

GAMBLING ON DEVELOPMENT

WHY SOME COUNTRIES WIN AND OTHERS LOSE



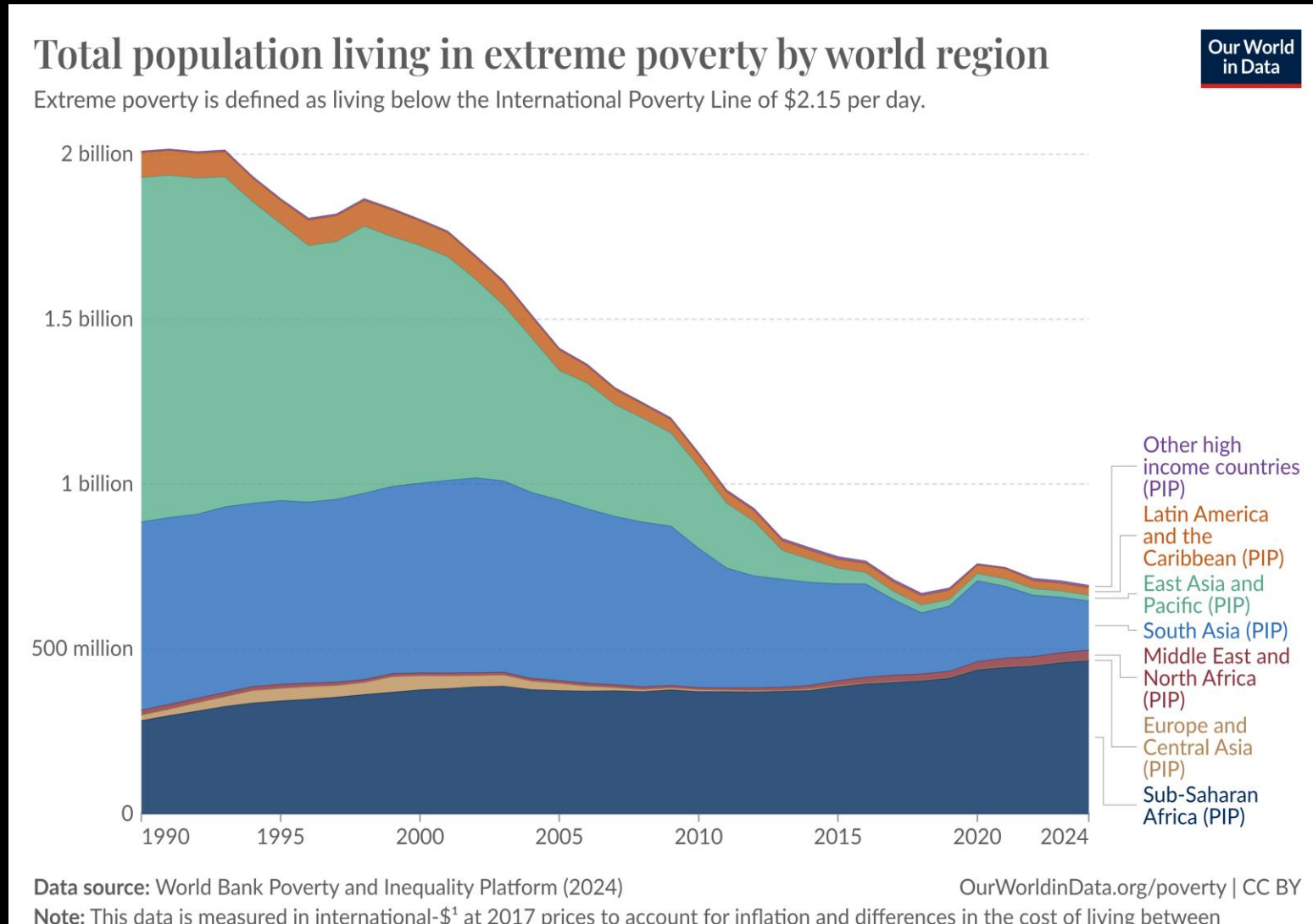
*CAN BANGLADESH RENEW
ITS ELITE BARGAIN FOR
DEVELOPMENT*

Dhaka, December 2024,
Stefan Dercon
[@gamblingondev](#)

