

# Equality, Opportunity, Freedom and Dignity: Some Reflections on the themes of the ABCD conference

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**Annual BIDS Conference on Development (ABCD) 2024**

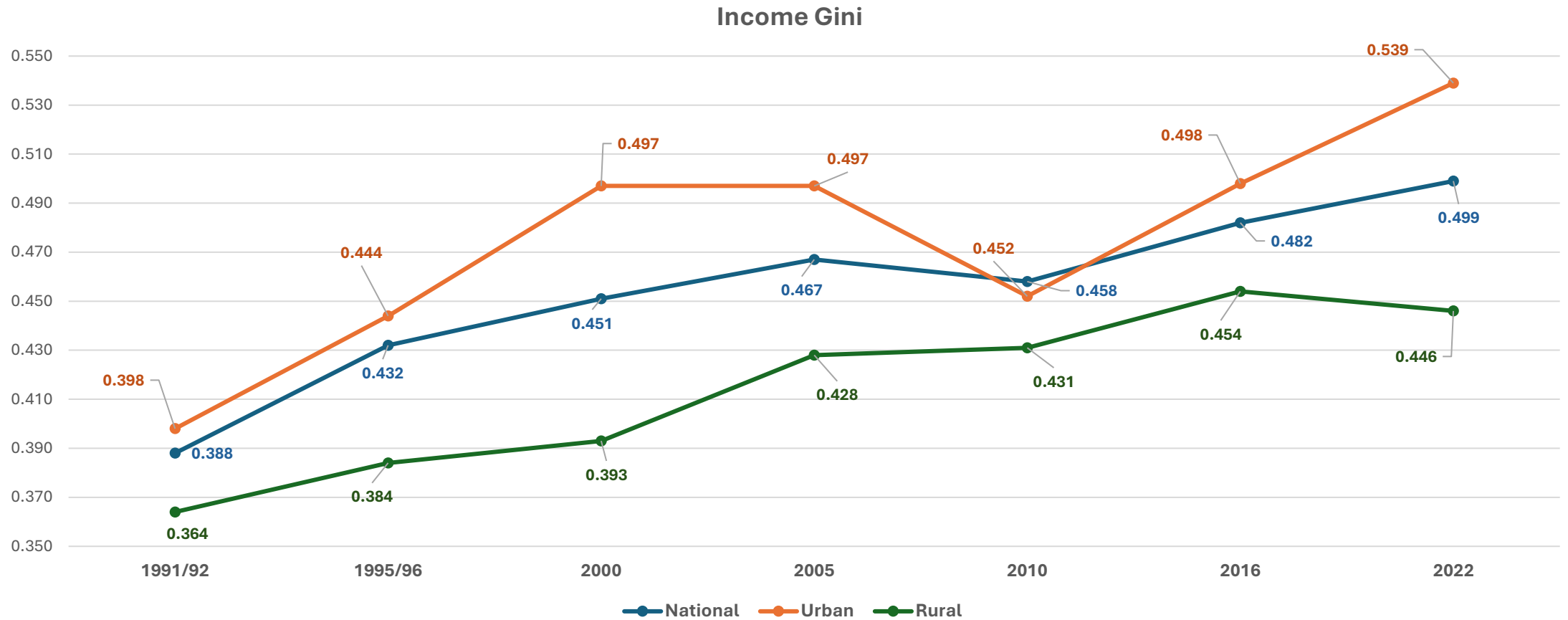
*Equality, Opportunity, Freedom, and Dignity: Restructuring Institutions for Equitable and Sustainable Development*

Date: 7 – 10 December 2024, Lakeshore Hotel, Dhaka

# Equality of what is a momentous question

- Recent mass uprising of July-August 2024 has brought to the fore the issue of inequality to public discourse
- Bangladesh was long classified as country where extreme poverty was declining with a concomitant rise in income inequality especially since 2000. In that it follows the path of China, Vietnam, and a few other Asian economies
- Although inequality was in the rise rather sharply in the second half of the 2010s—and the underlying trends were subjected to much debates (see, for instance, Osmani and Sen 2011; Osmani and Sen 2024; Islam 2024)--it was analyzed mainly through the lens of economists using categories such as Gini index, Palma ratio, income source-wise decomposition of inequality
- It never became a central point of departure in our policy thinking

# Trends in Income Gini



# Scope of the Remarks

- The Equality-Opportunity Link
- The Opportunity-Freedom Link
- The Freedom-Dignity Link
- I will mainly focus on the equality-opportunity link

