VISUAL: REHNUMA PROSHOON

Rise of inequality, drumbeat of development

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Recently, a five-star hotel in the capital announced the sale of Jilapi wrapped in 24-carat edible gold. Priced at Tk 20,000 per kg, those jilapis were sold out so quickly that the hotel's stock of imported edible gold ran out within six days and it had to stop taking orders. Ironically, in March 2023, a survey by Sanem revealed that the majority of the people in the country are forced to reduce their food intake after massive food price hikes. According to the survey, in February, 96.4 percent of households had reduced their meat intake compared to six months back, followed by the intake of fish (88.2 percent), oil (81.4 percent), eggs (77.1 percent), and rice (37.1 percent). Moreover, the survey found that poor households are switching to low-quality food.

In the midst of an economic crisis, when the queues for cheaper rice, lentils, oil, and sugar at open market sales and the Trading Corporation Bangladesh's mobile trucks keep getting longer, and when low-income people, being unable to buy pricey whole chickens are forced to buy chicken livers, legs, necks, and broken eggs, the sale of luxury cars or flats is increasing in the country. As the prices of all kinds of construction materials have increased due to the Russia-Ukraine war, the demand for low-cost flats in the capital has decreased. But the sale of luxury flats, costing crores, has not decreased in areas like Gulshan, Banani, Baridhara, Dhanmondi, and Uttara. And, according to *Prothom Alo*, while two decades ago 50 to 60 European branded cars were imported annually, now an average, more than 500 such cars are imported annually. Till March 2023, the BRTA registered 84,765 SUVs, of which 67 percent were registered after 2011. Even during the acute dollar crisis, at least 10,240 SUVs were registered in 2022 alone.

This issue of increasing economic disparity in the country has also come up in the BBS' (Bangladesh Bureau of Statistics) Household Income and Expenditure Survey 2022. The Gini coefficient related to income rose to 0.499 in 2022, up from 0.482 in 2016 and 0.458 in 2010. Generally, a country is considered to have high income inequality if the Gini coefficient is 0.500.

According to the Global Wealth Databook 2022 prepared by Credit Suisse, 21 individuals of Bangladesh have assets worth more than $500 million. Despite the Covid-19 pandemic, the number of people possessing more than $1 million of wealth in the country increased by 43 percent in 2021.

This trend of economic development for a few, while millions are deprived, is also evident in Bangladesh Bank data. Amid the economic crisis and rampant inflation, while most people are struggling to meet their daily expenses, the number of bank accounts with more than Tk 1 crore is increasing, alongside their deposits. According to a report by the *Dhaka Tribune*, the number of bank accounts with Tk 1 crore or more of deposits increased by 7,970 in just one year (between December 2021 to December 2022). This rise more than doubled (16,056) in just two years and more than tripled (26,107) in three years. As of December 2022, 42.63 percent of the total deposits in the banking sector are from those account holders alone.

Policymakers seem to want to portray this rise in inequality as a "normal" process of economic development. But the increase in inequality in Bangladesh is not natural or inevitable. It is happening because of a particular type of development model and political structure, which is characterised by regressive taxation, extremely low wages, and rampant corruption.

Industrialists and businessmen utilise various types of infrastructure and institutional facilities for conducting "business", including roads, transportation, power and energy, raw materials, skilled human resources, medical facilities, and law enforcement. The money required for these comes from the direct and indirect taxes paid by the public. And the duty of the businessmen is to pay living wages to the workers and taxes to the government so that the tax money can be spent on various types of infrastructure development and for the provision of public services. This is how people's money can be recycled to be used for the benefit of the whole population.

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But if businesses and corporations can get away with not paying adequate taxes and decent wages, the majority of people are deprived and their share of national income decreases compared to that of the rich. This is exactly what is happening in Bangladesh.

In Bangladesh, businessmen and industrialists make use of infrastructure without paying taxes proportionately. Industrialists and businessmen also do not pay decent wages and get away with not spending enough on workplace safety. Some enjoy various opportunities of looting money from banks and laundering it abroad in the name of import and export. This is how inequality increases as the size of the country's economy increases.

