

Economic Growth and Social Progress

The Case of Bangladesh

ARINDAM BANIK

Bangladesh's incredible transformation from a less developed economy to a lower-middle-income economy deserves special mention. It may also be a useful lesson for today's low-income countries. Interestingly, critics were not sure about Bangladesh's sustainability as an independent nation. Once dubbed as a "basket case" by Henry Kissinger at its birth in 1971, the country faced severe disruptions, such as famine, natural calamities, military coups, and fanaticism. Despite the challenges, Bangladesh's performance based on select socio-economic parameters has been better than that of many developing economies. According to the Bangladesh Bureau of Statistics (BBS), the country grew by 6.94% during the financial year 2020–21, while the per capita income increased to \$2,591. To assess such a success story, S Narayan and Sreeradha Datta edited a volume: *Bangladesh at 50: Development and Challenges*. It contains 11 chapters with a foreword by Rehman Sobhan to document above-mentioned interesting but complex narrative of notable progress in the areas of economic development, trade, industry, environment, and energy. It also accomplishes the task within the comfortable setting of Bangladesh's success story in her 50th anniversary of independence. The editors specify that

A country, which at the time of its independence in 1971, was considered too poor to succeed, has over the years, and through successive changes in its government, managed to achieve considerable progress in terms of development as well as social welfare parameters. (p 1)

Experts consider the role of three drivers such as farming, foreign remittance, and ready-made garments as powerful factors to explain the evolution of Bangladesh as an imitative development model. Yet, the chapters on the first two aspects are missing in the volume. In

Bangladesh at 50: Development and Challenges

edited by S Narayan and Sreeradha Datta, Hyderabad: Orient BlackSwan, 2020; pp 263, ₹995.

addition, the chapters are chosen independently. It may be difficult for a general reader to find the link. According to development practitioners, Bangladesh has decided to follow the best practices of development without any political bias. This, then, brings us to the following question: Is economic growth a necessary condition for social progress? The story of Bangladesh imparts some telling lessons, though they are not clear in this edited volume.

Macroeconomic Policy

Chapter 1 ("Bangladesh—A Journey of Dual Graduation and Attendant Challenges" by Mustafizur Rahman) deals with the country's dual graduation. The author has defined "dual graduation" as graduation from low-income country (LIC) to a lower-middle-income country (LMIC) using the World Bank criteria attained in 2015. The country has also earned the eligibility for graduation from the group of least developed country (LDC) to developing country status, in 2018 according to the United Nations criteria. Further, it moves on to discuss the accomplishments with the help of select macroeconomic indicators. This is an interesting chapter but it has unanswered some questions relating to the framework and the detailed process to achieve the goal.

Chapters 2 and 3 ("Bangladesh's Future Export Challenges and the Need for the FTA Strategy" by Amalendu Palit and "The Challenges of the Readymade Garment [RMG] Industry in Bangladesh" by Selim Raihan) provide a brief synopsis of recent research on the rise of Bangladesh as a highly competitive apparels and ready-made garments producer and exporter. In Palit's case, the achievement has

been significantly facilitated by Bangladesh's effective use of the non-reciprocal preferential market access schemes offered to LDCs by various countries, and the special and differential (s&d) treatment for LDCs under the multinational rules-based trade framework of the World Trade Organization (WTO).

However, the benefits may not continue once the country moves into middle-income countries. A latecomer to manufacturing, the country needs to emphasise non-preferential access and reciprocal basis under various trade regimes such as free trade agreements (FTAs). This chapter is a testimony to the future impact of new challenges in case appropriate strategies are not taken into consideration.

Raihan has attempted to quantify the internal and external challenges in this sector after graduation to middle-income countries (MICs). Much of the technological explanation lies, unsurprisingly, in the production line and innovation, and factors, such as population growth, wages, output, quality of technical education may play effective roles. How to explain the current status of the usage of capital in Bangladesh?

Take the concept of incremental capital–output ratio (ICOR) as an example. It explains the relationship between the level of investment made in the economy and the consequent increase in gross domestic product. A lower ICOR is preferred as it indicates that a country's production is more efficient. The current ICOR is reported as 6.06. It means the country is inefficient by using capital if its current position is compared with other manufacturing nations. Raihan has rightly mentioned the need for skill-intensive technology to remain competitive in the global market because the country may not survive by using cheap labour alone in the long run.

Chapter 5 ("Policy Stances and Financial Sector Developments in Bangladesh" by Salehuddin Ahmed) tackles the contribution and the role of monetary policy and the financial sector in Bangladesh's growth story. The country has achieved relatively high economic growth over the past years with a distorted financial system. In this context, it should also be borne in mind that food and energy

make up a significant part of Bangladesh's consumer price index—with food alone weighing close to 60%. The more these components of inflation are determined by international price swings, the less control the central bank has in affecting the overall price level. The author has raised some issues, such as general governance problems, political interventions that are a deterrent to an efficient financial system, among others.

