

# Interaction of Productive Agents and Future of Bangladesh Economy

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## Abstract

Market interaction of productive agents in Bangladesh has greatly changed the relative factor supplies, factor prices and the employment and unemployment of productive agents along with changes in ecological and environmental imbalance, material and spiritual welfare. These are reflected in social and political inequities, widespread corruption of the Government and non-government organizations, social conflict and political violence. These, in their turn, have been due to a historical emergence of low land-man ratio, high capital-labor ratio, a fall in the employment ratio and a rise in the dependency ratio, an adverse export-import ratio, tax-GNP ratio, debt-GNP ratio, and balance of payments position. Widespread poverty and unemployment gave birth to social unrest, political instability and rivalry. This paper starts with an overview of socioeconomic situations obtaining in the country and ends with a model of socioeconomic development that can address the major socioeconomic problems.

## Introduction

The market interaction of productive agents begins with their employing them in producing goods and services for consumption and further production. Entrepreneurs in public and private sectors of production are human agents to carry on this process. Productive human agents are those that are directly and indirectly engaged in socially and economically productive activities in public and private sectors of production. Socially unproductive human agents are unemployed persons in the society. They are unable or unwilling to find employment opportunities in any productive sectors, and depend on the benevolence of private persons and Government agencies. Socially counterproductive human agents are those involved in smuggling, abduction of the wealthy or their wards for ransom and forcible extortion of income and wealth

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from socially productive agents. Counterproductive agents, therefore, interfere with activities of productive agents or violently damage their factories, machinery, equipment, etc. in order to make their living or fortune. The perverse response of counterproductive agents became regular in the last decade or so. If allowed to go on like this, the development process in Bangladesh is bound to lose momentum and to become socially and economically harsh, painful, inequitable and corruptive of human souls.

The objectives of this paper are to assess the current socioeconomic situations in Bangladesh and work out a development strategy based on economic realities of the country. The main hypotheses of the study center round the fact the market interaction of the productive agents in this country scarce land and capital using and labor saving production techniques which are sure to slow down the pace of the country's economic growth. Given the political scenario of acute rivalry for political power and the huge unemployment of the labor force, Bangladesh will possibly continue to witness a corrupt, unethical and violent society, much to the suffering of disadvantaged and vulnerable groups of people.

The study uses available empirical facts to test the development strategy that this author developed in his book, *Socioeconomic Development and Human Welfare* [Rajshahi, 2000] in a general interdisciplinary setting. The present paper is a slightly modified version of that strategy. The modification is needed due to scarcity of data on several concepts. Despite citation of many facts, adequate economic, social, political and ecological data could not be found. Hence, alternative hypotheses had to be dovetailed with secondary data in order to illustrate viewpoints.

### **Impact of Market Interaction on Natural Resource Demand**

God created the heavens and the earth out of nothing but the four forces of nature[1] But His agents in the earth, namely the tribes and nations of mankind, cannot do so. Yet, western scientists have succeeded in converting given matter into energy and energy into matter with the aid of knowledge and technology borrowed from His creative process. This is a remarkable achievement of human agents. The geographical location and physiography of Bangladesh have made her susceptible and vulnerable to the interplay of the forces of nature, causing cyclones, tornadoes, tidal bores and rain-fed floods. These cause damage to standing crops, erosion of cultivable land and destruction of households. The alluvial soil of the country, with plenty of seasonal rainfall, is naturally very fertile and productive of renewable natural resources like food crops, cash crops, fruits,

vegetables, fish, shrimp, etc. But her non-renewable natural resources are only few like coal, hard stone, limestone and natural gas with unknown reserves. These are unlikely to make her industrially rich without laying the foundation of chemical industry based on these mineral resources. Geologists are yet to know what are there underground. Per chance, fossil fuel of crude oil in her gas fields may change her fortune. Otherwise, Bangladesh will have to toil hard to restrict her population growth very drastically in order to attain the zero or even a negative rate of population growth. At the same time, she has to accumulate enough physical and financial capital as well as human capital to bring about technological improvements and industrialize the country with the aid of imported raw materials in the same way as Singapore and Taiwan have done[2.]

Bangladesh trails far behind industrial countries of the West and the Far East. Our problem stems from the fact that we cannot even locate where the reserves of non-renewable resources are hidden underneath the land and water surfaces. Agriculture, forestry, poultry, fish and crustacean are the principal sources of renewable raw materials. Minerals like coal, crude oil, gases, iron ores; deposits of natural elements are the principal non-renewable raw materials. Known reserves of non-renewable natural resources in Bangladesh are only a few: coal, gas, limestone, hard stone (granite), etc. Hence, the country has a poor endowment of non-renewable natural resources. But the possibility of raising renewable raw materials from the land and water resources is enormous provided that the people of the country are educated in life and earth sciences such as different branches of biology and botany, soil chemistry, entomology, microbiology, tissue culture and genetic breeding, manure, fertilizers, insecticide, etc. But study on the impact of using genetically modified (GEM) seeds, plants, chemical fertilizers, insecticides needs careful field supervision, laboratory research and extension services in order to avoid genetically degraded ecological and environmental conditions. Such conditions can occur due to repeated use of untreated seeds and plants. Hence, natural resources are in short supplies.

### **Degradation of Ecological and Environmental Conditions**

Bangladesh State of Environment Report 2001 identified five main environmental problems. These are (1) degradation of the land quality, (2) water pollution and water scarcity, (3) air pollution, (4) loss of bio-diversity, and (5) natural calamities. A rapid rate of population, growth, unplanned land use, excessive and reckless use of natural resources, unplanned urbanization and industrialization, and an uncontrolled excretion of industrial waste and emission of poisonous gases

from industries and vehicles have been held responsible for the environmental damage[3.] Because of becoming one of the most densely populated countries of the world, Bangladesh is direly in need of maintaining the ecological balance of her land, water and air resources.

With the replacement of the British administration by Indian and Pakistani administrations in August 1947, the degradation of land and water resources of South Asia began slowly but surely. East Pakistan had to increase her net-cropped area at the cost of current fallow land. The land not available for cultivation increased from 5.35 million acres to 6.23 million acres. Cultivable waste went down from 4.28 million acres to 1.93 million acres [4.] The Jamuna-Ganges delta of India, and the Ganges-Brahmaputra-Tista Delta and the Surma-Kushiara-Meghna Delta of East Pakistan became victims of this negligence. Perhaps, the demand for land for cultivation and other uses, changed for the worse in the post-independence days of Bangladesh due to unplanned construction of roads and highways, undermined the importance of the waterways. Similarly, the construction of office buildings and residential houses increased the loss of cultivable land.

An extensive use of underground water in place of rainwater, reckless release of industrial waste in rivers and canals, and replacement of green manure and crop rotation by chemical fertilizers and insecticides resulted in the deterioration of quality and contamination of air and water resources. The “greenhouse index” of air pollution is still low in Bangladesh. This index for all low income countries excluding India and China was as low as 9 per cent in 1990 [5.] Industrial waste, hazardous chemicals and metallic particles are the main agents of such pollution of land and water resources. Yet, the capital city of Dhaka has become one of the most polluted cities of the world with respect to air and water pollution. Some beginning has recently been made to arrest the process of pollution in metropolitan cities of the country [6.] But the overall environmental condition remains in a critical state due to the operation of “greenhouse effect” and destruction of the ozone layer of the atmosphere, causing a rise in the global temperature and water level of the seas and oceans [7.]

The powerful earthquake of August 1950 in the Indian Province of Asam brought about some major changes in riverbeds, the soil configuration and soil quality of Bangladesh and in the water-carrying capacity as well as the navigability of her rivers and their tributaries [8.] It has also increased the susceptibility of the country to rain-fed floods due to accumulation of silt in her riverbeds, thereby increasing their width and eroding their banks. These changes have greatly

increased the incidence and frequency of floods, which have frequently become a problem in some parts of the country almost every year [9.] The pollution of her river water and the Bay of Bengal water, [10] and the shrinkage of her coastal land, hill-tract and reserve forest areas have possibly increased her vulnerability to the incidence of cyclones and tidal bores owing to changes in ecological conditions of the Bay water.

