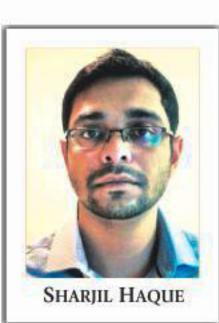
# Making the rich richer

## How multinational companies create inequality



**BOUT** one year ago, I privilege of meeting one of the top corporate executives in Bangladesh. Wellknown as a corporate kingpin heading one of the

top multinational companies (MNCs) in our country, he was happy to chat when we were introduced at a family event. We talked about his work, then mine at the International Monetary Fund in Washington. He asked me what I thought about the economic impact of MNCs in Bangladesh. I thought of saying that it was all good, and that MNCs are the future to long-term growth in Bangladesh—or something that sounds just as nice. But I ended up giving my honest opinion: that MNCs—the way they are operating today—are contributing to income inequality in Bangladesh. He was irritated. He immediately went on a rant about how MNCs were creating new jobs, bringing in foreign expertise and higher quality

I tried to explain but he shook his head vehemently, refusing to accept my point of view and giving me that stereotypical "what do these kids know?" look. I wasn't surprised. Economists do have a way of getting on people's nerves; all the more so if you're at the younger end of the profession.

products, and making massive

contributions to the GDP every year.

To be sure, even a student of Economics 101 can tell that a multinational firm, or Foreign Direct Investment (FDI) in general raises investment, increases employment, brings in new technology and jacks up economic growth. But the story hardly ends there: what share of the population are enjoying these gains from FDI? For much of the last 10-15 years, about

50 MNCs have been operating in Bangladesh in different sectors such as telecom, financial services, durable and non-durable consumer goods, ceramics, advertising, garments, etc. Since most of these companies are not publicly listed, they do not have to publish annual reports so data on their annual wage expenses, profit growth, number of people employed remains unavailable.

That said, it isn't too wild a conjecture that these foreign firms do not employ even 0.5 percent of the country's total population in white-collar jobs in their corporate offices. And of course, it is common knowledge that MNCs tend to pay higher wages than their domestic

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counterparts. This is not unique to Bangladesh, and is seen all across the world: so much so that it is known as the "Multinational Wage Premium" in economic parlance.

Now consider blue-collar employees of these firms: those who are employed in low skill-intensive jobs in their manufacturing facilities. Even if their pay is higher relative to similar positions in domestic firms, the wage-premium is likely far lower than that of high skillintensive jobs. So at the end of the day, only those few employed in corporate offices are really gaining from the multinational wage premium.

phenomenon, not unique to Bangladesh. They might even claim that the pros outweigh the cons: how they can quantify such a claim is anybody's guess. In reality, there are two factors making the situation far more extreme in Bangladesh than in many other parts of the world.

Firstly, most MNCs operating in Bangladesh are not listed in the public stock market. Ironically, many of these same companies are listed in other countries (India and Pakistan for starters). By not getting listed, these firms are denying the ordinary citizens one of the most age-old methods of



ILLUSTRATION: ANDREA UCINI/BEHANCE

High-skilled workers will tell us they earned their premium. That's again partly true. Typically employees in MNCs tend to come from relatively privileged backgrounds whose families were wealthy enough to provide them strong educational foundations (good schooling eventually leading to a good university degree), which led to the "dream job" in the first place. How many MNC corporate employees come from low-income backgrounds, whose families were not able to pay for decent schooling and higher education? A safe guess would be: not many.

The background-factor aside, MNCs in Bangladesh operate in oligopolistic structures in different sectors. So then clearly the prices charged for their products can never be what economists term "perfectively competitive". In other words, these firms overprice their products since they have enough power in their respective industries to do so. While the lucky employees of these firms can pay for these products with their pay checks, the less privileged share of the population have undoubtedly taken a hit over the years. So then, there really should be no doubt that MNCs are making the rich richer.

Leaders from the multinational sector will remind us that this is a global

sharing profits equitably with society. Because if they did go public, the lessprivileged would get a share of MNCwealth through capital gains and annual dividends.

Secondly, the extent of an oligopolistic market structure is higher in Bangladesh than in more developed economies since they have many more MNCs operating in every sector. Naturally it is harder to be a price-setter when there are many firms operating in an industry.

So the way forward is clear: first, MNCs must go public. Only then will they alleviate some of the income disparity they are creating, while also help develop our financial markets. Second, authorities must entice more MNCs to enter Bangladesh so that our sectors become less oligopolistic, and closer to what could be termed as perfectly competitive. This will also force domestic firms to become more efficient and find ways to pay higher which will reduce the wage premium—the source of the inequality.

Sharjil Haque is a Doctoral student in Economics at the University of North Carolina, USA and former Research Analyst, International Monetary Fund, Washington DC.



Indian Prime Minister Narendra Modi.