Some Facts

Global extreme poverty down by 2/3th since 1990 – with growth in developing world accelerating

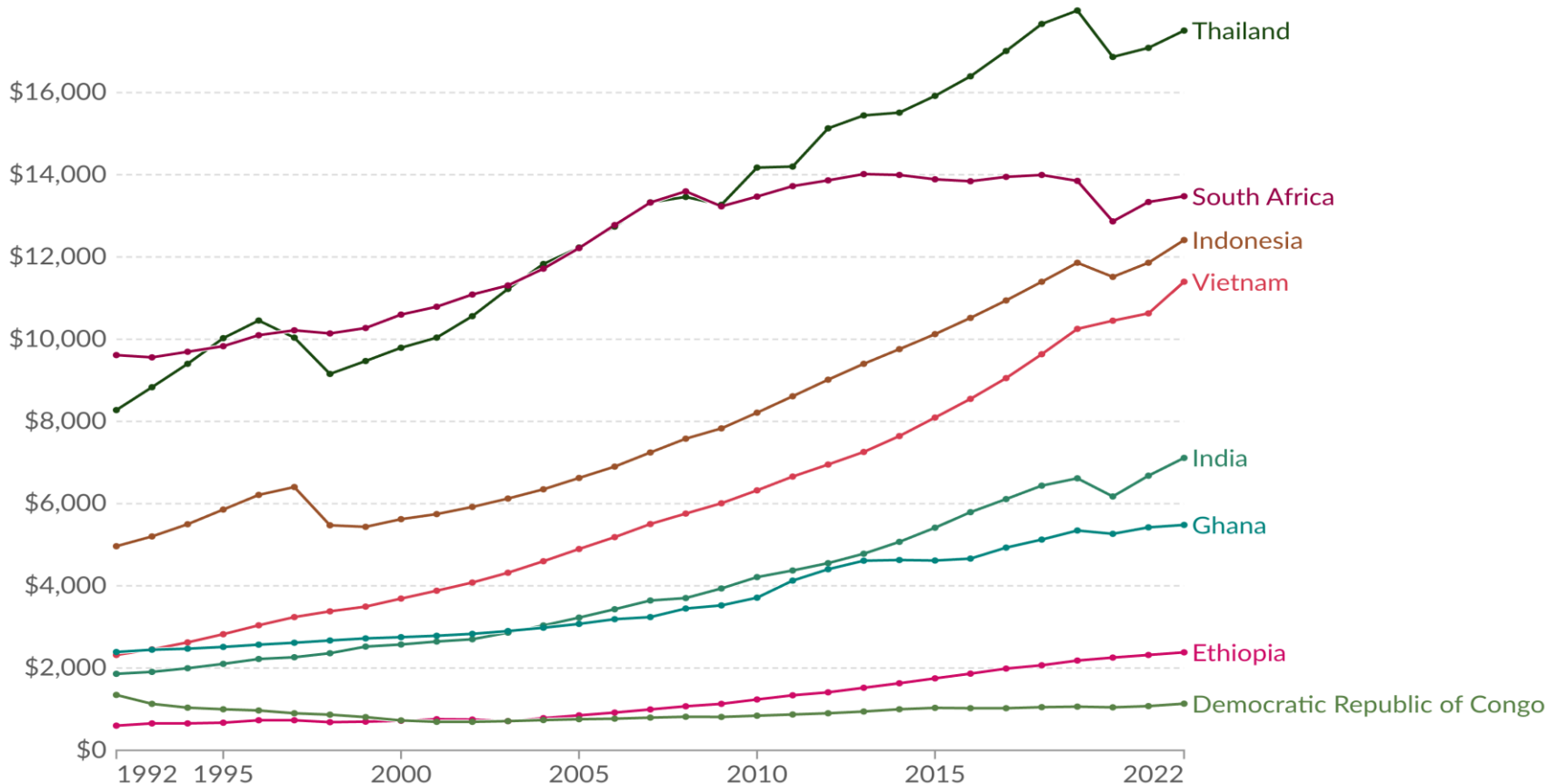
- First in **East-Asia** (eg. **China**, **Indonesia**) 1990s
- Then **South Asia** (eg India, but also **Bangladesh**)



Growth success and failure since 1992

GDP per capita

This data is adjusted for inflation and for differences in the cost of living between countries.