Most of the government's revenue comes from indirect taxes. Instead of properly collecting taxes from the rich on their income and profits, the government is focusing on collecting indirect taxes like VAT and duties from the poor-lower-middle-class majority. Bangladesh's current tax-to-GDP ratio stands at 7.9 percent, which is way below the ideal benchmark of 15 percent. In 2022, of the government's tax revenue, 65 to 67 percent came from indirect taxes, while the remaining portion came from direct or income taxes. According to the Center for Policy Dialogue, Bangladesh is losing potential taxes amounting to as low as Tk 41,800 crore to as high as Tk 2,23,000 crore every year because of tax evasion.

Whenever people purchase something, they pay indirect taxes. Although importers pay duties for their imports, they actually collect that amount from the buyer when selling the goods later on. Similarly, the VAT collected by the government at every stage of production, marketing, and sales ultimately has to be paid by the consumer. So, when buying the same amount of oil or sugar, the rich and the poor pay the same amount of indirect taxes. And this is the ultimate form of inequality, as poorer sections of society spend a larger share of their income on indirect taxes. This is how most of the tax revenue collected from common people is spent to increase the wealth of the rich, thereby exacerbating inequality.

The wages of workers are not enough for them to live a decent life. According to a study by the CPD, as of December 2022, a family of four living in the centre of Dhaka needed Tk 23,676 just for food. And if this family lives on a "compromised diet", with no fish, mutton, beef, or chicken, their average monthly cost of food would be Tk 9,557. The CPD compared this minimum food cost with the minimum wages of workers in 21 industrial and service sectors and found that, in 15 sectors, the minimum wage is not enough even when a family's diet is compromised. Besides, an ILO report shows that Bangladesh is the only country in the Asia and Pacific region where the minimum wage is below the international poverty line. Moreover, the actual minimum wage of workers in Bangladesh has decreased at the highest rate among the countries in the region, because wages did not increase proportionately with inflation between 2010 to 2019. If workers are forced to adjust to such abnormally low wages, it is natural that the wealth of businessmen will increase disproportionately.

Moreover, due to the systemic nature of corruption and lack of accountability, more development projects means more corruption and more cost increase. Thousands of crores of taka are being looted from banks in the name of loans, all under the political and institutional patronage.

To be clear, rising economic inequality in Bangladesh is not an inevitable phenomenon. The existing political economic structure is closely related to the existing inequality. And this cannot be rectified until the political economic structure, in which systemic transfer of wealth from the masses to a few wealthy people is considered "normal", is rejected.

REMINISCING ABOUT PROF NURUL ISLAM

A gale-force intellect and a caring man

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AHMAD AHSAN

"You have to hold on to your hat to discuss issues with Prof Nurul Islam." That is how I had phrased my views on Prof Islam's intellect in 2021 when, as part of Dhaka University's centennial celebrations, I joined a discussion panel about memories of DU with Prof Nurul Islam, along with his two distinguished students Dr Farashuddin Ahmed and Manzur-e-Elahi. The reverence and affection of his two students for their former teacher shone through their discussion. It was evident that Prof Islam had been a towering and formative presence in their DU days.

When my turn to speak came, I, too, thought it appropriate to make some comments about Prof Islam before turning to my memories of Dhaka University. Although I had not known Prof Islam as a teacher, I had known him long before I met him, through his reputation and books. And most of all, I knew him as a neighbour for over two decades, with whom I had many one-on-one intense discussions, mostly about Bangladesh, economics, and development.

During our discussions, I had to hold on to my hat because Prof Islam's intellect came through with gale force. That gale blew questions, facts, stories, deep knowledge of theory, data, history, and scientific scepticism, challenging you. And he expected his discussant to respond and challenge him, too. It is not that he never agreed with what you said. In fact, he agreed without reluctance or prejudice, but not before questioning and being convinced by his discussants' arguments, facts, and sources. These discussions were sometimes followed by phone conversations or emails carrying on the argument, asking for pertinent documents, and even a further written debate.

My last discussion with him was on April 16, lasting 90 minutes longer than our regular hour. Unnoticed, the time passed quickly. I got up to leave, not wishing to fatigue him. It was only later I reflected that I had forgotten that he was 94 years old during most of our discussion. But sure enough, an email came from him the next day asking for some of the documents we had discussed the previous day.

