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LOOKING AT THE PAST TO SEE THE FUTURE

S. NAZRUL ISLAM

November 2022



BANGLADESH INSTITUTE OF DEVELOPMENT STUDIES (BIDS)

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See the Future**

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G.P.O. Box No. 3854, Dhaka-1207

Telephone: +880-2-58160430-37

Fax: +880-2-58160410

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Looking at the Past to See the Future¹

S. NAZRUL ISLAM*

Abstract

In the 1970s, rural development was the main task of national development, and there was almost a consensus among economists –as shown in Islam (1984)-that radical land reform and/or communal ownership or management of land would be necessary to provide employment and work opportunities for the burgeoning population, and to enable optimum utilisation of the labour and other resources that exist in rural areas. Proceeding from the political side, Bangabandhu too announced a programme of compulsory cooperativisation of the villages as the centrepiece of the economic programme of his Second Revolution, announced on March 26, 1975.

The coup of August 15, 1975, with the killing of Bangabandhu and his family, ushered in a new regime, which gradually led Bangladesh to a path of "unfettered capitalism," characterised by (i) bias toward the rich; (ii) bias toward the urban population; (iii) precedence given to private interests over the interests of the community; and (iv) dependence on foreign aid. It is in this context that Islam (1987) put forward an alternative development strategy that took the above-noted consensus regarding radical

¹ Keynote speech given at the Annual BIDS Conference on Development, on December 3, 2021

*Chief of Development Research, United Nations Department of Economic and Social Affairs and former teacher of economics at Dhaka University, Harvard University, Emory University, Kyushu University, and St. John's University.

rural restructuring as a starting point and argued for policies that would be (i) pro-poor, (ii) pro-rural population, (iii) give precedence to community interests over private ones, and (iv) be self-reliant. This could be characterised as a strategy of "guided capitalism." However, a political force that could steer the country along this alternative development strategy failed to emerge, and as a result the country proceeded along the course of unfettered capitalism. The rest is history!

There is no doubt that Bangladesh achieved considerable economic success following even the strategy of unfettered capitalism. Two main factors that made this possible were both external and could not be foreseen by the scholars who were proposing development strategies during the early years of Bangladesh. One of these external factors was the opening up of opportunities to export labour to the middle-eastern countries, following the Arab-Israel war of 1973, formation of OPEC, and the sudden gaining of wealth by the OPEC countries. The other was the opportunities created by offshoring of labour-intensive production activities to developing countries with low labour cost. Bangladesh could benefit from both these opportunities to generate income and employment for its population without having to resort to the kind of rural institutional changes that were advocated in the 1970s and early 1980s.

However, success creates its own problems. Bangladesh now faces a new generation of challenges. Inequality has increased sharply; development has become excessively Dhaka-centric; community interests, including that of the environment, have suffered badly; and policymaking of the country in many important areas still remains foreign-dependent. In overcoming

these challenges, the ideas of a pro-poor, pro-rural population, precedence to community interests, and self-reliance that were put forward in Islam (1987) may still have considerable relevance and potency.

1. Introduction

Bangladesh has come a long way from the precarious situation it faced following the Victory of December 16, 1971. The economic viability of the new nation was questioned. Many dire predictions and derogatory assessments were made. Fifty years later, Bangladesh has shown success and has emerged as a promising nation.

Much has been said and written about this success, and so I do not want to waste your time by repeating that story. In this lecture, I have three propositions to make. The first is that the way Bangladesh achieved its success has been quite different from what was prescribed by many economists in the early years of Bangladesh. The second is that the main drivers of Bangladesh's success were such changes in the external setting that were not possible to be predicted in the early years of Bangladesh. In other words, it was not that scholars who put forward strategies in those years failed to see, what is called, "blind spots;" rather such spots did not exist during those years. The third is that though the prescriptions offered by the early strategies were not adopted and implemented, they continue to be relevant for dealing with the new generation of problems that have now arisen, problems that need to be resolved in order for Bangladesh to go forward and achieve further success.

2. Development Strategies of the Early Years of Bangladesh

2.1 Consensus Provided by Faaland, Parkinson, Nurul Islam, Stepanek, and Abu Abdullah

Let me begin with the first proposition. Bangladesh started off as a rural country, with about 80 per cent of the population living in villages and about 60 per cent of the GDP originating from agriculture. Development for Bangladesh, therefore, meant predominantly rural development. How to ensure employment and income opportunities for the burgeoning rural population was the most important question. In facing this question, a sort of consensus could be seen among economists in the 1970s.

