

People's Freedoms and Development in Bangladesh: The Political Economy Perspectives*

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The Framework

In order to understand the political economy perspectives of the way in which the economy of Bangladesh is moving, one may profitably start with Amartya Sen's definition of development as freedom (Sen 1999). He argues that freedom relates both to the substantive opportunities that people have and the processes that enable them to decide and act accordingly. He has identified five types of instrumental freedoms which are individually and collectively important for people to enjoy in order that they can improve their conditions of living by overcoming constraints and unfreedoms. These instrumental freedoms are political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security, each involving an opportunity aspect and a process aspect. Simultaneous availability of different types of freedom is important because unfreedom in one respect (say economic) can foster unfreedoms in other respects (viz. social, political) in a reinforcing fashion.

Assuming that there exists a social environment which provides equitable opportunities for all, the people may benefit—the goal being to benefit equitably—by taking advantage of them if the processes available allow them to do so. It may just be the case that the socio-political-economic environment is one which offers very little opportunities, let alone favourable processes, to people at large. Again, the policy framework may offer opportunities but the ongoing processes may severely constrain the ability of many to take advantage of them. In fact, only if transparency guarantees are ensured such that there is openness in society in terms of access to information and participation in debates leading to decision-making—that is, if there is a basic trust permeating social

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behaviour in relation to decision-making concerning the particular country's political, social, and economic management—can there be appropriate opportunities for all segments of society. The various processes must include policies and programmes that improve the capability of the people to participate in them effectively, and must also be underpinned by ethics and morality to provide all segments of the population a fair playing field for them to take advantage of the opportunities.

If such freedoms (favourable opportunities and processes), as explained above, are indeed available to the people, it can be expected that they will effectively participate in various social transformation processes and benefit equitably. It is possible, however, that some people may still not be able to participate or benefit much from those generally favourable opportunities and processes because of destitution, physical problems, or sudden impact of natural hazards such as floods and cyclones. Those who may be left behind in this manner in a properly functioning society, where the various freedoms are available to all to take advantage of, should be a very small minority. For these people, it is necessary to ensure security in relation to access to food and other basic needs through transfer payments such as unemployment benefits, statutory income supplements and relief measures, and short-term employment opportunities, as necessary and appropriate.

Let us now examine how far the freedoms are enjoyed by the people of Bangladesh.

The Economic Freedom¹

Bangladesh has been vigorously implementing neo-liberal economic and other reforms² since the early 1990s. The process was initiated and is being pursued under aid conditionalities. The resulting economic impact is not encouraging.

Since the mid-1990s, Bangladesh has achieved average annual GDP and per capita GDP growth rates of over 5 per cent and over 3 per cent respectively. Regarding the overall GDP growth rate, the achievement since the mid-1990s is not much higher than that (4.8 per cent) achieved during the period from independence to the mid-1990s. But, the recent per capita GDP growth rate is indeed encouraging. A major contributory factor to the latter is the significant

¹ Sources of data quoted in this and the following sections are (Bangladesh Bank 2004; MoF 1999 and 2004; UNDP 2003 and 2004).

reduction achieved in population growth rate. However, given the low base, the amount of per capita GDP remains very low, only about US\$400. The country's population size is very large³, given that the geographical area of the country is 147,570 sq km, making the country the most densely populated in the world (except for the few city and tiny states) at 920 persons per sq km.

The stickiness of economic growth at just over 5 per cent per annum, on average, since the mid-1990s, is largely due to stickiness of investment, which has been around 23 per cent of the GDP for the past several years. There has been a moderately increasing trend in the private sector investment but that has almost been matched by a declining trend in the public sector investment. The domestic savings ratio has also remained virtually stagnant around 18 per cent of GDP over the past number of years. Significant increases in the remittances by Bangladeshis working abroad have ensured a modestly rising national savings ratio (which was 24.5 per cent of GDP in 2003/04, having risen from around 21 per cent in the mid-1990s). Foreign aid (grants and soft loans) actually received annually, on average, in recent years has been only around US\$1.5 billion, less than 3 per cent of GDP