What is the source of Prof Islam's eminence? This article is not the place to discuss in any depth the broad range of his intellect: one of a pioneering quantitative development economist who, ahead of his time, also rendered important institutions and processes in his work that ranged from international trade, agriculture, rural development, to governance. Nor is this the place to discuss the long arc of his distinguished career, spanning diverse institutions, occupations, continents, and decades before retiring as an emeritus fellow of the globally leading International Food Policy Research Institute. A man of limitless curiosity, he was also greatly interested in history and politics.

Instead, let me answer this question through a telling comment on one of Prof Islam's books, *Foreign Trade and Economic Controls in Development: The Case of United Pakistan*. The reviewer, Paul Streeten, a pioneering development economist himself, writes: "There are books by academic economists that present models that are elegant and shapely, but deficient in vital organs... there are memoirs of men of action, full of detail, but sometimes obscuring the wood for the trees... Nurul Islam, united Pakistan's greatest economist, combines in this volume relevance and elegance, skeleton and flesh and blood. He participated in and observed at close range the story he tells, but he maintains a cool detachment". Another reviewer of this book, S Guisinger, writing in the prestigious *The Economic Journal*, had this to say: "Reading Islam's book should be one of the conditions attached to IMF loans to those developing countries seeking relief from balance of payments pressures."

Nurul Islam (1929-2023). PHOTO: COLLECTED

Prof Islam was not only a brilliant intellect, but he was also a caring man. Being friends with his daughter from the mid-1980s, when we were PhD students, I know how in his family life, he was much more than a patriarch; he was a friend.

A very social man, Prof Islam enjoyed company and took an interest in various aspects of others' lives. One example of this was when, in a private conversation, he warned me against playing golf in the winter, saying that it put pressure on the heart. Needless to say, I was touched. He and Mrs Islam hosted splendid parties at their house, where the food was delicious and the conversation sparkling. He was a regular participant of the Washington DC Saturday breakfast adda that was held over Zoom due to Covid. The last one he attended was on May 6, three days before he passed away.

He cared deeply about his multitude of students and the younger economists he came to know later. He was generous with his attention and kind and sincere with his encouragement of their work. He called them regularly and maintained a voluminous correspondence with many till his last days. I came to appreciate long ago that he had an in-depth flow of news about Bangladesh from first-hand sources.

After his family, he cared most deeply for Bangladesh. Although he was away during the second part of his professional life, Bangladesh was always in his heart and mind. Any of us who returned from Bangladesh were grilled to the finest detail about what we had observed and what we concluded.

In the first part of his professional life, Prof Islam made two pivotal career choices to serve Bangladesh. Early in his life, he refused the offer of an IMF economist's job, a position of great prospect and generous financial reward. Later, in the early 1970s, he turned down the offer to become director of the research department of the World Bank, a prestigious and impactful position.

Instead, in the first case, he returned to then-Pakistan to build up the highly respected Dhaka University Economics department, where he trained more than a generation of the finest economists, civil servants, politicians, journalists, and businesspeople. After that, he created one of the leading development research centres in the PIDE and one of the top development research journals in the world. He contributed to the planning processes in Pakistan. There, based on dispassionate, rigorous analysis and research, he fought passionately, once face-to-face with General Ayub Khan, for the rights of a deprived Eastern wing of Bangladesh.

Ultimately, he became persuaded of the need for political power to obtain the due rights of Bangladeshis. At Bangabandhu's call in 1969, Prof Nurul Islam became one of his closest associates in helping to present the Six-Point Programme as a political platform and advising on the country's running during the non-cooperation movement in March 1971. During the Liberation War, he crossed the border to become a freedom fighter, and from his base at Yale University, he joined other Bangladeshi economists to lobby for independence. After the war, turning down the prestigious World Bank job offer, he returned home to work tirelessly to set the economic foundations of a newly independent Bangladesh. A few years later, having set up the Planning Commission and completing the First Five-Year Plan, he left Bangladesh pleading fatigue.

Those of us who knew him knew that, while he had left Bangladesh, Bangladesh never left him. Prof Islam's one concern these past years was the lack of good intellectual and critical discussion in Bangladesh about policy matters. He appreciated it when I pointed out the important work some of us economists had done to this end. Towards the end, I believe, he also became concerned that the environment was not conducive to such critical discussions, to the country's detriment.

Read the full version of this tribute on our website.