

Fifty years of learning from rises and slips in the Bangladesh economy

Review of the economy chapters in *Fifty years of Bangladesh: Economy, Politics, Society and Culture*, edited by Rounaq Jahan and Rehman Sobhan (Routledge Press, 2024)



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When I used to work for the World Bank, many newcomers at the Dhaka office, usually from the headquarters, would ask for reference books to read up on Bangladesh. They would look for a publication covering the body of research on social science, which I often struggled to find even though there are many brilliant writings on the subject by some of the most eminent social scientists, Bangladeshis and non-Bangladeshis alike.

The recently published *Fifty Years of Bangladesh: Economy, Politics, Society and Culture*, edited by Professors Rounaq Jahan and Rehman Sobhan, is exactly the intellectual feed needed not only by those seeking to dive deep into Bangladesh's socio-economic landscape, but also by those who already know it but want contemporary perspectives on how the nation evolved in its 50 years since inception.

The book embodies 50 years of learning. Read it folder to folder to acquire confidence and competence in explaining the story of Bangladesh. It ought to be in the core reading list of any course on Bangladesh studies.

This review covers the narrative on Bangladesh's economic development gleaned from the seven chapters of the book on the economy. A headline lesson from the book that I found salient is—using Barack Obama's 2008 election slogan—"Yes, we can." However, there is a subtext that can be added as a suffix to Obama's slogan: both rise and slip.

Progress was engineered by a confluence of individual and collective efforts

The story of Bangladesh's rise comes in numerous versions with a common denominator. The initial conditions were abysmal: post-independence disorder, natural calamities, famine, and widely shared pessimism nationally and internationally. The lay of the land looks remarkably different 50 years down the road.

The economy managed to increase real income per capita manifold to edge close to the big neighbour India, a nation born 24 years before Bangladesh. It reduced the incidence of poverty to a level that no reality grounded observer thought ever possible.

We are hubristically living through our ecological implosion. How can you not be fretful when you learn: "In the last five decades of independent Bangladesh, ecological injustice in the form of displacing poor populations from access to resources has surpassed both the colonial and Pakistan experience?" We risk leaving the future generations high and dry, quite literally.

Human development spread to impress Nobel Laureate Amartya Sen, who has spent his lifetime researching it. Industry and trade transformed to the extent that starting an essay on the Bangladesh economy with the sentence "Bangladesh is an agrarian economy" has become a nonstarter. Bangladesh's development performance has gained global recognition through entry into the World Bank's Low Middle Income Country classification from Low Income Country, as well as qualification of all three criteria for graduation from the LDC (Least Developed Countries) status.

What turned around?

Rizwanul Islam's chapter "Fifty years of development experience of Bangladesh: An employment and labour perspective" draws attention to both the agricultural and industrial economies intensively utilising Bangladesh's most abundant resource—labour. Such an expansion underpinned the movement of employment, labour productivity and (less often) real wage growth in the same direction over time. The rise of employment overseas beefed and spiced the expansion through its demand and labour market effects. "The economy of Bangladesh was able to reap growth dividend by utilising the surplus labour that was available in the country," concludes Islam.

How did Bangladesh manage to get such textbook results?

Syed Akhter Mahmood's chapter "Policy Actions, market responses and economic growth in Bangladesh" says incremental and synergetic innovations ignited change slowly, but surely. Reforms in the agricultural input market, rural infrastructure and electricity (1980s), and trade, investment and finance (1990 onwards) came together to spark



VISUAL: SALMAN SAKIB SHAHRYAR

limited room for moving up after mounting the initial rungs in the economic ladder.

Rizwanul Islam, in his chapter, notes the broken linkage between labour productivity growth and real wage growth. Poor pay, subsistence living, disregard for basic safety and lives of workers have persisted despite rapid industrial growth.

MM Akash explains: "...due to the unequal bargaining power of workers in relation to their employers their share in the benefits of growth has tended to decline. Imbalance in bargaining power has been tilted in favour of the owners due to the repressive labour policies of successive governments in

Even faced with secular underinvestment, privileged elites are reluctant to relinquish their power fearing it would undermine their ability to extract rents from the rest of society. They are happier with a larger slice of even a smaller aggregate pie.