Some of you may remember that I wrote two books in the 1980s on Bangladesh's development problem. The first of these, titled *বাংলাদেশের উন্নয়ন কৌশল প্রসঙ্গ* (On the Development Strategy of Bangladesh), was devoted to drawing attention to this consensus. It examined several prominent works, such as *Bangladesh – The Test Case for Development*, by Just Faaland and J. R. Parkinson, published in 1976; two books by Prof. Nurul Islam, namely *Development Planning in Bangladesh* published in 1977 and *Development Strategy of Bangladesh*, published 1978; and the book by Joseph Stepanek, titled *Bangladesh–Equitable Growth?* published in 1979. The book also drew upon other important works, such as the articles by Abu Abdullah, Mohiuddin Alamgir's *Bangladesh – A Case of Below Poverty Level Equilibrium Trap* (1977), and also Prof. Rehman Sobhan's book, *The Crisis of External Dependence* (1982).

To illustrate what the consensus was about, let me first consider Faaland and Parkinson. Facing the question of how to

provide employment and income opportunities to the rising population, they initially thought of land redistribution, observing that “some measure of expropriation... seems inescapable (Faaland & Parkinson 1976, pp. 87-88).” However, they soon noted that “so long as population continues to increase, there will be a continuing need to redistribute land (ibid.).” Therefore, they thought that “the alternative of a state takeover of all land of Bangladesh might be a better answer in some respects. Under state or communal management, it is possible in principle to give employment creation and work sharing explicit and separate weight along with output expansion and financial cost efficiency. Thus, it may seem that if the problems of income distribution and access to work are to be solved, communal cultivation systems will have to be introduced (ibid.).”

Prof. Nurul Islam also reached a similar conclusion. He too thought that “some kind of common ownership or management of land would provide an effective means of sharing employment and income (Islam, 1978, p. 40).” He thought that this would be a way of “generalising the principle of work and output sharing, practised in a small family farm, to that of a village or union. It may in a way be conceived as a method of generalising the extended family system, prevalent in rural Bangladesh to the entire village (ibid., p. 45).” Prof. Nurul Islam discussed how the above institutional arrangement could pave the way for mobilisation of the vast rural surplus labour without the necessity of paying market wages. As we know, the idea of mobilisation of labour through non-market and non-monetised methods was also included in the First Five Year Plan (GoB, 1973).

Abu Abdullah, who was an authority on the political economy of rural development, too initially considered land reform as a solution, as reflected in his article “Land Reforms and Agrarian Change” (Abdullah, 1976). However, by the time he published his next article, “Formulating a Viable Land Policy: What Do We Need to Know?”, he reversed himself on the question of land reform. He now thought that “a radical redistribution of land on the basis of private peasant property cannot by itself solve the problems of development and in some cases, it can aggravate them (Abdullah, 1978, p. 379).” He rather concluded that “Thus, it is to some form of communisation that we must look for a solution to our agrarian problem (ibid., p. 380).”

So far as Mohiuddin Alamgir was concerned, he adopted explicitly a Marxian view and used Marxian categories to analyse the problem and concluded that “The objective conditions prevailing in Bangladesh indicate that the long-term well-being of the majority of the population lies in collective ownership and use of all resources. In other words, the oppressed people, i.e., the direct producers, must take control of the means of production (Alamgir, 1977, p. 148).”

On his part, Joseph Stepanek proposed very radical land reform, bringing down the land ownership ceiling even to 2 acres. However, Stepanek too was not sure that even such a radical land reform would be enough. He thought that “in face of a burgeoning population, these prescriptions may only buy time (Stepanek 1979, p. 174).” Thus, implicitly, he was also pointing to communal ownership and management of land.

This consensus regarding the necessity of communal ownership-cum-management of land was all the more remarkable because it was reached by economists of all kinds of ideological

persuasions. Faaland and Parkinson worked for the World Bank and Joseph Stepanek worked for USAID. Ideologically, they could be considered to be on the right. Prof. Nurul Islam can be considered to occupy the centre. Abu Abdullah is known to have left leanings. Mohiuddin Alamgir, as already noted, approached the issue from an explicitly Marxist position. In fact, feeling the anachronism, Faaland and Parkinson thought it necessary to justify their conclusion by adding the following: “All this is of course straight socialism for which Bangladesh may not be socially and politically ready. But the analysis stems not from any doctrinaire view but from the difficulty of seeing how, given the acute scarcity of land, incomes can be assured for those without it” (Faaland & Parkinson, 1976, pp. 87-88).

