ayub cabinet to mobilise their support for its recommendations. The two cabinet members from East who were very interested in our memorandum were Justice Ibrahim and A.K. Khan. Justice Ibrahim, who was the vice chancellor when I was professor, was so interested that he sent to Ayub Khan a memo incorporating the suggestions of the report.

Thirdly, while the memorandum was submitted in May/June 1961, Ayub appointed a Finance Commission in October of the same year to recommend (a) division of sources of revenue between the centre and the provinces and (b) the allocation of central revenues including taxes, foreign aid and domestic borrowing between the two regions. I was appointed a member of the Commission, and was the only economist as well, as the non-official member of the Commission from East. As it was evident that the contents of the memorandum were germane to this task, I shared the report with the East Pakistan members of the Commission. Mr. D.K. Power, as the additional chief secretary (development) of East Pakistan, was, so to speak, the leader of the East Pakistan contingent of the Finance Commission. He took serious interest in it.

In the meanwhile, the economists of East Pakistan -- many of whom were by then cognisant of the contents of the memorandum to Ayub -- continued to carry on the public discourse about the detailed policy implications of the Two Economies thesis along the same lines. For example, an East Pakistan group known as the National Association for Economic and Social Progress, consisting of, among others, Rehman Sobhan, Kamal Hossain, Mosharraf Hossain, etc. wrote in 1966 -- one year after the submission of the above memorandum -- a pamphlet entitled *The Challenge of Disparity*. It was drafted by Rehman Sobhan, and contained almost the same central features as the memorandum.

As the struggle for regional autonomy, in which Bangabandhu Sheikh Mujibur Rahman was deeply engaged since the early fifties, gained momentum, he launched his full-blown Six Points Programme in 1966. This included political as well as several economic components, as described above, and thus in fact proposed a very loose confederation of East and West Pakistan with a strong potential for a break up. The rest is history.

The writer was the first Deputy Chairman of the first Planning Commission of Bangladesh.

'The caged bird' sings on

SHIFTING IMAGES



MILIA ALI

THERE are many reasons to celebrate the life of the "phenomenal woman," Maya Angelou, whose precepts and writings have inspired millions. A prolific author, poet, teacher and icon for the civil rights and feminist movements, Angelou passed away on May 28 at the age of eight-six. Her candid memoirs, *"I Know Why the Caged Bird Sings"* published in 1969, is a scathing commentary on the racial discrimination she experienced while growing up, and the resilience of a black woman against unprecedented odds. Most touching are the descriptions of Angelou's incredible journey from a girl who was raped by her mother's lover to her struggles as a single parent, sex worker and an activist. An amazing aspect of Angelou's life is that following her traumatic childhood experiences she was shocked into silence for a short period of time but later became one of the most vocal champions of the rights of the downtrodden and the oppressed.

The candour and passion with which she narrated her stories inspired readers across the globe to fight life's adversities and calamities. In many ways she rekindled hope in the minds of underdogs, especially women, reinforcing the belief that one can achieve great heights even from the depths of darkness. Despite all the hate and discrimination she experienced, as a child and a young adult, she displayed an infinite capacity for love. This is aptly expressed in her observation that "Bitterness is like a cancer; it eats on the host." The great granddaughter of a slave, Angelou rose to become a renaissance woman who inspired social change in the black history of the United States.