² The thrusts of these reforms are privatization and deregulation of production and distribution of goods of various types as well as of utilities and services such as education, health services, telecommunication, electricity, and water; and governance reforms including rolling back of the government. However, many of the reforms such as those relating to improving the efficiency of the fiscal and monetary measures, improving governance by removing corruption and establishing transparency and accountability, and improving coordination and effectiveness of the implementation of policies and programmes should be carried out even if there is no donor intervention. However, the donor-imposed reforms are often standard packages, which are applied to aid-dependent developing countries around the world, regardless of the differing realities faced by them. In many cases, hardships are imposed on the reforming countries as a result of reforms and adjustments undertaken, particularly on the weaker segments of their populations. Also, the pace, pattern, and sequencing of the reforms, determined as aid conditionalities, are often out of step with the prevailing realities. As a result, the reforms either cannot be undertaken or create undesirable distortions and impose avoidable hardships. For example, subsidies may be necessary to enable the farmers to access much needed inputs. But, giving of such subsidies is not allowed by the donors, thereby imposing hardships on the farmers and causing economic set-back for the countries concerned as the agricultural sector has the pre-eminent role in developing countries as sources of food, raw materials, and exportable commodities and of demand for the products of manufacturing and other non-agricultural sectors. Globally, in the wake of neo-liberal reforms, 54 countries are now poorer than in 1990; and in 21 countries more people are now hungry than in 1990 (UNDP 2003). The situation in Bangladesh has been analyzed in the text of this paper.

³ The total population is currently 135 million according to projection based on 2001 Population Census; but there are contentions that it can be significantly higher than that—may be as high as 145 million. However, population size-linked figures used in this paper are based on 2001 Population Census.

on gross basis and about 2 per cent of GDP on net basis (i.e. after debt servicing and other related expenditures).⁴

The direct foreign investment (DFI) has remained very low. In 2003, the annual FDI inflow was the largest yet at US\$432 million, which accounted for only about two-thirds of one per cent of GDP in that year.

Also, productivity in most sectors is low. Although agricultural production (crops, livestock, and fishery) has increased at an encouraging rate of about 3.5 per cent per annum, on average, since the mid-1990s, agricultural productivity still remains low compared to, for example, that in China.

Moreover, the overall and per capita GDP growth rates conceal the fact that income distribution is extremely skewed and that income disparity has in fact been accentuating. The national income share of the bottom 20 per cent of the population declined from 6.52 per cent in 1991/92 to 4.97 per cent in 2000, while that of the top 20 per cent increased from 44.87 per cent in 1991/92 to 55.02 per cent in 2000. The Gini coefficient increased from 0.388 in 1991/92 to 0.472 in 2000. About half the population of the country is absolutely poor and one-third extremely poor on the basis of basic needs calculation. The poverty ratio would be much higher than 50 per cent if a human dignity line (where freedom of choice and pursuit of chosen paths—social, economic, political—are guaranteed in addition to access to basic needs) is considered.

The large majority of the population consisting of the poor and those shakily above the poverty line suffers from extremely limited or complete lack of access to land and other assets and employment opportunities. Land is the main source of income and employment in rural Bangladesh, where over three-fourths of the country's population lives. About 55 per cent of the rural households are absolutely or functionally landless, and another 31 per cent marginal to small farmers. The landless and land-poor categories, therefore, account for 86 per cent of the rural households.⁵ Access to other assets is also extremely limited for the large majority of the country's population because of low income, low savings, and limited access to credit and information. Micro credit programmes provide some succour to a significant number of deprived people in the country, but even micro credit is not available to the lowest 15 per cent or so of the population

4 In fact, foreign aid received is much lower in real terms, and has been declining over the years.

5 Data on land distribution quoted here refer to 1995/96, the latest year for which soil data are available. If anything, the situation may have worsened since then.

because they lack minimum economic ability (landownership) required to qualify to receive micro credit. Also, micro credit is a stop-gap survival strategy, which has not contributed to the initiation of a development process aimed at upgrading the living conditions of the poor and disadvantaged on a sustained basis.

Unemployment runs at such a disturbingly high level of about 40 per cent of the person-days available in the country, involving both educated and uneducated people. Furthermore, the return from self-employment in rural non-farm and urban informal sectors in which large numbers of people are engaged is very low. Also wages/salaries received by large numbers of people engaged in unskilled, semiskilled, and non-professional jobs in various sectors are very low.

Clearly, therefore, majority of the population of Bangladesh cannot participate effectively in the economic process and therefore remain disadvantaged, although it is claimed that market provides opportunities to all. The reality is that in the freely competitive dispensation that market economy entails, the rich and powerful dominate and take all or most of the benefits while the poor and disadvantaged cannot even begin to compete in an effective manner as they are not only income- and asset-poor but also capability-poor.