2.2 Bangabandhu’s Program of Village Cooperatives

It is also instructive that while economists were arriving at the conclusion of communal ownership/management of land through their economic analysis, Bangabandhu also reached a similar conclusion proceeding from the political side. On March 26, 1975, from Suhrawardhy Udyan rally on the occasion of the 4th anniversary of the declaration of independence, he announced a programme of cooperativisation of Bangladesh’s villages based on joint cultivation of land as the main economic idea of his Second Revolution. How it was possible for Bangabandhu to arrive at such an apparently radical programme when he could not be successful in implementing the 100 bigha ceiling is an intriguing question. I tried to answer this question in my earlier books (see Islam, 1987, 2011, 2012) and also in my recent book, titled *বঙ্গবন্ধুর স্বপ্ন ও বাংলাদেশের গ্রাম* (Bangabandhu’s Dream and Bangladesh’s Villages) (Islam, 2017). So, I am not going into that question here. However, as we all know, Bangabandhu did not get any time to implement

his new idea. The coup of August 15, 1975, with the killing of Bangabandhu and his family, put an end to that phase of Bangladesh's development effort.

2.3 Beginnings of the Transition

The coup of August 15 triggered a process of transition of development strategy. The idea of *Economic Development within a Socialist Framework*—the theme and the title of the volume (Robinson & Griffin, ed. 1974) of the International Economics Association (IEA) conference held in Dhaka in January 1973 – was gradually abandoned and steps were taken towards a market economy, dominated by private ownership. Considerable energy during the years of Ziaur Rahman had to be devoted to the suppression of opposing forces and to the consolidation of the political base of the new regime. A more determined move in the new economic direction was made during the Ershad regime, with the promulgation of the New Industrial Policy in 1982. The nationalised sector was gradually dismantled, and liberal financing was offered for private entrepreneurs. The structural adjustment programmes of the Bretton Woods Institutions aided the process. Thus a new phase of, what may be called, “unfettered capitalism” unfolded.

2.4 Development Strategy Proposed in Islam (1987)

The viability of this new strategy was, however, not clear even in the early eighties. Instead, the process unfettered capitalism already led to many undesirable outcomes. Therefore, it became necessary to put forward an alternative development strategy. This is what I tried to do in my 1987 book titled *বাংলাদেশের উন্নয়ন সমস্যা—বর্তমান উন্নয়ন ধারার সংকট এবং বিকল্প পথের প্রশ্ন* (Development Problem of

Bangladesh—Crisis of the Current Development Pattern and the Question of an Alternative) (Islam, 1987). In this book, I identified four major features of the development strategy that was taking hold. These were: (i) bias toward the rich, (ii) bias toward the urban population, (iii) precedence given to private interests over community interests, and (iv) foreign aid dependence. Counterposing the above, I suggested a development strategy that would be (i) pro-poor, (ii) pro-rural population, (iii) give precedence to community interests over private interests, and (iv) be self-reliant.

In working out this development strategy, I took note of the consensus about the necessity for communal ownership and management of land, including Bangabandhu's proposal for cooperativised villages based on joint cultivation. By that time, China had already launched its reform, beginning with a transition from joint farming back to family farming. So, I was less enthusiastic about the idea of joint cultivation. However, I emphasised that cooperativisation of villages could be helpful even without joint farming. The main goal of reorganisation of villages was to achieve optimum utilisation of labour and material resources that lie in them. What was necessary for attaining this goal was to ensure that the landless and land-poor also benefited from investments made for raising land productivity. Once this link could be established, it would be possible to mobilise the unutilised labour for productive and capital construction purposes. I offered a detailed discussion of the ways in which this could benefit not only the rural economy but the national economy as a whole. I pointed out that the institutional change establishing the above link could compensate for the lack of "primitive capital accumulation" that Bangladesh was facing for its development.

I may note here that the development strategy that I proposed was not a programme of socialism. The equity it argued for could be seen in such countries as Japan, South Korea, and Taiwan, which developed along the capitalist path. The priority for the rural population that it recommended could be seen in Sri Lanka, which instituted the "Rural First" principle right after the independence, and pursued an "in-situ" urbanisation strategy, allowing it to become the first middle-income country of the region with commendable social progress within a capitalist framework. Japan's experience also shows how efforts can be made to uphold community interests even under capitalism. China's Township-Village Enterprises (TVE) showed how reorganisation can let rural people not only raise agricultural productivity but also be a driving force for industrial development. Neighbouring India showed that capitalist development can be pursued in a more self-reliant way than in many other countries. So, the development strategy suggested in Islam (1987) could be characterised as one of "guided capitalism."

However, the kind of political force necessary to adopt and implement the strategy of guided capitalism did not emerge. As a result, the country moved ahead with unfettered capitalism.