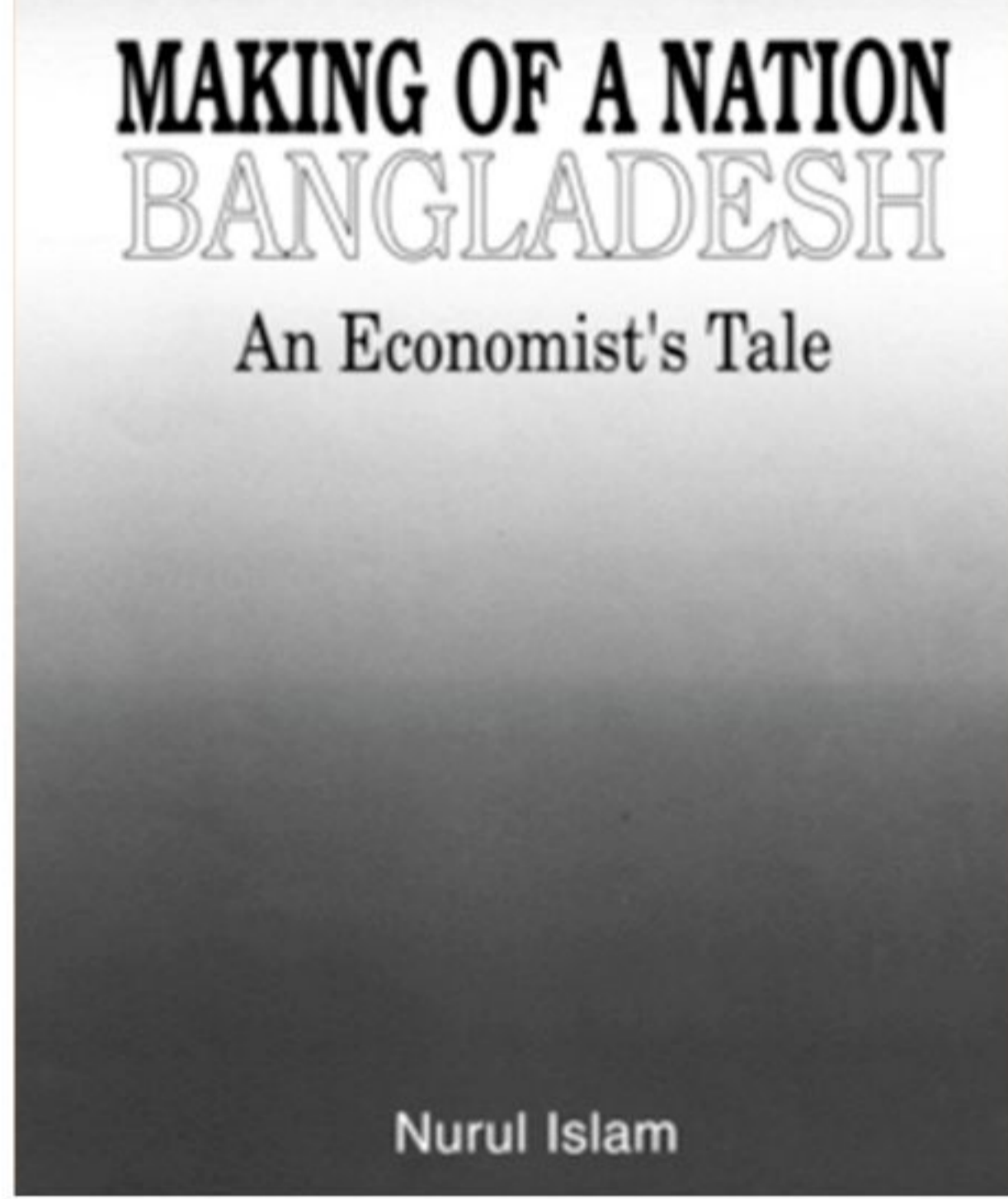
When I reflect on her incredible life I am haunted by a nagging question: Why is it that people like Angelou are able to surmount all the obstacles that life throws in their path? Psychiatrists, therapists and spiritual gurus offer us a range of reasons for why some have the grit and determination to fight calamity, while others simply buckle under pressure. We know that success factors include a positive attitude, the ability to focus, a strong motivation to achieve, genetic disposition and an element of luck. Some would argue that gender, race and income level are variables that affect the success equation. And to a certain extent all of this is true. However, if we examine the remarkable lives of many successful people of current times like Steve Jobs, Oprah Winfrey, Bill Gates we see a common thread running through their stories. Most have faced adversity and have not succumbed to life's challenges. As a matter of fact, it appears that the troubles and hurdles they have encountered have in some ways strengthened their resolve. One thing is clear, the successful ones are not necessarily the ones that hit the jackpot in their first try. They are the ones who learned lessons from their failures and moved forward.

The same is true of Maya Angelou. Her life was not one great success story but a mixed bag of failures, mistakes and achievements. But she always assumed responsibility for her mistakes and never looked upon herself as a victim. Most importantly, she did not dismiss the external odds as her fate but each time she fell she picked herself up with renewed vigor. In many ways she dispelled the much-accepted idea that our success is dictated by a pre-ordained destiny. On the contrary, her life is an example of how one can reshape one's destiny by learning from one's failures. As she asserts: "What I learned to do many years ago was to forgive myself. It is very important for every human being to forgive herself or himself because if you live, you will make mistakes -- it is inevitable.... You can ask forgiveness of others, but in the end the real forgiveness is in one's own self."

