

A look back on the change in world economy during our era

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IN the 21st century a much larger proportion of aggregate material progress has taken place in what our generation knew as the developing world. This growth has been multidimensional: income per person; increase in life expectancy, health and literacy; and reduction in the proportion of those who are in extreme poverty and destitution. Economists have long emphasised the notion of production possibility: the maximum that could be achieved from available resources and knowledge. World's material prosperity is well below what one might call the wellbeing and growth possibility curves. By organising our societies better, adopting policies that existing knowledge recognises to be optimal and avoiding unnecessary conflicts, aggregate human wellbeing and its growth could have been made much higher. For evidence of this we need not look beyond our own subcontinent where the major countries—by limiting trade among themselves, fighting wars between them, and arming themselves against one another—have operated vastly below wellbeing possibility.

Secondly, one characteristic of rapid growth in recent decades has been an increase in the inequality of distribution of income pretty much everywhere. I often encounter two typical objections to this concern: (a) Since much of income growth has been in poorer countries, it is likely

that the inequality in the distribution of income among all individuals in the world has either not increased or increased very little; and (b) Why should one worry about rising inequality when poverty of the worst kind has been declining?

I am not persuaded by either argument. We have no convincing evidence that the rise in intra-country inequality has been offset by the fall in inequality between countries. More importantly, it is inequality at the national and sub-national level that determines the social fabric: the quality of democratic institutions and communal life. The reason one should worry about rising inequality despite falling absolute poverty is simply that with lower inequality the reduction in poverty would be greater.

Yet another issue of concern is that income accounting fails to allow for many elements of cost, most notably the enormous cost of environmental deterioration.

Economists have a way of making adjustment in change in distribution of income, by converting aggregate income into "equally distributed equivalent income," though it requires judgment about how to compare the values to the society of units of income accruing to people at different levels of living. Economists also know how to make adjustment in environmental deterioration—treatment of some elements like loss of forests and water sources is straightforward; others like the effect

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on health require more information and judgment about society's valuation of life expectancy and morbidity.

Equally distributed equivalent income adjusted for environmental deterioration, on any reasonable quantification of such value judgments, would knock several percentage points off the hyper growth rates that have characterised our age, notably in countries like China and India, as well as our own. Even after these adjustments the growth in wellbeing that has been achieved during our era will still be very impressive but less spectacular than official estimates claim.

At the beginning of our career many of our generation were inspired by the ideal of socialism, of which the dominant form was the Soviet kind of central planning by command. The hope was that it combined rapid growth and equality, documented respectively by the rapid growth of the Soviet economy when the capitalist world was mired in the great depression; and the promise that the abolition of private ownership of capital would end exploitation of labour and ensure equality. Long before the end of our career the system of central planning by command broke down. The essential characteristic of the system that led to its failure to satisfy the material aspirations of the population was that it was devoid of a method of rational economic calculation, which is essential for efficient use of resources.

The point I want to make is that the Soviet kind of central planning did not even create the most egalitarian of societies. Numerous estimates made for the Soviet Union and the East European countries during the 1960s and 1970s showed that their inequality was lower than that for countries like the US but higher than for the social-democratic countries of western and northwest Europe.

The hope that the abolition of private ownership of means of production would eliminate inequality was misplaced. Marxian socialism identified private ownership of means of production as

the source of capitalist exploitation and perhaps Marx was right in the context of 19th-century capitalism. But under modern capitalism ownership of capital is typically dispersed and divorced from control and yet, by virtue of their control over resources top management arbitrarily distributes income in its favour. Soviet type of socialism abolished private ownership of means of production but entrusted bureaucratic control over them by individuals or oligarchic groups. There is no reason to believe that its distributional outcome would be any better than that under managerial capitalism.

The alternative to central planning by command is dependence on the market which is a feature of capitalist economies. But market is no more necessarily a capitalist institution than say political democracy or technology. The limitations of the market are well-recognised even by orthodox economic theory: the lack of equal access to information, the failure to recognise benefits and costs other than those accruing to the direct actors, and, above all, the inequality of endowment of resources among different actors in the market. The reason the market under capitalism is unjust is the underlying inequality in the distribution of income and wealth. Once the inequality is limited, and compensatory actions to offset other failures made, market can be a powerful, indeed the only available,

mechanism to ensure efficiency in the use of resources.

In most economies the primary distribution of income resulting from the production process is further moderated by ex-post redistributive policies. An Oxford study has made estimates of pre-redistributive and post-redistributive inequality for a selection of countries. The countries that have achieved the greatest equality are typically the countries that have achieved the biggest reduction between pre-redistributive and post-redistributive inequality: the social democratic countries. I therefore do not shed tears over the demise of the system of central planning as the evidence of the demise of my ideal of youth; instead I rejoice at the triumph of a feasible form of socialism in today's world, social democracy, which has combined economic efficiency with equality.

In the Oxford study I referred to above, one country that achieved high equality with very low reduction in inequality by ex-post redistribution is the Republic of Korea. That must have been the case for the other original East Asian tigers. Contemporary developing countries like ours have a lot to learn from them in the quest for egalitarian growth.

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This is an edited version of the speech delivered by Dr Azizur Rahman Khan at the Bangladesh Bank award ceremony held at the Bangladesh Institute of Bank Management in February 2018.