3. Drivers of the Recent Growth Success

There is no doubt that this strategy has yielded considerable success in terms of growth, reduction of poverty, etc., and we are celebrating that success. The question is of how Bangladesh achieved success without communal land ownership, as the economists had suggested, and with cooperativization, as Bangabandhu had proposed. What did the economists of that

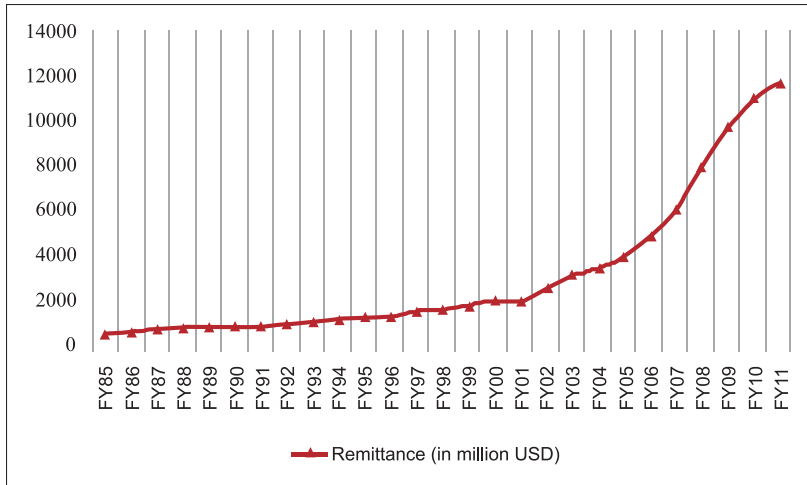
period miss and why? Were there some blind spots? What allowed Bangladesh to avoid the inexorable logic that Faaland and Parkinson emphasised?

Of course, many factors contributed to the economic successes. There is now an interesting literature investigating the causes of Bangladesh's success. A comprehensive tome reviewing this literature and identifying the main conclusions will be most welcome. However, at a broad level, there is no doubt that there were several important changes in the external setting that changed the calculus for Bangladesh. The two most significant changes were (i) the opportunity to export labour and (ii) the opportunity to export labour-intensive manufacturing products.

3.1 Opportunity to Export Labour and Earn Remittance Earnings

The first of the two changes was the opening up of opportunities to export labour. This was an unintended consequence of the Arab-Israeli War that led to the formation of OPEC, and the sudden wealth gained by the middle-eastern countries, which then started importing labour to meet their demand for the service sector and the construction boom. As a source of low-cost labour, Bangladesh could benefit from this opportunity. The story is well-known, and I do not need to elaborate on it, except to present Figure 1, which basically tells it all. Remittance earnings ballooned from almost nil in the 1970s to about \$12 billion by 2011.

Figure 1: Bangladesh Remittance Income during 1984-85–2010-11 (in current prices)



Source: Centre for Policy Dialogue, Dhaka, Bangladesh.

There are two aspects of remittance earnings. One is its quantity or magnitude, the significance of which becomes clear by noting that the size of Bangladesh's economy (measured by GDP) was only about \$10 billion in the early years after its independence. However, more important perhaps is its quality aspect. As a form of capital infusion from abroad, remittance has many appealing features. First, remittances are net receipts, unlike export earnings, which may involve high import-content and other costs (including uncompensated environmental costs). Second, remittances go directly to the recipient families without requiring much intermediation on the part of the government and other agencies. This ensures that there is not much leakage. Third, to the extent that most of the migrant labours in Bangladesh come from low-income families, remittance reaches people belonging to low-income groups, making the distribution of remittance income more

pro-poor than the distribution of other external resources and of the national income, in general. Fourth, the fact that remittances reach low-income families also enhances their multiplier effect because consumption and investment on which the money is spent generally have a higher domestic content than it is the case for people belonging to high income brackets. Fifth, as we know, cash transfers are more welfare-enhancing than transfer-in-kind, and the consumption and investment decisions that recipient families make are generally far better than would have been the case if others made these decisions for them. For all these reasons, the contrast between remittances and foreign aid as a foreign resource is quite stark. The pitfalls and shortcomings of foreign aid in the context of Bangladesh have been analysed at length by Rehman Sobhan in his book, *The Crisis of External Dependence: The Political Economy of Foreign Aid to Bangladesh* (1982) and hardly anything needs to be added to that.

It is because of the above features that remittances can work as a strong elixir for the economy. It is this broad-based boosting effect that partly explains why some countries, having large remittance income, display good economic performance even though they are conflict-ridden and/or have poor governance. In fact, there may be a perverse effect of conflict or poor governance, causing more citizens to leave the country, send remittance, and thus improve the economic performance of their country of origin. It may not be just a coincidence that, together with Bangladesh, the other country that is graduating from the LDC (Least Developed Country) status is Nepal, which is also a significant recipient of remittance income as a proportion of its GNI.

3.2 Opportunity to Export Labour-intensive Manufacturing Products

The second important change in Bangladesh's external situation was the opening up of the opportunity to export labour-intensive manufacturing goods. Several factors created this possibility. One was the revolution in communication technology. Another was the invention of the "container method" of shipping that reduced the costs of moving goods so much that it became profitable for developed economies to shift ("offshore") labour-intensive operations of their economy to developing countries (Talley, 2000). The savings in labour costs through such offshoring proved to be greater than the cost of shipping goods back for domestic consumption. While this shift has led to the hollowing out of manufacturing and created a problem of structural unemployment in developed countries, it created a new opportunity for industrialisation of developing countries (though not without many accompanying hazards). In a sense, this is a reversal of the 'de-industrialisation' of the colonies that took place during the rise of capitalism as a global system, though there are fundamental differences between these two historical episodes.