State and Society

Chapter 4 (“Role of Multilateral Agencies and NGOs in the Development of Bangladesh” by S Narayan) examines the role of multilateral agencies and non-governmental organisations in the journey to attain developing country status. The author argues that certain special circumstances in the country's policies enable this success. The chapter specifically looks at four programmes: the population programme, the Grameen Bank, the Bangladesh Rural Advancement Committee, and Proshika. The contribution of the non-state actors in the development discourses in the context of Bangladesh is thought-provoking. This may happen when the government loses trust and thus fails to deliver to its citizens. However, the issues are still in flux and the various pieces of evidence appear to contradict each other at times. More research on this is needed. It seems useful to cite the example of the health sector in South Asia in the context of government failure. Accordingly, the idea of the demand side in the healthcare system originated in response to developing countries' felt need to improve access to and utilisation of health services, particularly among the poor. A few countries in this region have introduced universal health insurance schemes. However, this has not yielded satisfactory results because it cannot offset shortages on the supply side, particularly doctors, support staff, and hospitals. Likewise, many people are unable to buy a health insurance product from the market due to their non-affordability and thus remain uninsured till death. On the supply side, the underinvestment in healthcare infrastructure has long been a problem in this region. Thus, doctors and support

staff are always the victims of alleged lapses in government hospitals. Likewise, the disproportionate gaps are severe and, in turn, lead to denial of healthcare to many. The idea here is to develop sophisticated regulations of healthcare that encourage innovation and expansion. Price controls, for instance, can create shortages, shortcuts on quality, or overcharging in other areas that are equally necessary. They will aggravate rather than solve the supply-side problem.

Chapter 6 by Sreeradha Datta (“Examining the Contemporary Politico-social Fabric”) emphasises the institutionalisation of democracy and allowing space for robust politics may facilitate growth and progress. Chapter 7 by Amena Mohsin (“Women, Development and Empowerment: A Bangladesh Context”) recommends multipronged interventions, such as uniform family law, gender-sensitive academic curriculum, and civil spaces at the state and societal levels to attain equality, justice, and well-being. Chapter 8 by Amit Ranjan and Roshni Kapur (“Militancy in Bangladesh”) is a welcome and appreciable contribution to the literature on militancy in Bangladesh. In Chapter 9, S Narayan and Sarin Paraparakhath (“Energy and Development—Issues of Sustainability”) address some issues relating to the growing energy demand due to the country's manufacturing dependency. The country is heavily relying on gas and coal. The authors have rightly

mentioned that inter-regional cooperation may help the country to import power from Nepal, India, and Bhutan. Recently, the country has joined the green hydrogen energy race with the establishment of a research centre and pilot processing plant. It seems India may emerge as a major exporter of green hydrogen. At the policy level, mutual collaborations are important to transform the country into real *Shonar Bangla*. In Chapter 10, Shamsheer M Chowdhury examines the various aspects of the bilateral relations between Bangladesh and India (“Five decades of Bangladesh–India Relations”), and in Chapter 11, Sreeradha Datta highlights the foreign policy of Bangladesh (“Bangladesh's Foreign Policy—Acquiring New Relevance”).¹ Both the chapters have contributed substantially to enriching the contents of the volume. It also helps the readers recognise them separately even though the issues are mutually inclusive.

The volume is interesting, worthwhile to be read, and well equipped with a wide reference list. The multidisciplinary array of themes makes it useful for economists, political scientists, and policymakers.

Arindam Banik (arindambanik@imi.edu) teaches at the International Management Institute, Delhi.

NOTE

- 1 The typo should be corrected, namely Mujibur Rahman's BNP, p 250.

EPW E-books

Select EPW books are now available as e-books in Kindle and iBook (Apple) formats.

The titles are

1. **Village Society** (ED. SURINDER JODHKA)
(<http://www.amazon.com/dp/B00CS62AAW> ;
<https://itunes.apple.com/us/book/village-society/id640486715?mt=11>)
2. **Environment, Technology and Development** (ED. ROHAN D'SOUZA)
(<http://www.amazon.com/dp/B00CS624E4> ;
<https://itunes.apple.com/us/book/environment-technology-development/id641419331?mt=11>)
3. **Windows of Opportunity: Memoirs of an Economic Adviser** (BY KS KRISHNASWAMY)
(<http://www.amazon.com/dp/B00CS622GY> ;
<https://itunes.apple.com/us/book/windows-of-opportunity/id640490173?mt=11>)

Please visit the respective sites for prices of the e-books. More titles will be added gradually.