The construction of the Farakka Barrage on the Ganges in India and bridges over rivers flowing through Bangladesh will further silt up her riverbeds, thereby diminishing the water carrying capacities of these rivers and eroding their banks. Construction of a network of roads and highways connecting the major cities of Bangladesh has claimed a significant portion of her arable land. It causes an uneven distribution of floodwater and has reduced the cultivable land. This could have been avoided if her rivers were made highways for transportation of passengers and loads of merchandise. The siltation of rivers and their tributaries increased the cost of dredging. But the procurement of optimum-size dredging boats was a problem due to the inexperience of high-ranking Government officials. The erstwhile Governments of East Pakistan and the post-independence Governments of Bangladesh gave preference to land-consuming transport system in this land scarce country. The independence of Bangladesh increased the importance of the Capital City of Dhaka nearly thousand folds. Consequently, road, water, land-ports, river-ports, highways with bridges and international airport connections to the City have been established, expanded and modernized. Government and private offices, hotels and motels, hospitals and clinics, shopping complexes, residential model towns, community centers, schools and colleges, institutes and universities, inter-city bus stands, rest houses and many other establishments have been erected on road sides. All these facilities and utilities have claimed considerable cultivable land. As a result, the per capita availability of arable land came down to 0.25 acre and cultivated land per farm to 1.5 acres in 1996 [11]. The losses of cultivable land on these accounts are irreversible. The Government preference for land-routes has also made her dependent on import of foreign trucks, buses, import of spare parts, and petrol, oil and diesel to run them [12.] The choice has also hastened the air and water pollution of the country much earlier than the progress of her industrialization would have brought this about.

Construction of residential buildings, commercial and industrial establishments near riverbanks in Dhaka and Narayanganj have caused dangerous spillage of their waste into the Buriganga and the Shitalakhya rivers. The water quality of rivers in the country has so changed as to make this unfit for drinking and bathing.

The environmental degradation might have also affected her renewable natural resources like fish in lakes and ponds. Deep tube-well irrigation has been responsible for affecting the soil quality due to accumulation of lime, iron and sulfur on the soil surface. Shallow tube-well water has become a source of arsenic polluted water. Application of chemical fertilizers changes the soil quality and chemical insecticides destroy bio-diversity. All told, changes in the air, soil and water qualities have become a health hazard for the people [13] Introduction of GEM seeds has become a mechanism of exploitation by producers and dealers of these seeds. Social costs of HYV technologies have been under-estimated.

It follows from the foregoing discussion on the interaction of the productive agents in Bangladesh that the net supply of cultivable land has actually gone down in the face of a sharp rise in her population and labor force. The reserve forest area (permanent pasture) of the country has come down to about 5% and her water resources stand contaminated. Ecological conditions of the country have deteriorated due to the pollution of air.

### **Excess Supply of Manpower and Unemployment Situation**

According to the 1999/2000 Labor Force Survey, the total labor force of Bangladesh was 60.3 million of which 37.5 million was male and 22.8 million female. Agriculture employs 62,3% of the labor force. Informal sector employs most of the non-agricultural labor force. Employment in the manufacturing sector declined at the rate of 8.8 per cent during the first half of nineties [14]. As regards the education of the labor force, the adult literacy rate was 24% in 1996, and then it suddenly increased to 47.3% in 1999. The primary enrolment ratio was 54% in 1996; and then it jumped up to 65% in 1999. These are apparently some impressive cases of progress in increasing adult literacy and primary education. The impact of this spectacular literacy rate on the socioeconomic development of Bangladesh cannot be assuring in view of huge unemployment of the labor force. The unemployment figure increased from 8.12 million in 1972-73 to 12.01 million in 1996- 97 [15.] About 2.0 million people join the labor force every year. This growth rate will continue for at least two decades before it begins to taper off [16.] The unemployed will sooner or later get involved into antisocial activities like smuggling, theft, robbery, addiction to drugs, etc.

### **Human Development in Jeopardy**

A decrease in absolute poverty and an increase in the access of the absolute poor to basic needs together with a sharp rise in primary school enrolment and the

expectancy of life at birth should be strongly indicative of human development in this country. Yet the ranking of Bangladesh in the UNDP list went down from 135 in 1992 to 143 in 1996 and then to 145 where it remained constant over the last few years. This is the lowest human development ranking in the Subcontinent. No doubt, it is a matter of relative change in position, which is indicative of the fact that the country has fallen behind her neighbors. The fall might have been due to low level of human capital formation, the impact of corruption at all levels and lack of good governance in the country manifest in political and non-political killings, abduction of industrialists and businessmen for ransom. The low level of moral and ethical values is reflected in rapes of women and children, throwing of acid to wives for failing to bring dowry, and to young girls for failing to respond to their one-sided call for love, and so on. From the psychological point of view, the delinquency of boys may also be due to watching love scenes in motion pictures over cinemas and video screens. Further, the preferential treatment of the Government to girls in education possibly has caused envy among boys, who possibly show their reaction to the Government policy through perverse behavior to girls. Although female education is desirable from the family, social and national points of view, discrimination against boys in a male dominated society is sure to have adverse reaction among boys. The high rate of male unemployment is much more dangerous than unemployment of female population. Days are not very far when poorly educated and unemployed boys will try to marry educated and employed girls forcefully. Above all, government emphasis on economic development unaccompanied by corresponding social development with a sufficient bias toward religious education for moral development in many families and schools might have been a potent cause of delinquency at the adolescent stage

### **Human Capital Formation**

As regards human capital formation, Bangladesh lags far behind other South Asian countries with respect to Government budgetary allocation to higher education for human capital formation – only 8% against India's 14%, Pakistan's 18%, and Nepal's 28 per cent in the period 1990-1994 [17.] The Government seems to be enthusiastic about proliferation of institutions but niggardly with regard to budgetary allocation to education. It hardly comes up to 2.5% of the GNP. This figure compares unfavorably with India's allocation of 3.8%, Sri Lanka's 3.2, Nepal's 2.9%, and Pakistan's 2.7% in 1994. [18.] Although recent figures for budget allocation to higher education are not available, political situation in these countries will force them uphold the past trend. No doubt,

Bangladesh Government have given a high preference to primary education, whereas India, Pakistan, Nepal and Sri Lanka gave rather a high preference to generating high-level manpower. Commercialization of education and liberal Government subsidy to private colleges has been responsible for a rapid multiplication of institutions for turning out inferior human capital. Educated unemployed labor will face tough time to find private jobs or to be self-employed. Political parties may hire them to work as their party supporters and muscle men. As a result, the political weather and climate of the country may become much more turbulent in course of time.

Private investment in higher education for human capital formation amounts to thousands of millions in Bangladesh taka. But the cost, quantity, quality and benefit of this education from the social point of view are rather dubious. Much less satisfactory is the quality of her human capital. While high quality of higher level education is essential to promote entrepreneurship growth the corrupting and degrading politics of successive governments has transformed institutions of higher education into battlegrounds for party-affiliated student organizations. Organizations of teachers and officers have their own political parties. Politics has now become a business in Bangladesh just as Bismarck of Germany rendered warfare into commerce [19].

The result of all this is that education and human capital formation in Bangladesh is now in jeopardy. Polarization of politics and politicization of educational institutions at all levels will serve no other purpose than making Bangladesh a violent, intolerant and iniquitous country destined to be destroyed, unless people change their souls and return to norms of standard behavior becoming worthy of a tolerant and inequitable society.