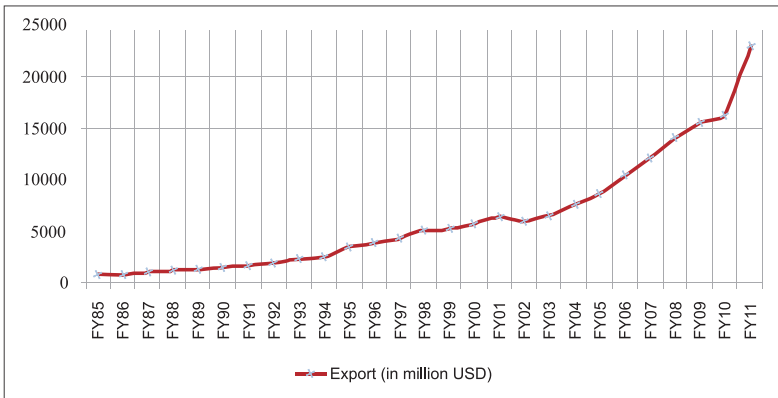
In addition to the above technological changes, some policies at the global level also made it easier for export-oriented industries to emerge and develop in Bangladesh. The most significant of these has been the Multi Fibre Arrangement (MFA) that provided Bangladesh almost guaranteed market for ready-made garments and many other textile products. This made it easier to overcome the risk barrier.

Some domestic policy innovations helped Bangladesh to make good use of the opportunity for export-led growth. These include

policies of “back-to-back LC,” “bonded warehouse,” “duty drawback,” “cash bonus”, etc. The successive governments also provided bank loans liberally, through both nationalised commercial banks and newly set up banks for promotion of industrial development, such as Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Shangstha (BSRS). The government also tolerated loan-default.

A combination of secured market and all-out government support did prompt Bangladeshi entrepreneurs into action. The expansion of the RMG industry brought in its wake (through the backward and some forward linkages) expansion of many other industries. An entrepreneur class emerged, and Bangladesh’s export earnings grew at a rapid pace. This is also a well-known story that does not require elaboration. Figure 2 tells it well. As we can see, from less than \$1 billion in 1985, Bangladesh’s export earnings rose to about \$25 billion by 2011.

Figure 2: Bangladesh Export Earnings during 1984-85 – 2010-11
(in current prices)



Source: Centre for Policy Dialogue, Dhaka, Bangladesh.

3.3 No “blind spots,” rather “non-existing spots”

What is important from the viewpoint of the proposition we are discussing is that this opportunity to export labour (and earn remittances) and the opportunity to export labour-intensive manufacturing products in large quantities are something that could not be foreseen in the 1970s. It is true that the model of export-led growth was already emerging in East Asian countries, and some perceptive scholars did draw attention to it (see for example, Mahmud, 1983). However, the full scope of these opportunities, particularly of remittances, and the possibility of their utilisation, were unclear even up to the mid-eighties. Hence, these were not blind spots for the economists who offered development strategies in the early years of Bangladesh. These were spots that, in a sense, simply did not exist at that time. Also of note is that, in addition to the above two, there were other factors too. Emergence of NGOs and channelling of foreign aid through NGOs might also have played a role. Advent and expansion of micro-credit is another one, though this was more an internal development than external. However, their significance was limited compared to the two main changes mentioned above. Furthermore, the latter changes were also part of the unknowns in early Bangladesh.

3.4 New Solutions to the Question of Primitive Capital Accumulation

Industrialisation requires primitive capital accumulation. Early industrialising countries, such as England and France, achieved this accumulation to a large extent through exploitation of their colonies. In the former Soviet Union, there was a big debate among Bolshevik leaders about the source of capital

necessary for socialist industrialisation. Eugene Preobrazhensky put forward the thesis of “primitive socialist accumulation,” arguing for the extraction of the surplus from the peasantry. Stalin initially opposed Preobrazhensky’s thesis but later became its ruthless executioner. Primitive socialist accumulation in China was also carried out through the extraction of surplus of the peasantry, though it had the benefit of assistance from the Soviet Union.

Bangladesh also faced the issue of primitive capital accumulation. The external changes discussed above that opened up for Bangladesh new ways of accomplishing the task accumulation of capital via remittances allowed this capital to be diffused, conducive to equitable distribution, as noted above. It is true that remittances received by individual families are generally not sufficient for undertaking large-scale investment projects. However, the financial system can mobilise small savings into big capital and put it in the hands of entrepreneurs. In fact, default on bank loans has been an important source of primitive capital accumulation in Bangladesh. Earnings from the export of labour-intensive manufacturing, on the other hand, accrue directly into the hands of the entrepreneurs.

