

AN ENQUIRY INTO THE CAUSES AND CONSEQUENCES OF POVERTY AND INEQUALITY IN BANGLADESH: SHARING THE EXPERIENCES OF U.S.A.

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Abstract:

It has been observed throughout the present world that with the growth of income and GDP the inequality also increasing. This is true equally in case of developed and developing and emerging developed countries. Is it because all these countries are following capitalism and the same consequences they are facing-inequality in income and possession of wealth?

One of the main purposes of this article is to investigate the issue in the context of both a newly developing country like Bangladesh and a highly developed country like USA. The objectives of this study are to identify the root causes and consequences of both the poverty and inequality in the societies. Before arriving any conclusion, an extensive investigation has been made for identifying the economic causes, but efforts have been made all other related causes in other disciplines, because this ethic-based topic demands so. Of course, in case of USA, on many above issues we got enough data and information in various studies and those have been mentioned, but in case of Bangladesh, our study suffers from lack of adequate data, insufficient information and very few studies were available. But in Bangladesh, the existence of poverty and inequality is so apparent that it does not require much study. We have found common causes of poverty and inequality in both the countries and the resultant consequences –divisions in the society.

The kernel part of the study can be found in concluding part: findings of the study, which is interesting also. In case of Bangladesh, especially the absence of good governance, lack of strict application of law and order, prevalence of massive corruption and irregularities often came in our discussion.

Key Words: *Gini coefficient, Gettysburg Address, Sustainable Development Goals (SDGs), MIC, Blue Economy. Human capital, Great Depression, and crony capitalism*

Introduction:

The recent available literature on economic development, not only in Bangladesh context but also all over the world, gives us an impression that the economic growth in various countries is on the increase, and some of the countries have achieved tremendous development and a good number of countries are treated as emerging countries threatening balance of power. The rest overwhelming majority of the countries are either underdeveloped/least developed country. But, it appears clearly that as growth is advancing the inequality simultaneously is also going hand in hand and as they are inseparable-they are moving together uninterruptedly in many countries. Although the subject of poverty and inequality is often scrambled together, but they are not the same thing at all. Poverty refers to falling below a certain level of incomes; while inequality, on the other hand, describes the gap between low incomes with high incomes. It is quite possible for the poverty rate to fall while the amount of inequality in a society rises. And in Bangladesh, what exists exactly the same. This has become a usual feature in many countries; and we have accepted it. Although, many emerging countries have shown tremendous improvement in their economic performances-in the growth and size of GDP, per capita income, standard of living, especially in drastically reducing the population under poverty, the inequality has become part of development in such countries. Such countries include China, India, Bangladesh to cite examples. Today, all the countries of the world are following capitalism as the process in principle. Now, is it the process responsible for breeding the same result- the inequality?

One of the main purposes of this writing is to investigate the issue, not only citing the situations of Bangladesh, but also the situations of developed country like USA, who is forerunner in respect of the creation of inequality and all other countries are following the same path. Is it that the same tree in different

countries gives us the same fruits, such as mango, papaya, guava; but their taste, color, size and flavor varies due to soil condition, climate, and environment and so on. Similarly, in implementing the policies, although the same or slightly different policies are followed in different countries to cope with the situations producing nearly the same results – inequality similarity. Slight different results may come out because of the variation of law and order situations of the concerned countries, the level accountability, peoples' awareness, attitude, perception, the level of violation of law and order and corruption etc.

The objectives of the study:

- To provide the reader a broad idea about the issues of development, especially of common people and what factors are hampering in their achievements, the prevalence of both poverty and inequality independently and simultaneously working as the main To understand the cause and consequences, one should have sufficient knowledge on the root causes- both political, economic, even social situations-all major issues have been discussed briefly;
- To upkeep them with some ideas how the developed and lastly developing countries, through suitable laws, regulations and administrative machine are utilizing to curve such menace, how far they are successful or is it taking more firm roots, is a burning issue for human civilization-all these are discussed briefly; and
- Finally, to provide our readers a brief idea about the similarities (commonalities in features) that are found in both the countries although one is undeveloped and another highly developed. And the lessons the developing countries should learn from the discussion made here is the most pertinent motive (the driving force in initiating this writing).