PHOTO: REUTERS

## Modi's dilemma: Hindutva or Vikas?

PALLAB BHATTACHARYA

ARDline Hindutva or livelihood issues? Prime Minister Narendra Modi's Bharatiya Janata Party is in the throes of an internal debate about which of the two issues should occupy a bigger share of the template for its campaign narrative for the national elections just a few months away. The party is racing against time to resolve the dilemma especially after its defeat against the Congress party in the recent assembly polls in the heartland states of Madhya Pradesh, Chhattisgarh and Rajasthan.

The electoral outcome has sent a clear message that the use of the Hindutva card has its limitations in overcoming anti-incumbency and governance issues—like the farm sector crisis and dearth of jobs—the Modi government faces in its bid to retain power in 2019. Madhya Pradesh, Chhattisgarh and Rajasthan have an overwhelming majority of Hindu population but the efforts by the BJP and its spiritual mentor RSS to raise the Hindutva pitch in the form of Ram temple construction by a special law or the communally polarising issue of "illegal" immigrants from Bangladesh do not seem to have paid off.

As expected, the campaigns for the polls in the three heartland states as also in Mizoram in the north-east and Telangana in the south have given a good insight into the issues that the parties raised, and in assessing how the strategy for the parliamentary elections should be firmed up or if it needs tweaking.

The BJP, for its part, had blended the development card with a fair dose of Hindutva in its campaign. The party's President Amit Shah had at several rallies made a strong pitch against "illegal immigrants" from Bangladesh, the National Register of Citizen issue in Assam and Indian citizenship for Hindus, Parsis, Sikhs and Jains coming from Bangladesh, Pakistan and Afghanistan. At a poll rally in Alwar, Rajasthan, on November 25, Modi, who had been silent in public on the Ram temple issue after assuming power in 2014, accused the Congress of delaying a decision by the Supreme Court on the issue of construction of the Ram temple at the disputed site in Ayodhya. In the run-up to the polling in the heartland, the Vishwa Hindu Parishad had held dharma sabhas in different places including in Delhi. The BJP also made Uttar Pradesh's saffron robe-clad Chief Minister Yogi Adityanath one of its key campaigners in Rajasthan, Madhya Pradesh and Chhattisgarh, where he repeatedly made shrill Hindutva pitches. All these may have sparked controversy but what was more important was that all these had the cumulative effect of keeping the BJP's Hindutva theme upfront.

There are two streams of view within the BJP. The one espousing the cause of a hardline Hindutva feels the party should not drift away from its core ideological moorings which need to be brought back at the centre of its focus in order to ensure consolidation of majoritycommunity votes. The other section believes that it is naïve to suggest that Hindutva is the umbilical cord of the BJP, and the development agenda and social welfare

schemes should not be overshadowed by it. The question that the party must answer is: how much does ideology have to do with governance and livelihood issues? For the answer, the BJP needs to look back not to some distant past but at its own remarkable performance in the 2017 assembly polls in Uttar Pradesh when Modi had kept his campaign narrative largely on development. Modi's development dream of the 2014 parliamentary elections may have still lingered among the voters of Uttar Pradesh.

No doubt, the BJP was catapulted to the centre stage of Indian electoral politics on the back of the Ram temple movement in the 1990s. But it is time for the party to introspect if the law of diminishing returns has caught up with that issue. No doubt, the RSS and its affiliates are pressurising Modi to either bring an ordinance or pass a special law for the construction of Ram temple but a large section

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of the BJP prefers to leave the issue to be decided by the Supreme Court where a case is pending on the land dispute in Ayodhya.

Political observers throw up two options for the BJP—either to step up the Hindutva pitch or weave a fresh development agenda (vikas as Modi so frequently proclaims) with heavy doses of populist measures including welfare schemes across different sectors in an attempt to dispel the widespread perception of gaps in the Modi government's promises and delivery on issues concerning farmers, youth and Dalits in the last four years. In the final analysis, it does not really boil down to choosing between one issue or the other. In politics, more so in electoral politics, it is never a case of either-or but of choosing the right blend.

The BJP also needs to find an answer to the question if it should go beyond Hindutva and attract floating segments of the electorate who are more concerned with the challenges of governance and who are likely to be a decisive swing factor. The coming parliamentary poll promises to be a much tougher contest than anticipated before the Congress' victory in recent elections in the heartland states, and the BJP must get its priorities right at the earliest because not much time is left for the big battle.

Pallab Bhattacharya is a special correspondent at The Daily Star.



(1929--)**GERMAN PHILOSOPHER** 

Only one who takes over his own life history can see in it the realization of his self. Responsibility to take over one's own biography means to get clear about who one wants to be.

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23 Staff member

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29 Affectionate gesture 32 Rink stuff 33 Comic Bernie 34 Turmoil

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