However, these options for primitive capital accumulation were not available to the economists of early Bangladesh. They, therefore, had to look for solutions in institutional changes, such as land reform and communal ownership of land. They were not mistaken. They simply had to solve a more constrained optimisation problem. The favourable external developments that occurred later loosened the straightjacket within which economists of early Bangladesh had to consider the development challenges of the country.

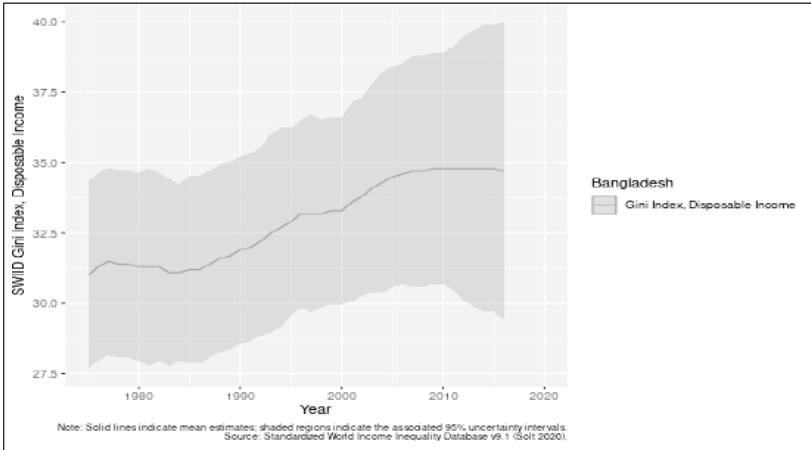
4. New Generation of Challenges

Success, however, gives rise to new challenges. The challenges faced by current Bangladesh are many. It is not possible to offer their detailed enumeration and discussion here. Instead, I will mention briefly a few, just to make the point.

4.1 Rise in Inequality

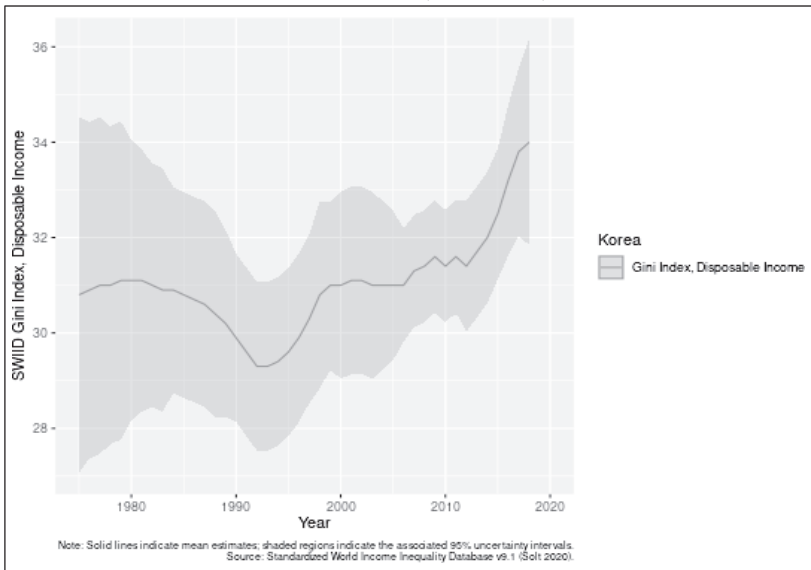
First, inequality has increased considerably, despite the mitigating role of remittances. Figures 3 and 4 compare the Gini Index of distribution of disposable income in Bangladesh with that in South Korea. As we can see, since the mid-1980s, the Gini Index of income inequality in Bangladesh has risen from about 31 per cent to about 35 per cent by 2010 (Figure 3). In South Korea, by contrast, the Gini Index of income inequality in fact decreased in the 1980s, when most of its growth spurt took place. Inequality in South Korea has increased since the early 1990s, but still remains at a lower level than in Bangladesh. This clearly shows that a higher level of inequality is neither a precondition nor a necessary accompaniment of development along the capitalist path. It is well-known that Gini Index is not a very good measure of inequality because top-coding of the data does not allow the skewness in the upper brackets of income to find reflection in this index. Other indices, such as Palma Ratio, can do a better job. Also, following Piketty, it may be possible to use tax filing information to get better measures of inequality. Be that as it may, it is quite clear that inequality has increased sharply in Bangladesh in recent decades.

Figure 3: Gini Index of Distribution of Disposable Income in Bangladesh (1975-2016)



Source: Salt (2020).