### **Demand-Supply Structural Imbalance in the Capital Market**

The capital resources of a country consist of physical, non-physical and financial resources. Physical capital can be classified into directly and indirectly productive capital of an industry. Machinery, equipment, etc. constitute fixed or directly productive capital. Factory site, building, transport vehicles, etc. constitute indirectly productive physical capital of the industry. Financial capital is indirectly productive variable capital [20.] Financial institutions, roads, highways, railways, bridges, marine merchant ships, dockyard and shipyard, river boats, launches, seaport, airport, land port, irrigation canals, dykes, embankment, power-generating and distribution systems, etc. are major components of economic infrastructure of the country. Hospitals, schools, colleges, universities,



vocational training centers, research institutes, stadium, playground, museum, mosque, temple, church graveyard, etc are social overhead capital or infrastructure of the economy. The total money value of all these directly and indirectly productive agents make up the capital stock of a country. Annual saving and investment add to the total stock of capital.

As regards financial capital, the internal saving increased from 14.6% in 1990/91 to 14.7% in 1995/96 and to 17.9% in 2000/01, while the national saving increased from 19.7 per cent of the GDP in 1990/91 to 22.4% of the GDP in the latest financial year. The total investment increased from 16.9% of GDP in 1990/91 to 20.0% in 1995/96 and to 23.1% in 2000/01. Total investment seems to have reached a ceiling, as it has virtually remained constant over the last three years. This is true of both public investment (about 15.5%) over the last four years and private investment (about 7%) over the last three years [21.] The total tax revenue of the Government as percentage of GDP increased sluggishly from 7.6% of the GDP in 1991/92 to 9.6% of the GDP in 2001/02. The non-tax revenue also increased very sluggishly from 1.4% of the GDP in 1990/91 to 1.7% in 2001/02. The Government budget deficit after receipt of foreign grant remained within the range of (-) 1.3% in 1992-93 and (-) 4.5% in 1999/2000. The net inflow of foreign resource as percentage of the GDP ranged between 1.6% in 1990/91 and 6.9% in 1994/95 in the decade between 1990/91 and 2001/02 [22.]

The capital market of Bangladesh presents a typical picture of the underdeveloped one. The number of stocks listed with the Securities Exchange increased from 244 in March 2001 to 252 in February 2002. Market capitalization of Dhaka Stock Exchange till February 2001 stood at Tk 6218.97 crore, which increased to Tk 6154.00 crore at the end of March 2001, indicating an increase of 1.06% only. The index of Dhaka Stock Exchange was 625.99 at the end of March 2001 which increased to 818.28 in February 2001 [23.] The stock market suffers from a shaky buyers' confidence in the Stock Exchange consequent upon the crush of the 1996 boom which caused the share index to fall from 2300.15 to 756.78, and the market capitalization from Tk 16610.62 crore to Tk 7130.16 crore in 1997. The number of honest dealers and brokers is very much limited and concentrated only at Dhaka and Chittagong; The revival of the Stock Market will call for new issue of reputed stocks. This will in the presence of the present bearish condition in the market, require issue of new stocks. Transfers of profitable Government sector corporations to private hands at least to the extent of 49% of their total capital stocks may also contribute to the revival of the stock market.

### **Frustration of Entrepreneurship Growth**

The entrepreneurship growth of a country depends on many factors of social, political and economic nature, high-level scientific, technical and social science (including commerce) education within a favorable socioeconomic and sociopolitical milieu [24.] The partition of British India into Pakistan and Hindustan in 1947 created a vacuum of entrepreneurship due to the exodus of Hindu trading and merchant classes. But it also created opportunities for East Pakistan citizens. Nevertheless, certain facts hindered the growth of indigenous entrepreneurs. The overly agricultural background of her local population was a drag on the growth of local entrepreneurs. Migrants from India, mostly of Non-Bengali origin, constituted the pool of manpower that contributed to the growth of entrepreneurs partly because of their affinity to the ruling class and mainly because of their experience in trade, commerce and industry in India and the patronage of Pakistan Government. Agricultural elite class of the population did, nonetheless, benefit due to rapid growth of trade, commerce and agro-based as well as agro-processing industries [25.] But East Pakistan lagged behind West Pakistan with respect to the growth of private industrial entrepreneurs.

The exodus of Non-Bengali businessmen and industrialists in post-independence Bangladesh could have given a new impetus to the growth of indigenous entrepreneurs. But lack of Bangladeshi replacement for Non-Bengali entrepreneurs left no option for the then Bangladesh Government but to nationalize abandoned large industrial and financial establishments. This policy was in a large measure responsible for thwarting the potential of private entrepreneurship growth in Bangladesh. At the same time, the 100% devaluation of Bangladesh taka in 1972 and the tripling of crude oil price due to the Arab-Israeli War of 1972 involved the nationalized industries into huge losses. Public Sector Corporations made up these losses through borrowing from nationalized banks, thereby involving these banks into bad debts [26.] Private entrepreneurs were left free to invest only in small and cottage industries. But capital requirements of these industries increased beyond the investment capacity of small entrepreneurs. This is how the first Industrial Policy of Bangladesh Government frustrated the growth of private entrepreneurs in the country. On the other hand, many public sector corporations fell sick due to sustaining huge losses. Hence, subsequent Governments had to adopt the policy of denationalization, albeit, under pressure from the World Bank and donor countries. But this policy could not keep all denationalized industries under operating conditions. Only certain percentage of these denationalized industries came under commercial

production. It may not be too strong a statement that the Governments adopted a defeatist policy with regard to sick industries. Instead of forcing sector corporations to improve their efficiency, the government seems to have opted for a policy of liquidating losing establishments.

The political event of August 1975 witnessed a major change in the socioeconomic framework of the country. The First Five-Year Plan (1973-78) of the Awami League Government was drastically revised to bring the Development Plan within the mixed economy framework of the Two-Year Plan (1978-90) and to complete the ongoing projects of the First Plan. The BNP Government launched the Second Five Year Plan (1980 - 85) in 1980 within the framework of a mixed economy. But the problem of private entrepreneurs still persisted. The change of government in 1982 witnessed the declaration of the New Industrial Policy of 1982 that provided special incentives for entrepreneurship growth in the less developed areas of the country and minimizing problems of existing industries [27.]

Entrepreneurs of this country have developed a culture of bank-loan default that possibly owes its origin to the New Industrial Policy (NIP) of the Government (1982) and the frequent downward adjustment of the exchange rate since the Independence of the country in 1971. Clause (vii) of the NEP had a sub-clause for “improvement in the terms of debt servicing” to be adopted by financing institutions [28.] Sub-clause (i) of these terms allowed “repayments of both local and foreign currency loans in 12 to 15 years (excepting trucks, buses and cinemas), depending on the repaying capacity of the projects [29]. Sub-clause (vi) of the NIP allowed financing institutions to “undertake rescheduling of debts of the industries more liberally in order to mitigate genuine difficulties of the borrowers” [30.] Sub-clause (vi) of the NIP also allowed Bangladesh Bank to work out suitable mechanism for absorbing the burden of the exchange rate fluctuations, which has greatly affected the borrowers.” The presence of these three sub-clauses in the NIP encouraged borrowers to seek the redress of their difficulties owing to numerous devaluation of Bangladesh currency. Negotiations between Bangladesh Bank and borrowers of industrial loans went on many times without arriving at mutually acceptable solutions to the recovery issue.

Many public sector corporations of the country are now running at losses. There are 44 public sector corporations in Bangladesh. Up to February 2002, they owed to the nationalized banks a huge sum of Tk 5,973.96 crore, of which Tk 1,231.11 crores stand overdue. The largest debtors are BJMC (Tk 1685 crore), BPC (Tk 1892 crore), BTMC (Tk 553 crore), BCIC (Tk721 crore), BSFIC (Tk (564 crore),

BSEC (Tk 219 crore), BADC (Tk 169 crore). Smaller debtors are BSC and BFFWT. Public Sector Corporations with large overdue loans are BTMC (Tk 540 crore), BSEC (Tk 112 crore), BADC (Tk 112 crore) and BFFWT (Tk 41 crores). The recent closure of Adamjee Jute Mill the largest in Asia, is a sad commentary on the administration and management of public sector corporations. The Jute Mill was running at a profit in the pre-independence days. The losses they incurred in the post-independence days tell upon the country's prestige, of the Government and of the people at large. Instead of removing root causes of chronic losses for reasons not beyond the control of a determined Government, the BNP regime adopted the easy way of cutting losses through outright closure of the huge losing public enterprise. Apart from inflicting considerable human cost, it will remain a stigma on the so-called boldness of the BNP Government in economic reforms by closing down the historic Adamjee Jute Mill. People are yet to see how the Government utilizes the land, building machinery, equipment and other establishments there.