Data source: World Bank (2023)

Note: This data is expressed in international-\$¹ at 2017 prices.

OurWorldinData.org/economic-growth | CC BY

mean GDP per capita
growth for lower middle
income was 2.8% (92-22)

'Winners'

- China: +8.2%
- India: +4.6%
- Bangladesh: +4.2%
- Indonesia: +3.1%
- Ghana: +3.8%
- Ethiopia: +4.7%
- Vietnam: +5.5%
- (Thailand: +2.5%)

'Losers' 1992-2022

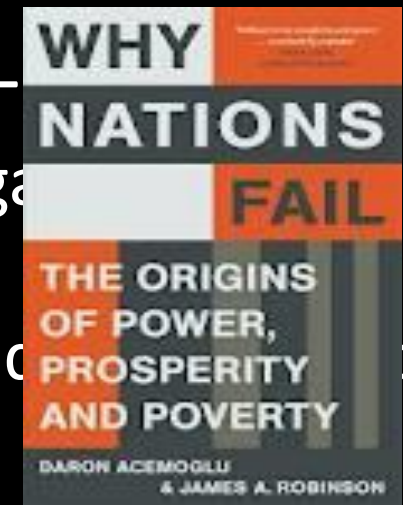
- Nigeria: +1.4% per year
- Pakistan: +1.7%
- DR Congo: -0.6%
- South Africa: +1.1%

How to understand these differences?

10:09 AM

Diagnosis?

- **Global system is biased** against developing countries
 - But huge differences *among* countries
- **History and the institutions it delivers matters** —
 - But some with related history seem to do better against others... (so it is not all history)
 - And reasonably successful countries in recent decades **not** have 'perfect' institutions.
 - China, Vietnam, Indonesia, India, ...
- **There is a role for 'agency' within countries**
 - Actions and behaviours matter!



Correlates for success?

Politics?

- Not simply 'autocracy versus democracy'
- Governance matters – but very 'imperfect' countries

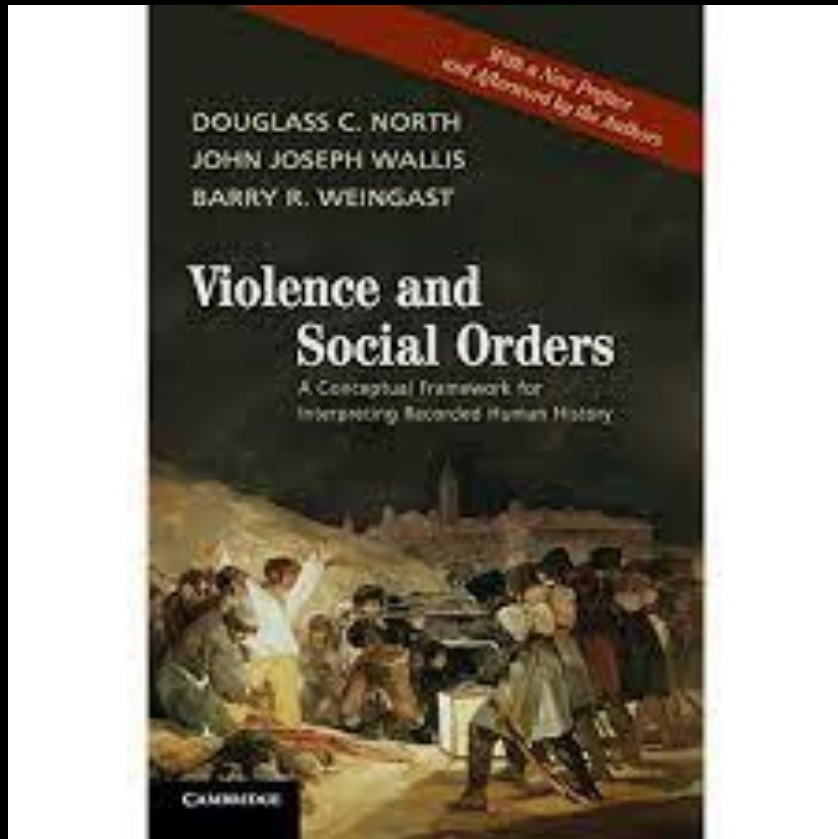
Economics?