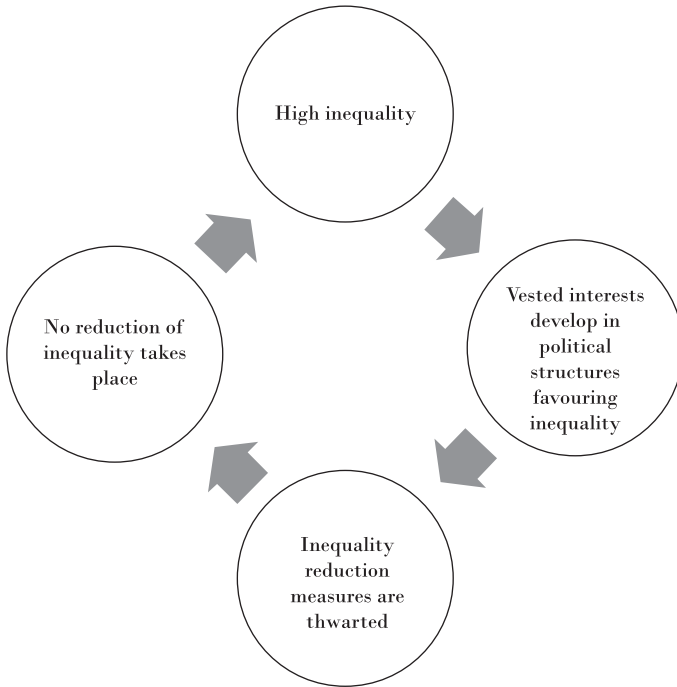
Figure 4: Gini Index of Distribution of Disposable Income in South Korea (1975-2018)



Source: Salt (2020).

There is some urgency to act on inequality because otherwise the country may get caught in the Inequality Trap (Figure 5) and find it difficult to reduce inequality. In that case, the Inequality Trap may lead Bangladesh to the Middle-Income Trap, and achieving the goal of becoming a high-income country by 2041 can prove difficult (See Islam, 2014 for discussion of this possibility).

Figure 5: Inequality Trap



Source: Islam (2014)

4.2 Rise of Rural-Urban Disparity

Impressions and anecdotal evidence suggest increase in rural-urban disparity. Frequent news reports of broken and dilapidated bridges in rural areas testify to the lack of attention given to the needs of the rural population.

4.3 More Unequal Land Distribution

In his Survey of 1984-1985, Mosharaff Hossain found the middle peasants (with landholding from 2.5 to 7.5 acres) to be the most productive, even though they faced a lot of resource constraints. Table 1 of Islam and Rahman (2014) shows that the percentage of landholding by middle peasants declined from 16.3 per cent in 1984-85 to 7.6 per cent in 2009-10. It may also be noticed that 14.6 per cent of rural households in 2009-10 owned 1-2.49 acre of land, and another 11.6 per cent owned 0.5-0.99 acre of land. Much of the land given out by large landowners on sharecropping and other tenancy arrangements went to households of these two groups, so that many of them could raise their effective landholding to that of a middle peasant. As a result, the role of de-facto middle peasant is greater than what appears from the percentage of rural households who are de jure middle peasants. Also, the switch from sharecropping to fixed (cash) rent has mitigated the incentive problems to some extent. However, it is clear that the incentive for tenant farmers could be increased further if they could have title to the land they cultivate through some land reform programmes.

4.4 Lop-sided Urban Development

During the early years of independence, there was much less difference in the quality of life and level of amenities and opportunities in the district towns and the capital Dhaka City. Over time, this gap has increased so much that now almost everyone who counts wants to set up his or her residence in Dhaka City. On the one hand, this is increasing pressure on Dhaka City. On the other hand, it is stymieing the development of former districts and smaller towns.

4.5 Severe Degradation of Environment and Encroachment of Common Property Resources

The beating that the environment has taken to allow the current process of economic growth to go forward is horrendous. This has happened in particular because precedence has been given to private interests over the interests of the public. The rivers and water bodies have suffered badly. Yet, protection of the rivers and the environment has acquired additional importance in view of climate change. Meeting the climate challenge also requires more collective efforts, so precedence to collective interests has become more important.

4.6 External Dependence in Formulation of Plans and Policies

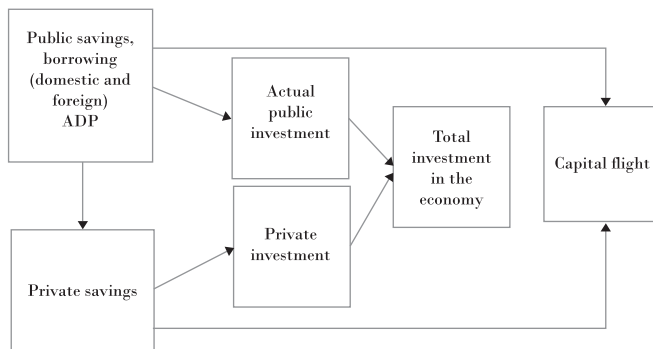
The country still remains foreign dependent, less so in terms of financing but more in terms of policy formulation (e.g., water and energy).

