



50 YEARS OF BANGLADESH'S ECONOMY

ECONOMIC POLICY AND JOBS NETWORK

ACKNOWLEDGEMENT

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OBJECTIVE AND METHOD

Bangladesh, since its inception in 1971, has come a long way. In its early days, the country largely depended on foreign aid. With a population growth more significant than its GDP, high poverty rate, corruption, the government had been dubbed as a “Test case for development”. But five decades since the Liberation War, Bangladesh now has relatively higher economic stability and better economic prospects. Many economic and social dreams that once felt distant have been fulfilled. Bangladesh has successfully transitioned into a developing country despite many challenges and radiates better hope, with general aspirations of becoming a developed country in the future. We still have a long way to go and prepare for the uncertain future that lies ahead.

On April 4th, Youth Policy Forum (YPF) hosted a session as part of their "Looking Back: Lessons from the Past" series to analyze history and draw policy lessons for a paradigm shift in Bangladesh. The guest for the dialogue was Dr. M. M. Akash. Galib Ibn Anwarul Azim moderated the session. In this brief, based upon the dialogue, we look back on the history that led us to this development trajectory in the past 50 years.



MAJOR FINDINGS

In the last 50 years, Bangladesh has faced tremendous challenges to graduate from Least Development Country (LDC) status. The major turning points that alleviated or/and generated the impediments of our growing economy are discussed critically below.



EARLY EXPERIMENTS TOWARDS A SOCIALIST ECONOMY

During the postwar period, the distinguished economists set forth a five-year plan from '1973-'78. The key objective was to build a society based on equity and social justice. Development approaches of various socialist regimes of the 1970s world were considered during development planning. Initial experiments did not bring good results; motivations of major political forces, bureaucracy, and other important state institutions did not align together towards building a socialist state. Corruption also emerged, and the economy devastated by war could not endure the mismanagement. Political counterrevolution in 1975 altered the trajectory towards the emergence of a market-based private sector-led capitalist economy. Since the 1980s, the economy has evolved based on market-driven neoliberal policy approaches (Washington Consensus).



AN APPROACH TOWARDS A MIXED ECONOMY

Evaluating Bangladesh's growth trajectory in the last five decades, a desirable pragmatic approach would be for the state to manage the capital productively rather than solely relying on unregulated private ownership. This way, the profit and tax revenue can be used by the state for the social benefit of the public. Public sector institutions depending on their relative capacity to manage, should try to own critical strategic sectors. "Sectors which could transform into monopolies should be barred from being privatized," Dr. Akash says "this is so that the 1% of the population do not have control over the 99% and to ensure the nonintervention of big private owners/houses/families into politics and economy of the country." On the other hand, small and medium industries such as the garment industry are better off under private ownership. The interface between the public and the private changes every day; thus, flexibility is needed, and hence it would also be sometimes inefficient to run by a bureaucracy. Therefore, small and medium entrepreneurs in competition with each other are better equipped to run a garment factory. Public and private sectors could co-exist to manage the total capital as efficiently as possible and maximize the social benefit of the people in general. With their tendency of capital transfer out of the country, big houses seeking rent and monopoly profit are to be discouraged as much as possible. The politics and state policies should not be guided/controlled by a narrow influential ruling oligarchy.



GROWTH OF DIVERSIFIED SECTORS

Both the market mechanism and private sector of appropriate size and power have significant contributions to productivity growth in various sectors. In many cases, Private ownership ensured competitive efficiency and robust growth. For instance, the success of the farmers of our country is beyond doubt. The garment industry and some SMEs also have resulted in labor-intensive export. It led to an increase in the labor force where employment has been created for many people, especially women. Women who once stayed back home can now migrate to the city and work as garment factory workers. These families usually had one breadwinner, but now they have two. These sectors have also been earning a large part of the foreign currency through exports. Secondly, we have utilized our Bangladeshi migrant laborers, who contribute to a substantial portion of our foreign remittance. The growth in the Middle East and their labor shortage has resulted in them hiring both skilled and unskilled labor worldwide. Bangladesh has successfully grabbed this opportunity: it is estimated that about 8 million Bangladeshi laborers are spread across the Middle East. Not only has this reduced unemployment, but these laborers are also now earning more than what they did back home. A significant portion of this labor force could only earn around 5,000-15,000 Taka per month back in the country; after migrating, this figure could rise to 30,000 Taka per month. These laborers would then cut back on their expenses to save as much as possible and send the rest of it back home. This foreign remittance has been crucial for the considerable foreign currency reserve the country now has and has made us less reliant on foreign aid.

Economic and social policies should be geared to empower these productive classes.



THE WAY FORWARD

Over the past 50 years, Bangladesh's achievements have been remarkable. Soon after its independence in 1971, Bangladesh faced horrendous famine and poverty, but recently the poverty rate has been reduced to 24 percent from 75 percent. In 2015 Bangladesh stepped towards becoming a lower-middle-income country from being a low-income country, and the United Nations endorsed Bangladesh's graduation from a Least Developed Country (LDC) by 2026. These transitions were viable because the country's intellectuals over the years have been planning an efficacious framework together to support robust economic growth. Economists and Researchers are working on the progress of the country's economy by considering past lessons. By fighting against gender disparity, alleviating poverty and inequality, and decentralization, our economy could achieve sustainable development. However, to continue with the wondrous journey, the economic and political institutions should be inclusive, meritocratic, competitive, and pluralistic. It will encourage everyone except the monopolist to engage and invest in serving for the better cause and side by side prevent anybody from becoming an exclusive monopoly and misuse of power. Hence, by starting a

comprehensive democratic and competitively efficient development process, granting opportunity for the engagement of the larger population in the economic and political process can make the 50years of economic growth even more sustainable, equitable and higher.



CONCLUSIVE REMARKS

Bangladesh's future shows promise. Within the next two decades, the poverty rate in Bangladesh could go below 5%. Even income disparity could decrease if and only if we can ensure a democratic, inclusive development framework. Bangladesh is on its trajectory to become a middle-income country and hopefully, before long, will stand with her head held high on the global map. The issue is whether it will be a picture of "Giants and Dwarfs" or it will be a picture of "Happy and Prosperous Citizens".