# Equality has different meanings

- One classroom experiment reveals different meanings of inequality such as discrimination, gap, disparity, bias, disproportion, narrow-minded, injustice, prejudice, difference, insulted, asymmetry, and humiliated
- It's not just Lorenz curve and Gini index or Palma ratio
- It's also about discrimination, indignity, and insult, indicating the relevance of **subjective measures** of inequality (equally as relevant, if not more, as subjective measures of poverty)

# The Equality-Opportunity Link

- There is large literature that speaks to this link (see, Sen 1995 for a foundational analysis on the topic and Milanovic 2023 for the history of the idea; Ray 1998 for the growth-inequality literature and Ravallion 2014 for the growth-inequality-poverty literature; the presentation by Kanbur 2024 for this conference; Osmani 2024 for a helpful summary)
- **The Credit Constraint channel:** It affects the access to all types of livelihood assets, including (a) unequal access to physical capital (Alesina and Rodrick 1994); (b) unequal access to human capital (Banerjee and Neuman 1993). The same channel was invoked to explain persistence of intergenerational inequality (Galor and Zeira 1993).

# The Equality-Opportunity Link (2)

- **The Women's Empowerment channel:** (a) unequal access to nutrition leading to poor schooling performance, suboptimal occupational choice, and low future productivity (Bowles et al 2011); (b) unequal access to work force participation (Dasgupta 1995; Osmani and Sen 2003)
- **The Political Intermediation channel:** (a) negative spillovers of elite-political capture (Osmani, 2024; Milanovic 2023); (b) redistributive pressure via median voter (Ray 1998); (c) political instability (Perotti 1992)

# The Equality-Opportunity Link (3)

- Adam Smith as to why capitalists should be trusted as entrepreneurs but not trusted as lawmakers:
- “The proposal of any new law or regulation of commerce which comes from this order [of employers] ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from the order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive..” (as quoted in Milanovic 2023, p. 76)
- No wonder oligarchs would invoke distrust even more when it comes to framing economic policies



# The Equality-Opportunity Link (4)

- **Social exclusion channel:** A familiar example is provided by the preponderance of caste system in India, especially in Northern states. Notably, when the caste identity was revealed, the academic performance of students declined significantly, suggesting the importance of caste factor. Moreover, even controlling for standard socioeconomic variables, caste factor is still significantly associated with lower performance in human capital accumulation, occupational choice and productivity. Ambedkar's classic book '*The annihilation of caste*' illustrates the enduring relevance of social exclusion as a mechanism through which equality can influence opportunity.

# The Equality-Opportunity Link (5)

- Apart from Scandinavian countries historically known for lower inequality, well-known East Asian success stories, and some sporadic cases in Latin America there are not many successful examples of reducing income inequality.
- What matters most--initial (pre-tax) distribution or post-tax distribution for reducing inequality over time? Note that the first and second constraints cited above are mostly referring to structural inequalities such as initial adverse conditions of having limited land, or extreme gender-based or caste-based deprivations.
- However, this has an implication that without having a new political settlement one cannot obtain easily the favourable conditions for pre-distribution in certain aspects such as health reform, educational reform, land reform, etc.

# How does equality affect opportunity?

- Inequality reduces elasticity of poverty reduction to growth
- Inequality reduces the growth rate itself once inequality increases beyond a threshold point, though there is debate regarding the threshold
- Inequality may create a sense of injustice and lead to political instability through mass protest which may, in turn, affect private investment and growth recovery at least in the short-term

# The Opportunity-Freedom Link

- **Rawls and Tagore vindicated:** The liberty principle prevails over the difference principle. See, Rawls (1971) and Tagore (1930). The statement that “**development first, democracy can come later**” is nullified by the recent Bangladesh experience
- Obsessive utilitarianism/ consequentialism can undermine individual rights and freedom. But Libertarianism is not the way-out, as it is restricted to mainly economic freedom, **ignoring the entire issue of common good**
- Broad consensus in the global literature is emerging on the growing relevance of **liberal egalitarianism** tempered by recent discussions of luck-egalitarianism and tyranny of meritocracy.
- But that requires **both state repairs and social reforms.**

# The Freedom-Dignity Link

- When we talk about dignity, we are concerned not just with the dignity at the personal level (such as dignity of the poor), but also at the level of inter-state relations
- By focusing on dignity, we draw attention to the politics of self-esteem or empowerment (as in lower caste movement in India)
- Tagore called it the “personality-development” problem. For him, the problem is posed as personality development of each individual as individual. Capability is one channel of nurturing personality.

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