4.7 Emergence of a “Leakage Model of Development”?

It is also worrying that the country seems to be settling on a, what may be called, “Leakage model of development” (Figure 6). Some leakage of public savings to the private sector takes place in most countries. The question, however, is of magnitude. News reports and other anecdotal evidence suggest that a large fraction of the ADP end up in the private sector in inappropriate manner, so that quantity has reached such a high level that it is making a qualitative difference. Unfortunately, the “Leakage model” of growth can be harmful in several ways. It causes deterioration of public investment. It encourages capital flight, as the money is ill-gotten. It also leads to the erosion of ethics and moral values,

exerting a broader negative influence on the economy and society as a whole. In particular, it makes official positions (both elected and unelected) unduly lucrative, makes rent-seeking the norm, and promotes violence (both electoral and non-electoral) in society. It is, therefore, important to steer the growth process away from the Leakage model.

Figure 6: Leakage Model of Development



Source: Author.

5. Continued Relevance of the Ideas of Development Strategies of Early Bangladesh

Hence, as we celebrate the progress, it may be useful to look at the past to gain insights about how to deal in the future with the new generation problems that Bangladesh now faces, in part due to the very success it has achieved. The principles of pro-poor, pro-rural population, precedence to collective interests (over private), and self-reliance, as advocated in the alternative development strategy suggested in Islam (1987), can be helpful in arresting the rise in inequality, reducing rural-urban disparity, achieving a more evenly distributed urbanisation, protecting environment and

common property resources and in making the country self-reliant in terms of policymaking as well as financing. The ideas of land distribution and communal management of land that were suggested in the strategies of early Bangladesh can be useful in ensuring greater share of the output to actual cultivators, who currently cultivate more land owned by others than by themselves. The need for collective effort for better utilisation of land and water resources of Bangladesh's village still remain. Bangabandhu's proposal for converting villages into cooperatives with Village Funds can be revived, even though the proposal for joint farming may be dropped in view of the subsequent international experience, as suggested in Islam (2017). This will also help to fill the void that currently exists in the local government institutions at the village level, thus serving two purposes at the same time.

The ideas and proposals of the development strategies put forward during the early years of Bangladesh did not get implemented. The country instead followed a different strategy. However, it is through their non-implementation that these ideas and suggestions have vindicated their necessity and potency. In that sense, we may say, borrowing from Rabindranath Tagore, "By dying Kadombori proved that she hadn't died (কাদম্বরী মরিয়া প্রমাণ করিল সে মরে নাই)!"

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S. Nazrul Islam, Chief of Development Research of the United Nations Department of Economic and Social Affairs, is an eminent economist of Bangladesh. He received his PhD in economics from Harvard University and a Master's in economics from Moscow State University. He also studied economics at Dhaka University.

During his long teaching career, Islam taught economics at Dhaka University, Harvard University, Emory University, Kyushu University, and St. Johns University. Through his research, he made his mark in several areas of economics, including the economics of growth, transition, development, and environment. He has published twenty books and numerous articles in reputed international journals.

Much of Islam's research focused on Bangladesh development strategy and issues. His books on this subject include *বাংলাদেশের উন্নয়ন কৌশল প্রসঙ্গ* (১৯৮৪); *বাংলাদেশের উন্নয়ন সমস্যা* (১৯৮৭); *বাংলাদেশের গ্রাম: অতীত ও ভবিষ্যৎ* (২০১১); *আগামী দিনের বাংলাদেশ* (২০১২); and *Governance for Development: Political and Administrative Reforms in Bangladesh* (2016).

In recent years, Islam devoted more of his attention to Bangladesh's water development issues. His books on this subject include *Let the Delta Be a Delta: The Way to Protect Rivers of Bangladesh* (2016); *Rivers and Sustainable Development* (2020); *Water Development in Bangladesh: Past, Present, & Future* (2022), and *A Review of Bangladesh Delta Plan 2100* (2022).

Islam is the founder of Bangladesh Environment Network (BEN) and the initiator of Bangladesh Poribesh Andolon (BAPA). Through these organisations, he is striving to raise public awareness and bring about policy changes necessary for the protection of the environment of Bangladesh.



BANGLADESH INSTITUTE OF DEVELOPMENT STUDIES (BIDS)

E-17, Agargaon, Sher-e-Bangla Nagar
G.P.O. Box No. 3854, Dhaka-1207, Bangladesh
Tel: 88-02-58160430-37, Fax: 88-02-58160410
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