At the core is the idea of self-accountability and accepting responsibility for our actions. Once we are able to forgive ourselves we begin to love who we are. And love for oneself appears to be at the very root of self-esteem, which is a key element of success. Angelou sums it up best: "Success is liking yourself, liking what you do, and liking how you do it."

There is no magic bullet for ensuring success but the most valuable lesson we can learn from the remarkable lives of people like Maya Angelou is to love ourselves, especially when we feel "least seen and least loved."

The writer is a renowned Rabindra Sangeet exponent and a former employee of the World Bank. E-mail: shiftingimages@gmail.com



generation and employment should be considered separately for East and West Pakistan. Accordingly, the following concrete suggestions were made:

Independent quantitative targets for the growth in income and employment should be articulated for the two regions. Two separate regional plans should be formulated to meet independent targets for each wing.

The estimation of comparative costs in the two regions should be made in the dynamic context and therefore should include or encompass the indirect effects of the future development of social and physical overhead capital. Similarly, the costs of production of commodities in the East that were traded with the West should be compared not with the absolute costs in West but with the landed costs in East of imports from West.

In addition, the cost comparisons between East and West should be modified or adjusted wherever necessary to take into account the pressing need for expanding employment opportunities in East.

Finally, there should be a constitutional provision which should make the equal development of both wings of Pakistan, let us say within a period of 20 years or so, the major responsibility of the central government. To achieve such a goal it was further recommended that the proportion of total investment in East should increase from 30% in 1960-65 to 60% in 1975-80.

The strategy of the report was to take Ayub Khan at his word about his interest in accelerating development in East and reducing interregional disparity, and to suggest to him as the head of the central government the ways in which his government could attain such an objective.

The next step was to suggest that if Ayub Khan decided that the central government should take no such responsibility, a satisfactory solution would be to separate the resources of the two regions and let them develop on the basis of their own resources. For this alternative scenario the following specific suggestions were made:

The centre would have the responsibility of only three functions -- defence, foreign affairs and some aspects of

QUOTABLE Quote

Soccer is a game in which everyone does a lot of running around. Twenty-one guys stand around and one guy does a tap dance with the ball.

Jim Murray

CROSSWORD by Thomas Joseph

ACROSS

- Winter coats
- Went out, as a fire
- Look up to
- Border
- Louisa May Alcott book
- Thoroughly disgusted
- War god
- Storage building
- Ski-lift type
- React to a chill
- Ornate planter
- Cow show
- Rink surface
- Supermarket worker
- Halt
- Brunch or dinner
- Rigging support
- Skiing site
- Henry James book
- Wheel connector
- Smitten
- Turn to liquid
- Did lab work

DOWN

- Golf goal
- Commotion
- Apt units
- Sutherland of "24"
- Zodiacram
- Mail
- Oracle setting
- Marrying words
- Sense of self
- Down's rival
- Like some eyebrows
- Garfield's middle name
- Mountain group
- "Don't Cry for Me" singer
- Home design
- Soaking spot
- Put into words
- GOP member
- Christmas plant
- Longeared hound
- Joins the bee
- Backbone
- Leave out
- River blocker
- Tin Man's prop
- Under the weather
- Place to park
- Second person
- Scarlet

Yesterday's answer

CRYPTOQUOTE

RDE, FSX CNQNEU AHXDFYHX, FSX AHXFNEU NEJNQNYDC, NT DCKDPT RBHX NRZBFHDFE FSD DEPTXFDLNCNTSXTJPCXBBHTPTFXR. -- LHXYA CXX

Yesterday's Cryptoquote: TOO MANY HAVE DISPENSED WITH GENEROSITY IN ORDER TO PRACTICE CHARITY. --ALBERT CAMUS

BEETLE BAILEY by Mort Walker

GENERAL HALFTRACK HAD A TOOTH PULLED THIS MORNING

OH!

THAT EXPLAINS HIM WHISTLING AT ME

MIS BUZLEY!

HENRY by Don Trachte

A XYDLBAAXR is LONGFELLOW

One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.

BEETLE BAILEY by Mort Walker

GENERAL HALFTRACK HAD A TOOTH PULLED THIS MORNING

OH!

THAT EXPLAINS HIM WHISTLING AT ME

MIS BUZLEY!

HENRY by Don Trachte

A XYDLBAAXR is LONGFELLOW

One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.