Social Freedoms

In the social arena, a number of significant successes have been achieved in Bangladesh. These include the already mentioned reduction in population growth rate; significant reduction in infant, child, and maternal mortality rates; substantial progress in education in general and female education in particular; and access to clean drinking water. Regarding access to clean drinking water, the very significant improvement achieved up to the mid-1990s through the spread of tubewell has since been jeopardized as a result of large-scale arsenic contamination of tubewell water, which in fact is a major health hazard in the country now. A major problem relates to access to sanitary facilities, about 70 per cent of the population remaining deprived in this regard.

The persistence of poverty at high levels has already been mentioned. Poverty reduction achieved during the 1990s was about one percentage point a year so that the poverty ratio declined to about 50 per cent by 2000 from about 60 per cent in 1991/92. The ratio may have further declined to 46 per cent by 2004 if the same rate of decline as that achieved during the 1990s has continued since 2000. But, with the population increasing (by about two million a year even now), the number of poor people on the basis of access to basic needs remains as high as around 65 million, a figure not much lower than the total population at the time of independence.

The rampant unemployment, as noted earlier, has been a major cause behind the widening and deepening anti-social activities in the country. Frustration caused by the persisting unemployment, particularly among the educated youth, not infrequently leads the concerned young people to take to drugs and get involved in crimes and violence. Such frustrated young people are often available for recruitment by political and other godfathers of crimes, corruption, and violence to front for them (godfathers) and undertake all kinds of anti-social and violent activities at their (godfathers') behest.

Law and order situation in the country is precarious, and so is security of life and poverty as a consequence. Rule of law is talked about a lot including in government circles, but not established by taking appropriate steps. The consequent sufferers are the downtrodden, i.e. excluded majority. Judiciary is not yet separated from the executive, despite a Supreme Court directive to that effect issued years ago.

Social exclusion is large and sharp. Social capital is underdeveloped as the institutional base, coordination, norms, and practices remain grossly underdeveloped. *The Global Competitiveness Report, 2004-2005* of the World Economic Forum (WEF) puts Bangladesh at the lowest (i.e. 104th) position in terms of public institutions index, among 104 countries surveyed.

Political Freedoms

The political atmosphere in the country has remained confrontational. Indeed, the opposition is also part of the government, but there has never been a proper role played by the opposition in Bangladesh. The government has always followed a go-it-alone attitude. This has been so despite the fact that it is widely recognized in the country that a consensus across political parties, in government and outside, on major national issues is necessary to address the problems effectively.

Politics in the country has also become entrenched in money and muscle power. Given that politics is not employed in this country to serve the interest of the people but is pursued essentially by the politicians for the purpose of their own aggrandizement, the goal of politics has in fact been: to capture or retain power by hook or by crook. In this political atmosphere, people with ulterior motives such as those who have amassed wealth through corruption, black-marketeering, and other illegal means have joined politics and many have won elections becoming lawmakers. They spend a lot of money in getting elected but, then, collect much more during their tenure of office through corruption and siphoning-off of development resources through various illegal means such as capturing contracts and bestowing favours in exchange for grafts. The political process has in fact become criminalized.

In order to cover up for their failures in achieving good governance and socio-economic progress for all, the political leaders rhetorically harangue the people on how people-oriented their policies are, how much they are trying to promote people's causes, and how much they are succeeding in their nation-building efforts in the interest of all citizens. Those in power also sharply castigate the opposition for disrupting their (i.e. of those who are in power) genuine efforts to ensure progress towards achieving the goals of poverty alleviation and socio-economic progress of all segments of society. But, the reality is: the people at large have seldom been the true focus of the government approach to development. Therefore, the country remains characterized by rampant poverty, deprivation, disparity, and exclusion, as indicated earlier. In fact, it is greed for power and wealth that guides politics more than anything else. It is also a greed mentality that drives a whole lot of people to become cronies of the power that be, seeking crumbs. Some of these cronies, regardless of their qualifications, are appointed to key government positions. When so appointed, they usually act in the manner that will please the masters. Ironically, the political leaders profess that the people are the source of all political power in the country; but in reality once in power secured by hook or by crook they (the political leaders) seek their own aggrandizement, leaving the ordinary people behind to languish in poverty, squalour, and without any real opportunities to improve their conditions.

Under the circumstances, the large majority of the people cannot meaningfully participate in the political process in the sense, for example, of freely exercising their right to vote, choosing who would govern them, determining the principles according to which they would be governed, and how development policies and programmes would be formulated. They cannot vote freely because of intimidation and threats to their lives and livelihoods perpetrated by the hoodlums engaged by power-hungry candidates and their parties. In the process, the so-called political leaders and parties contemptuously cast aside democratic values, norms, and practices.