Frankly, I am caught in the wave what exactly told by Robert Peston: “The worldwide rise in the inequality has produced torrent a new research into its causes and consequences”. What results this exercise will produce, we are not aware, that is to be judged, especially by the readers.

The Methodology Followed:

The current writings on these issues, as available in some noteworthy books, journals, newspapers, periodicals and all such information were collected as materials.

No empirical study has been made on any country or any situation whatsoever; because the discussion is based on hard realities and empirical evidences (experiences are there for better understanding. Some of them were mentioned here).

The Context of Taking this Initiative:

In January, 2017 I had an opportunity to pay a short visit to USA for a few months. During that time I got and gone through, if not vividly, three recent books of one world-reputed writer the issue of inequality Joseph E. Stiglitz, the world renounced and insanely great economist (according to Paul Krugman) on the issue of poverty and inequality and also a noble laureate. He has been writing ceaselessly on the areas. Obviously, he has emphasized on the situation of USA. Efforts will be made to highlight on Bangladesh situation and to find out variations both in causes and solutions between developed and developing countries. Efforts would also be made to investigate similarities and dissimilarities and also in policies under operations having the ultimate objective to bridge the gaps between the rich and the poor; for which the whole human civilization is at a stake.

In the emerging economies, where they are comparatively showing competency in reducing poverty, they deserve praise, but at the same time it has been found, in those countries, instead of decreasing the problem is becoming more acute. We became concerned about how the size of the cake can be increased, many countries are achieving also, what it is being distributed in the society? At the same time, it has been increasingly observed that, irrespective of their economic status- developed and developing- the rich are becoming more rich depriving the poorer section of the community. In broad spectrum, both poverty and inequality are so inter-related that I have tried to deal them together. Like many other

economists, my interest in studying poverty and income equality lies in understanding who is poor, why they are poor and more so why the country as a whole is poor and what can be done about them to improve the situation.

The Measure of Inequality: Gini Coefficient:

For that matter we care about the total status of development that is the total size of the cake, we have also taken care how it is sliced? Economists have a tool that collapses income inequality into single number, the Gini index. Gini coefficient is named for Italian statistician and demographer Corrado Gini. On this scale, a score of zero represents total equality- a state in which every worker earns exactly the same. At the other end, a score of 100 represents total inequality- a state in which all income is earned by one individual. The countries of the world can be arrayed along with continuum. In 2007, the United States had the Gini index of 45, compared to 28 for France, 23 for Sweden, and 57 for Brazil. By this measure the United States has grown more unequal over the past several decades. America's Gini coefficient was 36.5 in 1980 and 37.9 in 1950. Recent figures can be added to show the current comparative situations.

The Root of Inequality in almost in All Countries: the Absence of Democracy with its Full Spirit:

In the introduction of his famous book- *The Great Divide*, it has been cited, "No one can deny that there is a great divide in America, separating the very richest- sometimes described as the 1 percent and the rest. Their lives are different: they have different worries, different aspirations, and different lifestyles." Again, in his Vanity Fair article "Of the 1 Percent, by the 1 Percent, for the 1 Percent" evoking the lines of President Lincoln's famous Gettysburg Address, arguing that the real issue of Civil War was to ensure "that government of the people, by the people and for the people shall not perish from the earth." One can find the root of inequality in the absence of democracy. Stiglitz, while discussing America, has referred the above statement, but, as we see, in many underdeveloped countries like Bangladesh the statement is sent percent true only during election period we feel that it is a democratic country and through election the authoritarian regime is legitimized. But for the rest of the period, they are ignored and the question of

meeting their election-pledge becomes a nightmare. Though the democracy allows every voter to exercise voting rights, but the existing rule of game affects the ability and likelihood of exercising right as they wish. Thus, the root of poverty and especially inequality in any country, developed, developing or underdeveloped whatsoever, lie in the political ideology -in politics, the system followed.