### **Indications of Market Interaction of the Productive Agents in Bangladesh**

The interaction reflected itself into the output structure, the growth rate and income distribution. The output structure of Bangladesh economy can be indicated in terms of percentage share of the different sectors in the GDP valued in current prices for the 2000/01 financial year. Agriculture consisting of crops and vegetables contributed 19.53% of the GDP. Next to agriculture in order of percentage shares were industry (15.55%). Large and medium industries shared 11.08% and small industries 4.46 per cent, whole-sale and retail trade (13.45%), transport, conservancy and communication (9.43%), real estate, rent and others (8.72%), construction (8.09%), community, social and personal services (7.97%). Other sectors are fish resource (5.52%), public administration and defense (2.56%), education 2.24%, health and social service (2.19%), electricity, gas and water (1.46%), services of financial institutions (1.58%) and mining and minerals (1.07%)(31). Per capita GDP in current prices stood at 363 US\$, GNI at 377 US\$ and NNI at 389 US\$ [32]. Imports and exports stood respectively at 19.9% and 13.8% of the GDP. The capacity to import declined due to worsening of the commodity terms of trade, net inflow of foreign capital and failure to increase the export quantum in response to the worsening terms of trade [33.] Trade deficit as percentage of the GDP varied within the range of (-) 7.5 in 1995/96 and (-) 4.3 in 2001/02. The current account deficit remained within the range of (-) 3.9% and (-) 0.3% of the GDP over the decade between 1990/91 and 2001/02 [34.]

The GDP growth rate in constant 1995-96 prices fluctuated between 5.94% in 1999/00 and 4.80% in 2000/2001. The combined growth rate of agriculture and forestry increased from 1.63% in 1997/98 to 5.94% in 1999/00, and then it decreased to 5.16% in 2000/2001 and to 4.91% in 2001/02. The growth rate of fishing increased from 8.98% in 1997/98 to 9.06 in 1900/00, then it went down drastically to 2.09% in 2001/02. The growth rate of the industrial sector had a declining trend with fluctuation within the range of 8.54% in 1997/98 and 3.19% in 1998/99. Other sutors experienced more or less stable growth rates in the recent years.

### **Poverty Situation as an Indication of the Market Interaction**

Poverty situation can be taken as the single most important indication of the market interaction. This is because the free market does almost always operate to the detriment of the poor and the handicapped. The pet text book theory is that a rise in the price level has the power of increasing the volume of output, given the existence of untapped or unemployed resources. But this is a macroeconomic argument that takes no account of the resource ownership. About 70 % of farm families in Bangladesh are landless. They have to dispose of whatever belongings they have in order to cope up with inflation and join the unproductive class or to migrate to cities in the hope of getting some kind of work there. It is because of this that poverty persists.

Bangladesh is one of the poorest countries of the world. Economic literature on the poverty trend and poverty alleviation is rather confusing. Rahman and Haque tried to examine the dimensions and trend of poverty and inequity in Bangladesh over the period of 1982 to 1985 on the basis of BBS data and secondary sources of information [35] They adopted three different methods for estimating poverty, namely income measurement, income-calorie graph based on primary or group data and estimated actual calorie intake of the respondents. They also adopted an adjusted minimum bundle of consumption of 2200 kilocalories and a minimum of 61.1 grams of protein per person per day. Findings from their analysis of the poverty correlates do not support that poverty got reduced drastically due to the launching of the series of Government development program in early eighties. According to the Preliminary Report of Household Income and Expenditure Survey of 2000, 42.3% of the rural poor did not have the required 2122 kilocalories per day and 18.7% of the rural people were extremely poor, who could not get more than 1805 kilocalories per day. Poverty and absolute poverty on the national level respectively stood at 44.3% and 20.3% in 200036. The

percentage of absolute poverty was higher (25%) for the urban poor than that for the rural poor (18.7%). Although the average per capita GDP doubled over about 20 years between the launching the Two-Year Plan in 1978 and that of the Fifth Five-Year Plan in 1997, the actual GDP growth rates of all the Plans failed to achieve their projected targets. While the GDP targets of the Plans ranged between 5% and 5.6%, the achieved GDP growth rates could never reach their targets; they remained between 3.5% and 5.5%. The social inequity in land ownership still persists.

According to BBS Report (June 1999), 77.5% of the rural households owned 1.99 acres or less, 12.4% owned land between 2.00 acres and 4.99 acres, and 6.6% owned 5 acres or more. Only 3.5% of the rural households belonged to the category of the landless. But the inequity in urban land ownership is greater. The same source reported that 21.3% of the urban households were landless and other categories of households showed some lesser inequity in urban land ownership. But poverty-wise distribution of rural households indicated the widespread incidence of poverty among all land-owning classes of the rural population. Probably, the persistence of unfavorable price-cost ratios of agricultural produce and failure of the Government's price support policy accounted for the rural poverty of medium and large owners of land. Activities of the Government and non-government organizations (NGOs) were concerned mostly with poverty alleviation, rather than with poverty eradication.

### **Findings on Market Interaction of the Productive Agents**

The domestic supply of capital resources has failed to respond to the demand for these resources. The low level of per capita income and high propensity to consume due to poverty, and inequity in income distribution failed to generate saving and investment. With the globalization of the world economy under the aegis of Uruguay Round of GATT and a drastic reduction in foreign aid and tagging of this aid to gas export, Bangladesh now faces a new challenge to sustaining the pace of her socioeconomic development. What is the future of Bangladesh economy under the situation that it has obtained so far? Well, without being pessimistic, one can say that the future will be what the Government and the people would make it. This is because never will Allah change the condition of the people and the Government for the better, unless they themselves change it for the better with changes in their hearts and souls. Successive Governments of this country have failed to save the life and property of people, to minimize wastage of scarce resources, whereas they should have treated rivers as highways and cultivable land and water as the source of sustenance of all, rich and poor. They

have failed to enforce laws for preventing the ecological and environmental balance, to prevent fishermen from catching mother and baby fishes with current nets, and to protect the fish resources of the Bay of Bengal. How can then the Government become the agents of God on the earth? Taxpayers have been evading taxes and duties in order to amass money. The black money has been hoarded for financing illegal and contraband trading. Teachers have failed to teach their students, who have gone to schools, colleges and universities to learn what they should have learnt. Judges, civil and military bureaucrats have grown millionaires, and politicians, contractors, businessmen have managed to become billionaires through lawful and unlawful earnings. Rich people of the country have refused to shoulder their responsibility to help the poor and the needy. Rich people have far more access to Government schools, hospitals, and health services than the poor. The destitute have hardly any place to hide their heads except under the canopy of the sky. Where is the end of this inequitable process? What can Bangladesh do to get away from this adversial situation?

### **Ways of Averting Sinking of Bangladesh Economy**

The future of Bangladesh economy depends on the response of her Government and people to the challenge of socioeconomic development under very adverse circumstances that have engulfed many sectors of production. The land-man ratio, endowment of natural resources, ecological and environmental conditions, and physical and human capital formation proportions of the country cannot allow all her people to lead a prosperous life. Freedom from poverty, hunger, disease, malnutrition, illiteracy, insecurity owing to violence, natural calamities and lack of access to basic needs of life may be the highest achievement of this country. But the achievement of this minimum target may be difficult for Bangladesh, unless Government and Non-government organizations (NGOs) are fully committed to this task and rich people of the country come forward to take part in the poverty eradication mission. The dual responsibility of Government and NGOs for poverty alleviation has created conditions in which poor people borrow both from formal and informal money markets at interest rates that are effectively much higher than those at which industrialists, exporters and importers can borrow from the formal money and capital markets. NGOs are also running industries and carrying on trade and commerce. Are these because they have ceased to be viable? Or are they accumulating more capital and saving to help out the poor at costs that they like to determine? Available literature on poverty alleviation is too numerous to be surveyed in this paper, which is concerned with the impact of the market interaction of the productive agents in Bangladesh.