Saffron sunrise on India's northeast

PALLAB BHATTACHARYA

FIVE years is a long time in electoral politics. From zero to zenith—that is how Prime Minister Narendra Modi described BJP's rise to power in Tripura assembly elections. What he was pointing to is statistics. In the previous assembly elections in 2013 in the state, BJP had failed to get a single seat but this time it won an emphatic majority on its own in a state where its organisational growth comprised largely of imports from other parties like Congress, Trinamool Congress and CPI(M).

But figures only partly explain BJP's victory in Tripura behind which lies a combination of anti-incumbency, a few carefully crafted strategic alliances with regional parties, meticulously planned and sustained high-level engagement with the northeast and a quiet network of social services assiduously built up by BJP's spiritual fountainhead, Rashtriya Swayamsevak Sangh in the region.

BJP's remarkable performance in Tripura has come as a surprise to many as the party had secured less than two percent votes in the 2013 assembly elections. This time, it surged to just a little over 50 percent. The Left has lost seven percent of its nearly 50 percent vote share in the state in 2013 while Congress's vote share nosedived from 36.5 percent in 2013 to a paltry 1.9 percent in 2018. Tapping into growing anger against Left rule, especially of the aspirational youth, and taking advantage of a moribund Congress in the state, BJP took away seven percent loss of the Left and the massive deficit of Congress to emerge triumphant.

Ever since Prime Minister Narendra Modi assumed power in May 2014, northeastern India has received developmental focus never seen before. The federal government's push for massive infrastructural development, especially rail and road connectivity in the northeast, has been unprecedented. Hardly a week passed without a federal minister visiting one or two of the seven northeastern states in the last four years. These were the toppings of RSS and its affiliate outfits' social welfare programmes in the northeast quietly catering to the local population in



A supporter of the Bharatiya Janata Party (BJP) wearing a mask with Indian Prime Minister Narendra Modi's picture at a public rally in Tripura.

PHOTO:AFP

educational and healthcare sectors in remote and impoverished areas of the region.

It was not easy for the RSS to do so given the fact that Meghalaya and Nagaland states in the northeast are dominated by Christians and that churches in the two states had asked its adherents not to vote for BJP. Critics of RSS and BJP tried to paint them as solely Hindu outfits which would impose certain food choices on non-Hindu people. So, keeping in mind local sensitivities in Nagaland and Meghalaya, BJP and RSS had to undertake a nuanced shift from its known stand advocated in other parts of the country (a complete ban on cow slaughter and consumption of beef).

The main aim of RSS's social service

initiatives was to counter the fear spread by churches, earn the confidence of the local people and break their mindset about RSS while ensuring that they are not coerced or induced into converting their religion. In doing so, RSS was doing the spadework for BJP's expansion in the northeast.

RSS's role was evident from the presence of Sunil Deodhar, its pointsman in Tripura. He, in coordination with BJP general secretary Ram Madhav and the party's leader from adjacent Assam Himanta Biswa Sarma, was overseeing every move in the state and drew up a meticulous plan. Deodhar was the campaign manager of Modi in his parliamentary election from Varanasi constituency in 2014.

Poverty and lack of developmental work in the northeastern region became the focal point for RSS's work and the Modi government. The RSS reached out to various tribes through its network of affiliates such as the Vanvasi Kalyan Ashram, running schools and healthcare centres for the poor in remote areas who have remained largely untouched by development. The standing instruction from Modi to his ministerial colleagues was to visit northeastern states frequently and take special care of the developmental projects of the federal government tailor-made for the people. What RSS activists on the ground did was closely monitor the works of the organisation there.

Northeast India suffers from severe unemployment and lack of educational opportunities which forced many youth from the region to migrate to other parts of India in search of jobs. The Modi government held out the promise of special economic zones for bamboo, textiles and food processing and BJP promised to set up an autonomous state council which would have access to funds directly from the federal government given the poor track record of authorities in the states to plan and execute developmental projects.

While Modi made development his primary focus in the elections in Tripura, Nagaland and Meghalaya, Deodhar's task was to tap into the electorate's desire for change and turn it in favour of BJP by pointing out how government employees in the rest of India were getting higher salaries under the 7th Pay Commission while employees of Tripura government were still stuck under the 4th Pay Commission. The Left was stuck in a time warp and ignored the aspirations of the restive young voters. For instance, Tripura became the internet gateway of India with the help of Bangladesh's extensive high-speed network facility in 2015 but not a single information technology project was set up in the state.

BJP's strategy of joining hands with the small parties/groups in the areas where it is weak worked. In Tripura, the party collaborated with Indigenous People's Front of Tripura which has considerable support among indigenous people who constitute about 30 percent of the state's population. In Nagaland, BJP took the strategic decision of contesting the recent elections in tie-up with the Nationalist Democratic Progressive Party (NDPP). This even as BJP was a constituent of the current government with Naga People's Front (NPF), NDPP's political rival. BJP wanted to minimise anti-incumbency by aligning with NDPP and at the same time keep the option open of working with whoever emerges as the highest seat-getter in the polls.

Pallab Bhattacharya is a special correspondent to The Daily Star.

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