The First Part: Situation of Bangladesh:

Let us first discuss the composition, character, traits and features of the society of Bangladesh. Heterogeneous elements are working in our society, not at all desirable for developing fraternity among them. How those developed? The present data shows that Muslim are the majority having 92% percent of the total population, on the other hand Hindus were almost 47% when India win freedom from the British regime in 1947. Then after, under different period, Hindus migrated to India and many Indian Muslim opted for the then Pakistan-both East and West Pakistan. Although Hindus mostly left this land, the social division created by them is still in vogue. From the Hindu community the caste system contaminated the Muslim community, although there is no caste system in Islam. In Hindus the caste system is ingrained in religious verdict. The religious leaders in Muslim community rather accepted caste based on occupations in Muslim community even, because it serves their interest. Since almost the Muslims of this country is converted ones, barring microscopic few came from Arab and Middle East countries, whose descendents (actually or pretended) claim superior Muslims and neglected the vast majority. It is mostly cocked stories, no doubt. These are fading slowly in the society, but it will take more and more time to go away with the situation, because its root is deep. The net result is that there is division in the society which has led to the compartmentalization- creating barrier among men and men and retarding development.

Stiglitz has mentioned few causes of poverty and inequality for his country USA but in countries like Bangladesh, where a substantial portion of people are the victim of poverty and massive inequality and the causes are of multifarious in nature. The village leaders, money lenders, teachers influence and create such an environment like unemployment, poverty helplessness, social bindings, social and

religious taboos, even village politics and grouping that the voting in favor of the own chosen candidate does not materialize.

The representative chosen, not among from them, nor a person who would fight for their cause, but almost unknown figure, coming from the city with no feeling for them, rather shopping by spending huge money, directly or indirectly- mostly business magnet having the intention to reap benefits, mostly through unfair manner and become more and more rich.

At present, more than 70% of the Members of the Parliament (MPs) are businessmen; but they belong to party in power and in the Parliament they are silent spectators, they are not willing to raise any issue where government may in embarrassment; they are doing their business as they like and government is running her business as it wishes. Virtually there is no opposition in the Parliament. It appears to me that today most of the business magnets are politicians. Their motives are reinforcing each other; that is why they have combined business and politics. Of course, there are exceptions, but the number is few, both within the cabinet and outside. But why they get interested? Not to serve the nation, not to dedicate their lives for the wellbeing of the toiling mass; but because they want to make money. And if anybody looks on their wealth that has increased between the period of gaining power and after the expiry of the period, it would clearly reveal. Now at this hour most of the MPs are passing days in panic; because they became MPs in last general election uncontested or voter less voting. In coming general election, scheduled to be held after 1 and a half year, they will be facing competition-challenges of election. Of course, there is another group of people and businessmen who run business with the blessings of politicians under different forms. They are not small fry, rather big short. They earn a lot and not in a fair way. When the country is plunged with rampant corruption, irregularities, malpractices and above all unfair ways of becoming wealthy by those who have power and position, what can be left for poorer? The big chunk of cake (GDP) goes in the pockets of very fewer persons and smaller slice is left with to be distributed among 90-95% of the people. Only it can be said that Stiglitz is a fortune citizen of USA and not country like Bangladesh.

The more unfortunate is that again a large chunk of this ill-gotten money is laundered in various countries like Canada, Malaysia, Britain, Australia etc. according to their convenience. It is really difficult to quantify the amounts, because most of them are done in dubious manner and few come into light after much delay. *The Bangladesh Protidin* (a daily newspaper, December 15, 2016) has mentioned that in last 10 years 4.50 million taka laundered from Bangladesh to other countries for various purchase. Shocking news published in various daily news papers in the first week of May, 2017 is that Global Financial Integrity Report revealed that Bangladesh lost almost USD 75 billion over a decade (2005-2014) and USD 6-9 billion in 2014 only under illicit financial flow from Bangladesh. Unless adequate measures are taken against them, or at least bring them in a tolerable limit, neither the country will drive benefits of development nor the poverty reduction or establishing egalitarian society will come into reality.

Now let us discuss at least few studies on poverty and inequality available in Bangladesh. At this point a most recent writings of Rehman Sobhan⁴ is worth mentioning, while reviewing the Assembly of International Parliamentary Union (IPU) recently held in Dhaka. The issues discussed are significant for this study. For example, the Chair of the IPU, in his opening address pointed out that 'one percent world's elite own 99 percent of its wealth, a frightening inside into an unjust world.'