Bangladesh." Labour market surveys and GDP growth data covering recent years confirm that the broken labour productivity-real wage bandwagon has seen no repairs. Shared prosperity has morphed into shared illusion.

Inequality is compounded by mortgaging the future. Iftikhar Iqbal's chapter "Bangladesh between world system and green growth" is a call to smell the coffee for those slumbering in the yachts of "overfishing." Our natural capital base is diminishing rapidly with a breakdown of the natural processes of soil nutrient regeneration, biodiversity loss, coastal and riverbank erosion, ground and surface water depletion, and air pollution. Environmentally induced vulnerabilities precipitate outmigration, leading to disruption in livelihoods and disorderly urbanisation.

Climate change "seems to have surpassed or encompassed all other environmental policy issues in Bangladesh," laments Iqbal. For instance, "waterlogging due to illegal canal fillings is conveniently projected as an index of climate change."

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The mutation of the Bangladesh paradox
Understanding these mega slips is possible only through understanding how the rules

momentum with arguably more functional institutions. Bangladesh is showing omens of sleepwalking into the Middle Income Trap.

The aftermath of LDC graduation is a known unknown. Mustafizur Rahman highlights the gaps in social and physical infrastructure, technological upgradation, export diversification and so on. A reset of International Support Measures and the World Trade Organisation's Special and

of the game have played out in society. You cannot fathom deep seated intra and intergenerational inequality by disregarding the quality of institutions that define the choice architecture of individuals and organisations. Selim Raihan digs this out in his chapter, titled "Institutional Challenges in Bangladesh's economic transformations."

Bangladesh's institutions, as measured by the country's global ranking on democracy, rule of law, business environment, land management and human rights, have consistently been in the lowest quintile. Modernisation theories stressing reverse causation from development to political

Differential Treatment, higher interest rates, and tighter financing terms are in the offing. The unknown part comes from very limited prior relevant knowledge on post-graduation experiences of Botswana, Maldives, Bhutan, Cape Verde, Samoa, Equatorial Guinea, and Vanuatu. Based on population and GDP size, Bangladesh is in fact the first "large" country test case of LDC graduation.

Is Bangladesh's prevailing political-economic nexus compatible with renewing the processes of innovations and investments to mitigate the risks? The current state of play does not inspire hope. Mustafizur Rahman cautions, "Bangladesh's political economy stimulus, generated in the 1990s, following the decade-long rule by the military may have already run its course." Oligarchic powers are deeply entrenched in the political and economic domains (à la Selim Raihan) seeking legitimacy through a "narrowly elitist, self-serving framing of 'middle-income'" (à la Hossain Zillur Rahman).

Free riding on the "cost of development" is rampant (à la Iftikhar Iqbal). The association between destruction (cost) and creation (development) is rarely automatic, symmetric or inevitable. Public policies do not internalise externalities, as is evident from the indiscriminate annihilation of our natural capital, the floras and the faunas. The question of who pays the cost for whose development is central to socially guard-railing creative destruction.

Investment in access to political power buys handsome profit and (survival) insurance. The evolution of these processes provide no assurance that this privileged stratum will extend to embrace the whole population by gradual expansion. Even faced with secular underinvestment, privileged elites are reluctant to relinquish their power fearing it would undermine their ability to extract rents from the rest of society. They are happier with a larger slice of even a smaller aggregate pie.

Hossain Zillur Rahman spots a new normal of two interlocked opposites—uncertainty and stability. He conjectures the nature of political governance maintaining stability could itself be fuelling uncertainty. Perhaps so. Alternatively, management by, rather than of, uncertainty may be a dominant strategy because uncertainty is handy in politicking. Be that as it may, which way Bangladesh turns from the current juncture will depend on the interplay between economics and politics, with politics leading the charge for better or worse.

Is the present ready for the future?

Mustafizur Rahman's chapter "Bangladesh in dual transition" flags the trade and financing turbulence in the middle income lane. Several Asian and Latin American giants have struggled to keep up the development