The traditional development planning in this country seems to have reached a point of no return from a substitution between alternative strategies of socioeconomic and sociopolitical development available in journals, textbooks and discernible in the development plans of this country. Hence, the urgency for finding appropriate strategies of socioeconomic development will never cease to exist. The strategy presented below is an attempt in this direction. It is broad enough to take care of all aspects of socioeconomic development in Bangladesh. The policy prescriptions are derived from the development strategy itself. Unless the process of implementation frustrates the suggested policies, the strategy is most likely to yield good results. The strategy outlined below is a slightly modified version of that in this author's book [56].

### **Output Production Function (OPF) for the Development Strategy for Bangladesh**

The output production function of the development strategy is written as:

$$P_o = [F \{E_c (N_r, L_r, K_r, E_n) + R_e\}] \text{ --- E (1).}$$

Here  $P_o$  stands for the output to be produced,  $F$  for the forces of nature [38] treated as a constant.  $E_c$  stands for the index of the environmental change, which is treated as a parameter.  $N_r$  stands for natural resources (renewable and non-renewable),  $L_r$  for labor resources,  $K_r$  for capital resources,  $E_n$  for entrepreneurial manpower and  $R_e$  for the residual factor contributing to the output growth.  $R_e$  is a composite factor consisting of the efficiency of labor input owing to economies of scale permitting division of labor and specialization, education and training of entrepreneur and labor, introduction of technical innovations in production, marketing and financing, etc. The forces of nature are introduced as the proxy variables for the power of God to bring about changes in the level of output through His command over these forces [58].

### **Transformation of the OPF into a Development Strategy**

The OPF can be transformed into a development strategy through the differentiation of the factor inputs ( $N_r$ ,  $L_r$ ,  $K_r$  and  $E_n$ ) with respect to the output to be produced. This will enable us to arrive at the following equation for the output production function:

$$\Delta P_o / P_o = O' = f[F \{E_c (n'N' + m'L' + k'K' + e'E') R'\}] \text{ --- E (2).}$$

$$\text{Or, } O' = f[F \{E_c (n' + m' + k' + e'') (N' + L' + K' + E') R'\}] \text{ --- E (3).}$$



Here  $n'$  stands for the marginal product of natural resources,  $m'$  for the marginal product of labor resource,  $k'$  for the marginal product of capital resources,  $e'$  for the marginal contribution of entrepreneurs to the rate of output growth. The corresponding capital letters ( $N'$ ,  $L'$ ,  $K'$ ,  $E'$  and  $R'$  respectively stand for the growth rates of natural resources, labor resources, capital resources and entrepreneurs and  $R'$  for the output growth owing to the growth of the residual factors (Re) [59]. From the viewpoint of Bangladesh which is confronted with a very high density of population per square kilometer and the corresponding very low land-labor ratio, high capital-labor ratio as well as a very high unemployment ratio, the development strategy can be rewritten as:

$$Q' - P' = f[F \{Ec (n' + m' + k' + e') (N' + L' + K' + E') (R' - P')\}] \text{---E (4)}$$

Here  $P'$  stands for the rate of population growth,  $Q' - P'$  indicates a race between the population and output growth rate; and it also approximately measures the growth rate of per capita output. And lastly  $R' - P'$  indicates the existence of a race between output growth rate owing to the residual factors, on one hand, and the rate of population growth, on the other. Bangladesh must win both of these races, should she survive and prosper in the adverse circumstances. The working of the development strategy on the output to be produced can be illustrated with reference to alternative assumptions. Suppose that the forces of nature (F) and environmental conditions (EC) are normal, that is, each of them has their normal value of 1. The sum of the marginal products of the productive agents ( $n' + m' + k' + e'$ ) is equal to 1, the rate of growth of productive factors is 3 % per annum, the current value of the residual factors is 3.0 and the population growth rate is 2.5 per cent. Then the per capita output will grow at the calculated rate:

$$Q' - P' = \{1.0 \cdot 1.0\} \{(1.0) \cdot (3.0)\} \{(3.0 - 2.5)\} = 1.50 \text{ per cent.---E (5)}$$

This was approximately the growth rate of Bangladesh Economy throughout the decades between 1950 and 1970. The high rate of her population growth and the low rate of her human development and human capital formation, low rates of saving and investment and low levels of technological progress were the major factors behind the stagnation of the Economy. The situation improved slightly over the next two decades due to larger inflow of foreign capital, a gradual deceleration of the population growth rate, a large increase in the marginal product and average products of land and labor in agriculture, offsetting the decline of industrial output growth rate, and perhaps some improvement in the management of the residual factors. Accordingly, the economy could give a higher rate of output growth. It is possible to illustrate the point with reference to

actual figures. But such figures are not at hand; hence approximate figures for recent years are given.  $F$  is a constant. Allow the parameter,  $E_c$ , to degrade 0.9, the sum of the marginal products to rise to 1.0, the demand for productive agents to decrease to 2.5, the residual factors, ( $R'$ ) to rise to 3.5 and  $P'$  to decline to 1.0 per cent. Then the per annum per capita output growth rate can optimistically be:

$$0' - P' = \{ (1) (0.9) \} \{ (1.0) (2.75) \} \{ (3.5) - (1.0) \} = 6.18 \text{ per cent. ---E (6)}$$

What is the prospect of Bangladesh economy achieving this growth rate? The per capita output growth of 6.18% can be achieved provided that the economy can increase the gross supply of her cultivable land through seasonal irrigation, cultivators can procure needed HIV inputs, electricity, obtain training and extension services and can market their produce at profitable prices. The achievement of this moderate rate of GDP growth can be associated with a considerable reduction in poverty provided Bangladesh makes a breakthrough in her socioeconomic development. It needs to reduce the population growth down to 1% through a reduction in the family size of low-income groups. But parents in low-income families look upon large families as a source of family safety and insurance in the absence of enforcement of the rule of law. Such a breakthrough would necessarily require some significant increase in public saving that can be actualized by reducing the public revenue expenditure as well as preventing the evasion of income tax, customs duties and value added tax (VAT). Apart from this, there is a tremendous scope for diversification of the revenue structure through imposition of heavy fines on persons, companies and organized gangs that flout all laws of urban construction and forcibly occupy public land and property, etc. The incidence of law breaking by identifiable groups of people, particularly by those flouting laws of urban construction and environmental protection can easily be brought to book by imposing heavy fines and thereby breaking their economic backbone that they need for flouting these laws. The accumulation of adequate physical and financial capital, human capital, success in export diversification and export promotion can prepare the runway for the economy taking off from the present stagnation at low growth rates. Later on, Bangladesh can enter into import-replacement in linkage industries on a significant scale through joint ventures with foreign countries. Generation and distribution of needed electricity, material and human capital accumulation and infrastructure development, food security, environmental protection, improvement in law and order situation are the preconditions for the economic takeoff.

