

# TOWARDS BUILDING A MODERN ECONOMY

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## It's all about institutions

For Bangladesh, building a robust economy will not be possible without 'empowered growth' which can only be achieved through effective institutions



**BIRU PAKSHA PAUL**

Anyone who visits Dhaka for the first time may be excused for thinking that Bangladesh is a rich country with millions of automobiles. After experiencing the never-ending traffic jam, the visitor will start to believe, falsely, that everyone in Dhaka has a car. But if you look closely, you will realise that it is primarily an institutional problem. Given the population size, the number of pending legal litigations, (almost three million) in the courts, is one of the highest in the world, fuelling injustice and delaying investment—two things that hamper growth. This is an institutional problem.

Private universities are mushrooming everywhere while our higher education quality is one of the worst in South Asia. This is also an institutional problem. How can a nation improve labour productivity, technology, and knowledge to accelerate growth when educational institutions have poor quality control?



Empowered growth has a bigger umbrella which includes human development, traffic congestion, infrastructure, political stability, openness, governance, and other major institutional indicators. PHOTO: A SABER/WIKIMEDIA COMMONS

When a resource-hungry nation's bureaucracy cannot even use funds already allocated for infrastructure projects, nothing else can be blamed for this incapacity other than institutional deficiency.

Institutions are defined not only as

organisations or agencies; they refer to rules, regulations, cultures, customs, tradition, and social norms as well. Institutional economics—a recent field of economic study—examines the role of institutions in spurring growth and development. Institutional economists

like William Nordhaus, Douglass North, Daron Acemoglu, and James Robinson emphasise upon institutions to explain the roots of poverty or prosperity.

While economists acknowledge the importance of institutions, the main

The IMF developed a concept of quality growth that includes the state of education and health along with the growth numbers. Empowered growth has a bigger umbrella which includes education, health, human development, traffic congestion, infrastructure, political stability, and governance.

debate pivots on the question of primacy: Which comes first, development or institutions? The common idea—also prevalent among Bangladeshi economists and politicians—is that first we need

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