Clearly, the ordinary people remain excluded from any meaningful participation in the political process.

Protective Security

As argued earlier, in a properly functioning democratic governance and economic management, those, who may not be able to participate in social transformation processes in a meaningful way because they are genuinely capability-deprived, would be a very small proportion of the population. But, in Bangladesh, a large proportion of the population (one-third of the country's total population is extremely poor but many others join their ranks from time to time due to natural-

hazard-caused sudden poverty) is bypassed by both the opportunities and processes. Therefore, although there are such programmes as old age allowance, vulnerable group development, and food for work, a significant proportion of the population remains unprotected, languishing in extreme impoverishment.

Transparency Guarantees

Governance in Bangladesh remains extremely poor, characterized by pervasive corruption, wastefulness, bureaucratic procrastination, lack of coordination, favouritism, and politically motivated decisions. Lack of transparency is pervasive in relation to, for example, access of people to information, to institutions providing government services, and to appropriate mechanisms for influencing government decisions. Under the circumstances, naturally there is no accountability.

In the absence of transparency and accountability, the country is being run by a system which may be best described as ‘democratic autocracy’ or ‘autocratic democracy’. As long as political governance remains as such, which is also underpinned by pervasive corruption and criminalization, the economic and social management is bound to be power-that-be-centred, excluding the people at large. Indeed, this has been and is the reality in Bangladesh.

Conclusion

In this paper the point of departure has been Amartya Sen’s approach to development conceived in terms of enhancement of people’s substantive freedoms. Let me conclude by referring to the last sentence of his book *Development as Freedom* (Sen 1999): ‘Development is indeed a momentous engagement with freedom’s possibilities.’ The possibilities of freedom are indeed immense and diverse—in fact, freedom has a thousand charms.⁶ But, the question remains: how to ensure that freedoms are actually enjoyed by the people of Bangladesh, whose unfreedoms and adversities are overwhelming, as explained in this paper. Although these people are not slaves—technically speaking, they do not experience, to any meaningful extent, any of the multitudes of charms that freedom engenders. This observation is in fact pertinent to developing countries in general.

Although it should be in their enlightened self-interest, it is unlikely that the power elites of Bangladesh and elsewhere in the developing world will create conditions (equitable opportunities and processes) for the people to enjoy the

6 The eighteenth century poet William Cowper, quoted by Sen (Sen 1999, p. 298), puts it:
*Freedom has a thousand charms to show,
That slaves, howe'er contented, never know.*

charms of freedom so that they are enabled to shape their own future. Again, experience from around the contemporary world testifies that the ruling neo-liberal paradigm works only for the rich and powerful and not for the poor and disadvantaged, although it proclaims that market can do all the tricks for everybody while the government is assigned the role of a facilitator only. It seems clear enough from global experiences that, contrary to the expectation of Amartya Sen, the contemporary governments around the world would not generally create conditions for the people at large to enjoy substantive freedoms, because these governments are not people-centred; *nor* would the now flourishing unfettered free market generate conditions for the people at large to participate in the neo-liberal governance and socio-economic processes effectively, contrary to the claim of the *Guru* of neo-liberalism Milton Friedman that it would. In reality, hardships continue to be heaped on the poor and disadvantaged people in developing countries around the world. Similarly, at the international level, many developing countries have, as noted earlier (see footnote 2), experienced absolute declines in their fortunes and many others are suffering from glaring and increasing relative deprivation.

Horns of a dilemma, indeed. What can, then, be the way forward for the people at large within countries and for the deprived countries internationally? Challenges are emerging and spreading around the world against the injustices and hypocrisies of neo-liberalism; and, although still very few, important successes are being secured.⁷ Will the emergent challenges gather enough momentum to bring about a paradigm shift to participatory democracy and inclusive, equitable socio-economic-political opportunities and processes, ensuring substantive freedoms to people at large within nations and an internationalism of equals? To make a categorical prediction right now may be premature, but it can be argued that the tremendous hardships and large-scale deprivations and exclusion caused by neo-liberalism at both national and international levels constitute powerful and urgent enough concerns to give rise to such a paradigm shift.

⁷ An example of a recent historic success is that the people of Uruguay have, through a referendum held in November 2004, introduced a Constitutional amendment that water is a human right which must be provided by the State (i.e. by public agencies). This may be one step in the right direction in one country, but it is a giant step in so far it shows the way forward in relation to the people's demand that the provision of utilities are essentially the State's responsibility. (Prentis and Richards 2004).

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