### **Justification for the Assumptions of the Strategy**

The forces of nature (F) remain constant despite changes in weather conditions owing to short-run variations in moisture contents and in the temperature level of the air, which bring about changes in ecological and environmental conditions mainly through accumulation of micro organism (biotic and abiotics) in land and water [39]. The production function is assumed to be homogeneous of degree one despite the decreasing supply of cultivable land. This is because irrigation has nearly tripled the gross supply of land. The labor productivity is assumed to rise due to technical education, and on-the-job training. The productive capacity of entrepreneurs in the private sector is assumed to have increased due to an increase in managerial efficiency through learning by doing and availability of extension services in agriculture. The demand for human agents rather than the supply is taken into account, since the market supply of labor exceeds the market demand. Hence, an increase in the supply of capital resources will raise the demand for labor, provided that the supply of energy resource does not limit the demand for labor. The average and marginal product of capital is assumed to have decreased due to a rise in the capital-labor and capital-output ratios. Hence the sum of the marginal product of the productive agents is assumed to be one. Possibly the residual factors – enhanced manpower efficiency, HYV technology and labor-intensive small and cottage industries– has made some substantial contribution to the GDP growth. These can still do so provided that the short supply of electricity, complementary inputs and market constraint do not force producers to scale down their production. Unfortunately, for the reason of making private fortunes, the top-notch public servants play the nefarious game of maintaining restricted supplies of electricity and agricultural inputs like seed, fertilizers and insecticides. Hence expectations may not always be realized. The country may experience more moderate rates of output growth because of her socioeconomic and sociopolitical realities.

### **Derivation of Policy Variables from the Development Strategy**

The policy variables are easily obtained from the development strategy that indicates that real variables are much more difficult to manage than monetary variables for sustaining the GDP growth rate. The money supply must not be allowed to outpace the GNP growth rate, which requires deficit financing to be kept within the manageable macroeconomic limit of equality between gross saving and investment and expansion of money supply according to the traditional wisdom derivable from the needs of business. The foreign aid dependence syndrome of Bangladesh should find a cure in self-reliance to be achieved through fiscal management and parsimony in economic management.

*Disaster Management and Environmental Protection.* The forces of nature are beyond the control of any man or any Government. But the ecological factor is amenable to human management with the aid of knowledge about science of ecology and technology of environmental management. Moreover, certain spectra of the solar radiation force can be tapped for generating electricity, and the wind force can also be harnessed for the same purpose. Why should not Bangladesh do this where it can be done economically? Cyclones, tornadoes, excess or scarcity of rains, floods, etc. have become a part of our life due to our country being located in the tropical cyclone zone of the Bay of Bengal and environmental change in South Asian countries. The global “green-house” effects have already raised the sea level. Bangladesh is a low-lying country. The Government of Bangladesh has already built up some security measures for the management of natural disasters. The Government should learn to tame rivers and to maintain the water flows of the rivers so as to sustain their navigability. The unemployed labor can be utilized to dig silted up tributaries of main rivers in order to store up rainwater. The Government must give up digging wasteful canals like the Ulashi-Jadunathpur. But dredging large rivers and digging of their tributaries at certain selected points need to be carried out in order to ensure river flows and to store rainwater for irrigation and other purposes. Silted-up public reservoirs in cities and natural lakes in country sides need to be re-excavated for holding rain and floodwater. Scarcity of fresh water in Bangladesh, where monsoon rainwater rushes to the Bay of Bengal is an enigma. Beels, haors and baors of the country need to be protected and not be made relic of the past, as has been the case with the famous Chalan Beel of Rajshahi-Pabna districts of this country. Development of civic sense and respect for ecological and environmental balance is an essential virtue of mankind.

*Restoration of Environmental Balance.* The scourge for the negligence for the divine balance in the earth and the heavens is already manifest in global changes in weather conditions and the destruction of the ozone layer of the earth’s atmosphere. Another dreadful change is imminent due to clouds of fog or smog, enveloping the earth and blocking the spectrum of radiation from the sun. There is no way of preventing this disaster. Action programs for restoration of environmental balance must incorporate rigid targets for conservation of reserve forest areas of the Government and for the expansion of social forestry. It will also call for a rigid control over generation of carbon monoxides through heavy fines on the use of two stroke engines and faulty vehicles running along roads and streets of the country. Such a punitive action will have the double effect of contributing to public revenue and minimizing the use of such vehicles. The

generation of pollution free energy from solar radiation and out of wind force in coastal areas, compulsory use of CNG converters in petrol-run vehicles, and the use of standard grades of petrol and diesel currently are the major ways of minimizing the carbon mono oxide and dioxide contents of the air in all cities. Accumulation of such gases and metallic waste in the air is due to the use of fossil fuel, low-grade gasoline and burnt-up mobile in two stroke engines and in rundown and dilapidated vehicles. The elimination of all such problems will require the public and private sectors of the economy to make major efforts in terms of town and city planning, human development and human capital formation. All these will depend on the generation of adequate domestic saving and investment and an increase in the net inflow of foreign capital. Where will these come from? They must come from personal and institutional savings. These savings are to be generated through monetary and fiscal policies aiming at reducing wasteful public expenditure and conspicuous private expenditure and encouraging social thrift.

*Reduction of Population Growth.* Equation E (4) for the rate of per capita output growth clearly indicates that a downtrend in the population growth will raise the rate of output growth. The population growth rate needs to be reduced to zero at least. This is because technical progress, technical innovations, division of labor and specialization are sure to be capital using due to the requirement of social investment for high-level manpower formation. Despite this, technological progress can increase the marginal products of all productive agents provided that it succeeds in increasing their productive powers.

*Appropriate Technology and Technical Innovations.* Bangladesh can hardly keep pace with the technical advance in developed countries of Japan, Europe and North America. We stand even behind India, China, Thailand, Malaysia, Singapore, Korea, Taiwan etc. with regard to acquisition of technology and making technical innovations. As regards inviting CIT (Computer Information Technology), the experience of Grameen Phone in Bangladesh seems to be unpleasant in some respects. These phones have revolutionized communication for the better and for the worse. Mobile phone is no longer a luxury item now. Nearly every well-off family in Bangladesh has one or more mobile phones. But the sponsors of Grameen Phone hardly considered the drain on family expenditure consequent upon introduction of this handy gadget. More importantly, two mobile phones, a few pistols and a motor cycle can make a very good gang of bandits. Perhaps, this impact of IT could not be anticipated. Now it can be observed and experienced. The Grameen IT Park seems to be an off-the-

way investment project that was expected to add to the solvency of the Grameen Bank. But the prospect of the project becoming an export-oriented project will take a long time of painstaking experiment with software development and marketing, first for the indigenous market and then for the foreign market, should this become competitive.

*Human Capital Formation.* The core of human capital formation in Bangladesh consists in scientific, technical and vocational education and on-the-job training of the labor force as well as for creating medium and high-level manpower. To this end the country has set up 20 polytechnic institutes, 51 vocational institutes, and 54 P.T.I. institutes. There are 218 Government colleges, 821 non-government colleges, 8 government-aided general universities, 2 agricultural universities, 1 medical university and 1 engineering university. Besides, there are 4 agricultural colleges, 4 engineering institutes, 55 teachers' training colleges, 25 medical colleges, 59 law colleges, 13 physical education colleges and 1 leather technology college and 1 textile technology college. Beside these, there are 51 private universities in the country. All these are meant for producing teachers, technical manpower, high-level general manpower, social scientists, medical scientists, physicists, chemists, pharmacists, biochemists, doctors, surgeons, geologists, geophysicists, mineralogists, zoologists, botanists, agronomists, agricultural scientists, engineers, technologists, bio-technologists, microbiologists, genetic engineers and so on. Theoretically speaking, they constitute the stock of human capital in Bangladesh. But problems with these educational institutions are student and teacher populations with inadequate background for high quality manpower. A quick farewell to English as a medium of education in the post-independence decade undermined the foundation of higher education. The slogan for Bengali language deafens human ear in the month of February every year, while the demand for English medium education at all levels has been increasing at an accelerated rate in cities and towns. Bangladesh practically has a bilingual system of education based on English and Bengali. Bengali and English medium education should be universal up to the 6<sup>th</sup> grade instead of the present 5<sup>th</sup> grade. Then a bifurcation of Bengali and English medium education with a bias toward vocational and technical education will possibly make them more useful manpower in real life at home and abroad.