We can refer here the most pertinent points Sobhan has made. The issue of poverty and inequality has been discussed primarily from economic viewpoint. Of course, he mentioned that such concerns with inequality are not limited to the so-called developing world but also have been made visible in the recently concluded US Presidential Election. However, he pointed out that: 'The suggested policy responses to inequality both at national and global level expressed through the Sustainable Development Goals (SDGs) have not been able to satisfactory address the problems of inequality.' It is not surprising that the very countries where poverty has been reduced, the income inequalities and social disparities have widened. Bangladesh obviously is one of them.

He suggested interventions which are designed to challenge inequality by widening and deepening the opportunities for the resource poor and more excluded segments of the population to participate in the development and political process. The discussion is structured under the following heads:

- *Structural dimension of inequality

- * Policy interventions to challenge inequality

In the elaboration he mentioned that contemporary policy discussion has focused on addressing the symptoms rather than the sources of inequality. The resultant interventions which focus on targeting of development resources to the resource poor (poor in short) and through social safety net are unlikely to resolve the problem of inequality. The poor are embedded in certain inherent structural arrangements such as insufficient access to productive assets as well as human resources, unequal capacity to participate in both domestic and global markets and undemocratic access to political power. The structural feature of inequality reinforces each other to effectively exclude the poor from participating in the benefits of development or the opportunities provided by more open markets.

In all developing countries including Bangladesh, faced with growing inequality and indeed many middle-income countries, inequitable access to wealth and knowledge disembowels the poor from participating competitively in market place. With the prevailing property structures of the society, the resource poor, particularly in the rural areas, remain disconnected from the more dynamic sector of the market, particularly where there is scope for benefitting from the opportunities provided by globalization. The resource poor, therefore, interface with the dynamic sector of the economy only as primary producers, service providers and wage earners, at the lowest end, of the production and marketing chain, where they sell their produce and labor under severely adverse conditions. This leaves the poor with little opportunity for sharing the opportunities provided by the market economy for the value addition to their labors. He then has discussed in the end some valuable suggestions 'what we can do to challenge inequalities' briefly. In search of our requirement of suitable study which fits our requirement and approach both in case of poverty and inequality, the study

conducted by Unnayan Annesha (centre for research and action on development) 5 super scripts has been chosen from many. It would have been found more appropriate and is required. However, if it could cover more recent few years also it could be more desirable.

Let us summarize the required portions of the study as follow

INEQUALITY IN INCOME

The Gini co-efficient measures inequality and the concept has already been discussed; it is the most popular composite indicator that summarizes the extent of concentration (inequality) of household income. Gini co-efficient of income has increased from 0.393 in 2000 to 0.430 in 2010 at rural areas with the growth rate of 0.94 percent, whereas it has decreased from 0.497 to 0.452 at the same period in urban areas with the growth rate of -0.91 percent. Gini co-efficient of income has increased from 0.451 to 0.458 at national level and the growth rate is 0.16 percent during the same period. The Gini co-efficient of income has decreased at national and urban level over the last five years (2005 to 2010) while it has slightly increased in rural areas during the same time (Table 1)

Table: 1 Income Inequality in Bangladesh

Year	Rural	Urban	National
2000	0.393	0.497	0.451
2005	0.428	0.497	0.467
2010	0.430	0.452	0.458
Growth rate	0.94	-0.91	0.16

Anu Mahmood, in The Daily Star, May 24, 2017 , has furnished some pertinent data and information on inequity issue of Bangladesh. The lower income 70 % of population of Bangladesh possesses 37% of the total income of Bangladesh. Conversely, the higher income 20% of the population of Bangladesh possesses 42% of the total income of Bangladesh; the super rich 5% of population of Bangladesh possesses 25% of total income. Of course, here we could not take the