- No ideological choice of state vs markets
 - "state-led" ... China, Ethiopia, but India, China pre-1979 did so and failed...
 - "markets-led" ... Bangladesh, Indonesia
- Growth Commission: "we don't know the recipe, but we know the ingredients" including macroeconomic stability, outward orientation, infrastructure, market orientation etc..

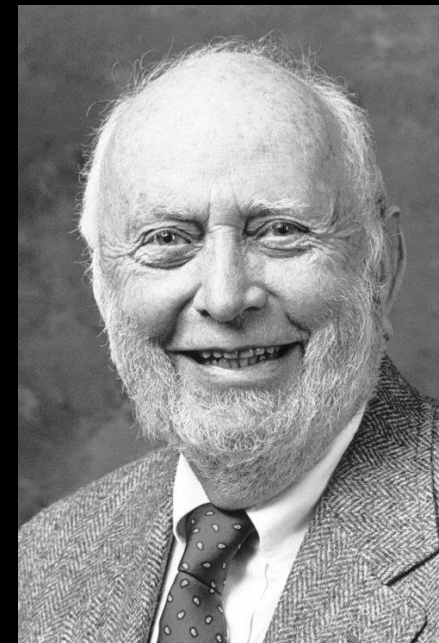
So if there is choice, a broad set of policies, given circumstances,
why don't all pursue reasonable growth and development policies?

The elite bargain

The origin of the state



A [...] state manages the problem of **violence** by forming a **dominant coalition** that limits **access to valuable resources** – land, labor, and capital – or access to and control of valuable activities – such as trade, worship, and education – to **elite groups**.



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Think of a state as an elite bargain amongst those with power or influence, whereby the elite are those with power and influence: political class, military, civil service, business elite, journalists,...

Any state...

It is at a minimum a coalition for peace and stability.

It involves a political deal – who controls the state – and an economic deal – who has access to resources and their distribution.

Elite bargains: some possible objectives

- A kleptocracy
- An oligarchic elite bargain – e.g. around wealth/power/identity
- An elite bargain with meritocratic state system
- A patronage-based elite bargain (often with clientelist methods)

And interwoven with ideas, ideology, religion...



Why are some countries making substantial progress and not others?

“win”

Indonesia, China, Bangladesh, Ghana, Ethiopia, very different from each other

“lose”

Just as Malawi, Nigeria, DRC are different from each other.

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How to get growth and development?

Through a development bargain

You need an elite bargain that involves a **shared commitment to growth and development among the elite**, those with power and influence.

= the key feature of successful nations in growth and development

Why?

Serious 'national' commitment?

Legitimacy or legacy of leadership and elite;

Source of maximizing rents for those in power.

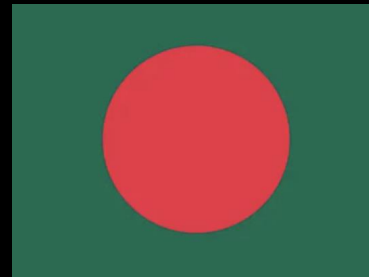
Why not?

Because growth and development **is a gamble** – status quo is more predictable.