*Diversification of Public Revenue.* Government budget deficit and the absence of overall financial discipline in the economy remain the most protracted impediment to socioeconomic development in Bangladesh. The Government revenue budget every year leaves a small margin of public saving available for financing development projects. The saving has to be increased by reducing the

revenue expenditure and expanding the sources of public revenue. Evasion of taxation has been a perennial problem in Bangladesh. A big chunk of value added tax goes into pockets of tax inspectors. So is the case with land, water and air customs. A tax on persons living beyond means would have been a very productive tax.

*Improvement of Sociopolitical Milieu.* Governments in democratic States enter into a contract with their people to give them good governance. Failure to do so is a clear breach of the contract and a concern for the people. People everywhere in the country, particularly those in Government services, political parties, professions and avocations need to purify their souls in order to be free of corruption, crimes and violence. Never will God come down from His high Heaven to change the condition of Bangladesh; His agents in the Government and outside will have to change these conditions with changes in their hearts and souls. Otherwise they will not prosper in this world or in the world hereafter. This is the very essence of all books of ethics and religions those of Abraham, *the Vedas, the Torah, the Bible and the Quran*. World nations have already seen the performance of materialist Governments in China, USSR and Eastern Europe, dictatorial regimes of the Middle East and so-called democratic regimes of Americas, Great Britain and South Asia. All of them suffer from problems of degraded social milieu due to erosion of ethical, moral and humane values. Ethical and moral re-armament aiming at human welfare is the need of time. The essence of all religions lies in Abraham's religion of Islam -compliance of human free will, including the free will of States and Governments, with the ordains of God. This may sound to be a backward-looking measure. But world nations have gone too far with advancement of materialist science caring very little for Spiritualist science.

*Improvement in Trade and International Relations.* An increase in the productivity of existing financial and physical capital resources will call for an increase in imports of raw material, intermediary goods and spare parts. The improvement in the productive efficiency of entrepreneurs in Bangladesh is crucially important in view of the socioeconomic and sociopolitical milieu in the country and the global recession following the event of 11 September. For this reason, the capacity to import as a function of the export quantum, the net barter terms of trade and the amount of foreign remittance of Bangladesh population abroad will remain critically important. A planned migration of Bangladesh population and the pursuit of a realistic exchange rate policy should be treated as important policy variables. A dual exchange system consisting of a flexible rate

for all exportable and remittance of Bangladeshis from abroad would be desirable. But leaving the entire market for foreign exchange to the market mechanism would be too risky a choice for Bangladesh, although Finance Minister Saifur Rahman has developed a liking for this with the motive of attracting private foreign investment.

*Reduction of import-export Gap and Balance of Payments Deficit.* Bangladesh is in dire need to reduce her import and export gap in order to service her debt servicing liability and to pay for her imports. She has also a large current account balance of payments deficit and a threatening position in her international reserves. It is advisable for this country not to accumulate more foreign aid and debt burden. Globalization of the world economy poses a threat for a stagnant economy, but it is an opportunity for innovating economies. For some time to come, the export structure of this country is likely to remain land, water and human resource based. Apart from our traditional export items of jute, jute goods, tea, leather and footwear, handicrafts and the hot items of fresh and frozen fish and shrimp, fruits and vegetable can also be export items provided that airport and air cargoes with refrigeration facilities are made available to the exporters. For some time to come, major exports of Bangladesh will continue to originate from agriculture, fishery, agro-based industry, artistic handicrafts and export of manpower on more favorable terms and conditions. This cannot be done except through educating our manpower to meet their own needs and those of foreign employers. Constant contact with friendly foreign countries should be maintained and recruiting agencies are to be kept on alert not to spoil our labor market by dumping our manpower through illegal routes and procedures.

Export processing zones for export diversification and export promotion should be free of labor problem and political turmoil. Industrialization of the economy should invariably be made with reference to market survey and forecast of domestic and foreign demands for goods and services. Establishment of linkage industries for our ready-made garment needs a careful scrutiny of overseas markets in the Middle East, the European union and NAFTA countries and well as those in the Southeast and the Far East.

### **Poverty Alleviation in Bangladesh**

Poverty alleviation remained the declared objective of successive development



plans of Bangladesh. Accelerated rates of GDP growth, expansion of employment opportunities, food for public works and vulnerable group development (VGD) programs were the main facets of Bangladesh Government initiatives. Bangladesh Water Development Board, Directorate of Relief and Thana Parishad, Local Government Engineering Department Directorate of Fisheries, Land Reform Board, Bangladesh Rural Development Board, Forestry Department and a few NGOs (CARE and BRAC) are involved in implementing the World Food Program (WFP).

It is impossible to report on the performance evaluation of individual Government Departments and more than 1200 local and foreign NGOs operating in this country. According to some critics, the fruit of the programme under the government's Structural Adjustment Programme has not actually reached the poor. Like government agencies the NGOs, are also productive agents and are also promoters of productive agents in a constrained market economy. The history of poverty alleviation through NGOs dates back to the post-liberation period of Bangladesh when the Government was unable to cope with humanitarian relief. As situations normalized NGOs shifted to development assistance. A total of 1077 local and 142 foreign NGOs were registered with the NGO, Affairs Bureau in March 1998. It was estimated in 1998 that the NGOs were working in 85% of the villages and about 30 million people benefited from their activities. A comparison of the activities of the big NGOs indicate that they are concerned with improving socioeconomic conditions of selected groups of landless labor possessing some income and assets, very small farmers with less than 0.5 acres of land, and small farmers who owed less than 1.5 acres of cultivable land.

To be successful, NGOs must have access to the poor who, in turn, must have resources to take part in poverty-alleviating activities. But how significant is the total disbursement by NGOs? According to one source, all NGOs taken together covered only 10-20 per cent of the landless households. Moreover, they do not operate all over Bangladesh. The worst of all, they have not yet developed any viable operating principles of poverty alleviation due to their independent and individualistic approaches. They do not like to follow any strategic policy rules to be applied to poverty alleviation. They apply the capitalist market approach to poverty alleviation that may even make the poor poorer due to charging high interest rates on their loans. The effective interest rates vary within the wide range of 11% on BARD loan and 30% on BRAC loan. There are as many as 15 different rates of interest on NGO loans. The outcome of the Government-NGO collaboration Council on poverty alleviation is yet to be discernible. But not much

can be expected of the NGO dominated collaboration. All that the government wants to ensure is that they abstain from politics and religious missionary work.

### **Findings and Conclusions of the Study**

Inadequate social saving and investment for physical, financial and human capital formation and unwise exploitation of natural resources and underdevelopment and wastage of human resources are mainly responsible for the absolute poverty of a large percentage of Bangladesh population and consequent degradation of the country's environmental capital. Social investment for eradicating absolute and relative poverty and for generating the awareness of the people for protecting its environmental capital would depend on mobilization of public and private savings as well as its unemployed human resource. But the mobilization of public and private savings for these purposes has been rather too limited. The annual flow of goods and services to the country's domestic and foreign markets far exceeds the flow of foreign goods and services to its domestic market through legal and illegal channels. The result has been the excess of the net inflow of foreign goods and services over the corresponding outflow of goods and services. The excess of this net inflow reflects itself in the country's balance of trade, balance of payments, foreign exchange reserves and the net inflow foreign resources. The overall import bias in the country so production, consumption and trade structures has been the outcome of its past strategy of import-replacing industrialization that now faces serious threats and challenges under the impact of the ongoing globalization process. The belated move for export processing, export diversification and promotion is now confronted with many facets of import liberalization through dismantling of tariff and quantitative restrictions which are not reciporocated by the rich GATT member countries. Developed countries still retain their tariff and quota on their imports from developing countries and subsidy to their agriculture protecting their industries and agriculture. Developing countries suffer from the internal problem of incompetent and corrupt governments, inhibiting public saving and investment. They also suffer from the problem of shrinking foreign aid, mounting debt burden, and lack of access to foreign market for thier export.