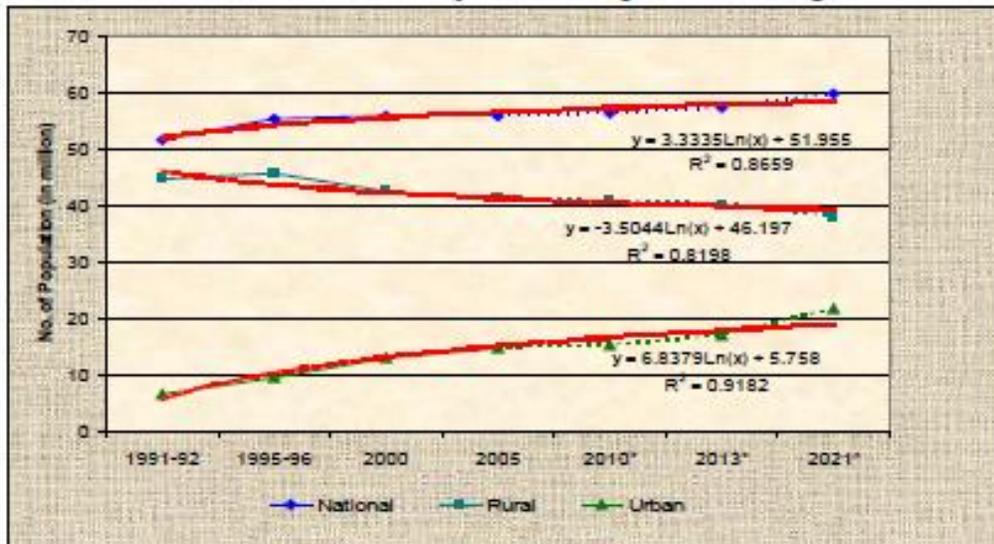
black moneyed people into consideration, who are laundering millions of money from the country to foreign lands every year. If we could do so, the picture would have been horrible. Syed Yusuf Saadat wrote an interesting article, in *The Daily Star* "The Threshold of Inequality", wherein he has mentioned that the income of the poorest 10 percent of people increased by less than USD 3 AYEAR BRTWEEN 1988 AND 2011, whilst the income of the richest 1 percent increased by 182 times as much(taken from the Ambassador Mario Palma's article, *The Daily Star*, May 26,2017).

POPULATION UNDER POVERTY LINE

Despite progress in reducing the overall incidence of poverty during the last two decades, the number of population living under poverty line is still increasing. Soaring food price and food inflation, climate change as well as the lack of balanced development throughout the country are attributed for such increase. The number of population living below the poverty line has increased from 51.6 million in 1991-92 to 56 million in 2005 with an annual average rate of 0.314 percent at national level. If the rate remains the same, the number of population living below the poverty line might stand at 57.3 million and 59.8 million by 2013 and 2021 respectively.

This number has decreased from 44.8 million to 41.2 million in rural areas during 1991-92 to 2005, with an average decrease rate of 0.257 percent per annum. Under the business as usual scenario, the number of population living below the poverty line might decrease to 40.2 million and 38.1 million by 2013 and 2021 respectively. Whereas, the number of population under poverty line has increased from 6.8 million in 1991-92 to 14.8 million in 2005 in urban areas with the average increase rate of 0.571 percent per year. Continuation of the current rate may witness an increased population of 17.1 million and 21.7 million by 2013 and 2021 respectively living below the poverty line (Figure 1 below).

Figure: 1: Current Situation and Future Projection of Population Living Below the Poverty Line



Source: Authors' calculation based on HIES 2005 and 2010 data

A Comparison between the Two Situations of Bangladesh and USA

Stiglitz, in a polite manner has pointed out that the ability to influence the political process, either by affecting voting pattern or more affecting the key decision makers, the moneyed man can use his/her money to influence the press (to buy the vote). In underdeveloped countries, such influences are seen in a naked manner. These things are done subtle manner in USA; but In Bangladesh various irregularities are done openly and ugly manner. A dedicated politician, known for honesty will not get party nomination, because he has no money. Thus, possessions of huge money by the future politicians have become a pre-requisite for become a politician in Bangladesh, under the present situation. Politics is increasingly being the matter for richest people of both the countries. The trend is set now in both the countries.

Since inequality issue is the core issue in this writing, it has been evident in various studies that these so- called political-businessmen constitute largest portion of the wealthiest section of people in the country. This is common in USA, one of richest country and in Bangladesh-a poor country. Increasing number of persons are amassing huge wealth in the form of money of other properties, either in their own name or in the name of their relatives or trusted persons of

same types of people to conceal from the eyes of NBR or government. In U.S. also same thing is done in other ways.