How to get growth and development? Through a development bargain

You need an elite bargain that involves coalition of power
with a shared commitment to growth and development

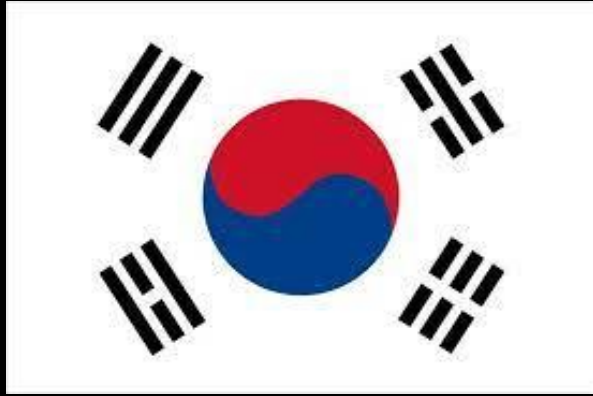


How to get growth and development? Through a development bargain

You need an elite bargain that involves a coalition with shared commitment to growth and development – *but more than words*

1. Serious about long-term **peace/stability**
2. **Self-aware state**, in the service of growth and development
3. **Bureaucratic/political error-correction: learning, accountability, not just by state but entire elite**

What is the state 'one has to work with'



Progress occurred in very different states:
eg. "meritocratic" versus "clientelist" states

Not in some idealized 'developmental state' – pragmatism

Bangladesh since independence...

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“a basket case”
(1970s)



“Bangladesh... on
ladder of
development...and
growth... through its
own heroic efforts”
(2005)

A case of:

- Reasonable macroeconomic stability
- Export-led with structural transformation
- Substantial growth (4.2% per cap. per year for 30y)
- Improvements in poverty, health, education, gender
- Despite the state and politics: divisive, deep-rooted corruption, etc. and with big contribution civil society
- Corruption rank in 2008 same as in 2022 (147/180)

Bangladesh's Elite Bargain vs Development

Bangla Elite Bargain since 1990s

Surprising Development Bargain

- Broad stability despite fractious politics (credible economic politics)
- State as clientelism but self-aware enough with huge civil society
- Limited 'internal' accountability, but to start with reasonable 'external' accountability (including through 'external agencies of restraint')

A development bargain

Dominant elite coalition with shared commitment to growth and development

- Credible politics for peace and stability
- Self-aware state for development
- Processes of external and internal accountability

Bangladesh now?

(slide from talk in Dhaka at BIGD June 2022)

- Needs renewal, both in terms of the political deal and the economic deal, while status quo is attractive...

.....

with dysfunctional state and politics...

Elite bargains matter and need to be renewed

- All (middle) income all have **critical junctures**, some get beyond it, others seem to get stuck in status quo
 - Malaysia in last decade, China in 1979 and in 1990s, Indonesia post-1997, Myanmar 2016-2021, Sudan 2019-2023
 - Failures possible – middle income trap can be seen as political economy trap too – inability of dominant elite to evolve, open up, and instead trying to cement the status quo.
- Situation **today** as **critical juncture**
 - “a quest to correct” – other forces want their place
 - **New dominant coalition** (students, civil society, plus broad opposition forces BNP/Jamaat, with condoning military)
 - Will it be stable? Will it be an *elite bargain for development?*

Bangladesh's Elite Bargain vs Development

Development bargain

Dominant coalition for growth and development

- Stability
- Self-aware
- External and internal accountability

Understanding 2024

New dominant coalition? Is it inclusive enough of key players? Where is business? Is coalition committed to growth?

- Risk of fractious coalition – *can it be 'credible' for peace and stability?*
- Self-aware state: *Are expectations too high for delivery? Business as usual? Corruption index rank 2008=2023*
- External and internal accountability *Will there be enough credible moves to accountability?*

What next for development?

1. A Narrow Focus on Accountability

- Huge expectations for change
- Key = a few reforms that tie hands of next political government
- But lesson from elsewhere: imperfect countries can deliver much

2. Development will need growing, dynamic economy

- Needs competitive renewal, but also investors' trust
- Huge global opportunity due to decoupling from China to attract FDI

3. Don't forget that Bangladesh has much to lose, as well as to gain

- Last 30 years, substantial development progress for the poor. Don't let it go wasted.
- State is weak in delivery and implementation— that won't disappear by magic

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