The present socioeconomic and sociopolitical milieu prevailing over Bangladesh are the results of the historical events of melodrama that the people, the Government and Non-Government Organizations staged on the soil of Bangladesh. And it is they who are to be the partners to prepare an escape route from the maze. The ordinary people blame the political parties and the elite class for their misfortune, They are now at a fix as to which party they would vote for

and which manifesto they would subscribe to? Frankly speaking, all political parties in the country are alike in the sense that they all cajole voters to put them in power. And once seated in the “throne” of power, they set up an oligarchy of big business with the motto of maximizing their profits at the expense of poor voters. Hence, professional political economists must work as watch dogs to sense the offensive moves of political parties and speak for the people. A few points of public interest are jorted down below.

- The size and efficiency of different grades of the country’s high-level manpower (such as entrepreneurs, managers, administrators, technical personnel, supervisors and labor force) need to be enhanced through proper education and training.
- The value added to our intermediate products (energy generation and distribution, production and distribution of fertilizers and insecticides, etc.) needs to be enhanced and wastes minimized.
- The capital-labor and capital-output ratios need to be reduced through full utilization of the installed productive capacity of public sector corporations. Corruption, inefficiency and mismanagement in public sector corporations need to be removed. Appropriate techniques of production, marketing and financing can be evolved through converting them into limited companies.
- Government and non-government organizations committed to poverty alleviation can strengthen management of the ecological and environmental balance.
- Administration of social and economic justice requires the Justice Department to be separated from the Executive Organ of the Government.
- The separation of Police Administration from the Administrative Magistracy has possibly served to weaken the law and order situation since the Police Department has the reputation of becoming the most corrupt organ of law enforcement. The separation of this Department from the general administration has certainly become a bad reform. The administrative chain of command over the law enforcing agencies has broken down. As a result, the general administration finds it difficult to eradicate arson, violence and plunder and the reign of terror, rape of children, girls and women, acid throwing to targeted persons in the society.
- Poverty alleviation requires collaboration between national, regional and local level planning and planned participation of NGOs in poverty

alleviation programs. The access of the poor to productive inputs (arable land, safe water for drinking, washing and irrigation) needs to be increased.

- Overall development of the country requires infrastructure, physical and financial capital to be increased through an increase in public and private savings. This can hardly be done without reducing the population growth in low-income families and bringing them within the orbit of Government, non-government and local level poverty alleviation programs. .
- The Government of Bangladesh incurred huge foreign and domestic debt without generating enough domestic saving. The Government financed the losses of Public Sector Corporations by borrowing from the banking system, thereby resorting to veiled deficit financing. This practice needs to be stopped as this has given rise to a loss culture in Government organizations.
- The high debt service liability has created a strong pressure for exports – either export or perish. The diversification of export requires product diversification as well as promotion calling for interaction of new products, new factors and wider markets. The hegemony of G-8 countries, IMF, WB, WTO over less and least developing countries needs to be met with courage, determination and united effort.

### **References and Notes**

1. These forces are the force of gravitation, the weak nuclear force, the force of electromagnetic radiation, and the strong nuclear force. See Lapp, R. E, *Matter*, Time Science Publication. Holland, 1965.
2. The Island States of Singapore and Taiwan have built their export industries on import-based materials, their domestic and foreign savings, human capital and world-wide export market.
3. See GOB, Ministry of Finance, *Op. cit.*
4. See Government of East Pakistan, *Op. cit.* Table 4.1, pp 10-11, Dhaka, June 1969.
5. See UNDP, *Human Development Report 1997*, Appendix Table 15.
6. The most air-polluted cities of Asia in the 1980s were Bangkok, Beijing, Calcutta, New Delhi and Tehran. See World Bank, *World Development Report 1992: Development and the Environment*. New York, p 5. Dhaka in the late nineties emerged as one of the most polluted cities of Asia.
7. See World Bank, *Op. cit.*, and *World Development Report 1997*, New York, 1997.
8. The author is not aware of any official estimate of the siltation level. But he has many ponds in his village having been filled near to their soil surfaces.
9. The 1954, 1987, 1966 and 1998 floods were very extensive, engulfing more than 40 – 50 percent of the land surface of Bangladesh.
10. Of all cyclones and tidal bores in Bangladesh, that of September 12, 1970 cyclone was the most devastating one, as people and the Government were not prepared for the disaster management.
11. See GOB, Ministry of Finance, *Op. cit.*
12. For the 1970-80 decade, import of POL (petrol, oil and lubricant) accounted for 70% of the export earnings of Bangladesh. See Bangladesh Bank Reports of the Decade.
13. Air pollution in Dhaka, one of the worst in the world, is a major health hazard for its residents. Water pollution due to arsenic contents, widespread in rural and urban areas, is a health hazard for all people.
14. See World Bank, *Labor Force Survey 1995-96*, (Report No. 16740-BD, June 1997), p 30.
15. GOB, Ministry of Planning, *Fifth Five-year Plan (1997-2002)*, March 1998, p 9.

16. See GOB, *Population Census Report* No.16740-BD. Pp.29 and WB, World Development Report 1997.
17. See UNDP, *Human Development Report*, 1997 Appendix Table 15.
18. See Mandal, *Op. cit.* Chapter 16, Table 16.1 p283.
19. Otto Von Bismarck quoted in D. W. Ziegler, "War, Peace and International Politics, 3rd ed. Boston, Brown and Company, 1984..
20. See Mandal, *Op. cit.*, chapter 5 for an elaborate discussion on this..
21. See GOB Ministry of Finance, *Op. cit.*, Appendix Table 1.2p 149.
22. See GOB, Ministry of Finance, *Loc. cit.*
23. See GOB, Ministry of Finance, *Op. cit.* p. 33.
24. These factors have been discussed in Mandal, *Op. cit.*, chapter 9.
25. During the British Rule in India, Bangladesh Region became the hinterland of Calcutta based industries. At the time of Partition in 1947, East Pakistan inherited 4 cotton mills. But she got no jute mills, although she used to produce about 90% of world's raw jute. See C. N. Vakil, *Economic Consequences of Divided India*, Bombay, 1948.
26. In the period 1985-90, public sector corporations of Bangladesh incurred the loss of taka 845 crores to which BJMC and BTMC jointly accounted for 96 percent. See Bhattacharya, D., "Experience of Bangladesh's Industrialization," in *Bangladesh Journal of Political Economy*, Vol. 12, No.1, September 1992, p. 13.
27. See GOB, Ministry of Industry and Commerce (Industries Division), *New Industrial Policy*, 1982, Asian Development Bank, *Bangladesh Responding to the Challenge of Poverty*, Aug. 1993, p 2.
28. See Sub-clause (vii), of the New Industrial Policy, p. 7.
29. See GOB, Ministry of Industry and Commerce, (Industries Division) *Op. cit.*, p 7.
30. See GOB, Ministry Industry and Commerce, *Op. cit.*, Sub-clause (vii), p. 7.
31. See GOB, Ministry of Finance, *Op. cit.*
32. See GOB, Ministry of Finance, *Op. cit.* Chapter 2, Table 2: 1 p. 13.
33. The capacity to import improves as the income terms of trade improve and the net inflow of foreign resource increases.
34. See UNDP, *Human Development Report 1997*, Appendix Table 15.

35. See Haque, R. and Rahman, MH., "Governance, NGOs, and Sustainable Development, A Conceptual Framework: Bangladesh Reality," in *Grassroots: An Alternative Development Journal*, Vol. V, Issue XVII, 1995.
36. See GOB, Ministry of Finance, *Fifth Five-Year Plan (1997-2002)*, March 1998.
37. See Mandal, Op, eit. Chapters 4 and 5 for the fully developed strategy.
38. According to scientists, four forces for the creation and sustenance of everything in the universe are: the force of gravitation, the weak nuclear force, the force of electromagnetic radiation, and the strong nuclear force. They occur in a chain of sequence within less than billionth of a second. See Lapp, Op. cit. See also Mandal, *Op. cit.*, Appendix 1.
39. For an elaborate discussion on ecology and environment, see Mandal, Op. eit. Chapter 24.