The Main Economic Cause of Poverty in the Context of Bangladesh and How Can Overcome the Poverty?

Any country is poor, because it is poor. This is the message of vicious circle of poverty- which says- low incomes lead to low saving; low savings retards the growth of capital; inadequate capital prevents introduction of new machinery and rapid growth of productivity; low productivity leads to low incomes. In this way, the whole issue is self-reinforcing. This theoretical definition of vicious circle of poverty exactly fit Bangladesh situation. Immediately after the liberation of Bangladesh, the per capita income was only around \$100, the national savings were negative, more than 80 % people were under poverty line. Many western economists like Faaland, J & Parkinson, J, wrote a famous book on Bangladesh under the title *Bangladesh-a test case of development*. It created a panic among many of us that whether the country with an economy that was prevalent immediately after liberation in 1971 can survive or not. Henry Kissinger termed Bangladesh 'as bottomless basket'. But Bangladesh survived even under those perilous initial days. She is now not only surviving, but being considered again by those western economists as one of the most prospective (promising) country of the world. Now she is getting the status of MIC (Middle Income Country), and hopefully will become a developed country by 2040-41. Although the national savings is 24% of GDP, but country requires national savings around 35% of GDP; so she is dependent on FDI, which is 1.7% of GDP, whereas for Vietnam it is 6%. Thus, investment cannot be made as required. Since the country' resources are meager, very little prospect exists for increasing employment as the people require; although the growth rate is 7%, the half of the working age people are unemployed, naturally their income is poor. So the mass people live in vicious circle poverty. The lack of proper political leadership, the lack of infrastructure, the investment is very inadequate investment in this sector, it is not rising as it should, the billionaires, especially bad billionaires who have found the country a heaven for them through their nefarious role, the government is meddling in too many issues, though required sometime, but not always with fair motive, the nation is still not in a position to make the best use of its location, investment in manufacturing is not as the economy demands, the country can use more debt, but they are coming inadequately, finally poor productivity and human capital hindering the growth of the economy. Wheelan 6 has shown nicely in an

attractive manner, by citing examples, how the contributions of few talented persons of any country can change the whole society- by elevating his own fortune and at the same time elevating the lives of common people. There is an opportunity awaiting for Bangladesh- some important 'geographical sweet spots', 7 particularly her sea-ports-like Chittagong, Mongla and Payra (it is coming up recently, now under construction) have big potentialities of development, but very underused currently. The neighboring countries are eager to utilize these sea-ports, which will fetch much income for Bangladesh and immensely benefit them. Sea- shipping business has also big potentialities. Likewise, blue economy- vast sea-area (almost equal to its land areas) Bangladesh got through international court verdict, are yet to be explored what resources it contains and bring them under use. Her huge populations (more than 160 millions) are passing lives in an awful manner. The government of Bangladesh has, with utmost effort, been able to control inflation. The people feel that in the country things are cheap. Among those factors responsible for slow growth/less development, the main factor is low productivity and low human capital; if we could overcome them, the income of the people and their low standard of live would have substantially increase. Under these circumstances, what is required most is huge investment, especially for infrastructure and seaport buildings. ADB also felt so. We firmly believe that the existing inequality is threatening growth, for which we have more importance on inequality issue. Our suggestion is that the talent pool must be increased, through introducing modern and scientific education and training. The present ratio of investment in human capital building is very inadequate. Another issue causing measure of the people is lack of rules of law, proper accountability, and prevalence of corruption (a brilliant example of country's lawlessness came in *The Prothom Alo*, May 6,2017, where vividly explained how the contractors are so powerful and care little others and their negligence caused severe damage of embankment and consequently people are facing enormous loss); for which the rent-seekers, in collaboration with bad politicians are exploiting the people, especially common people. If the government sincerely expects that development benefits should reach to the common people, all these must be curbed taking drastic measures. Those who love the country and think for further betterment should support the government in establishing the rule of law in the country. *The Prothom Alo*, dated May 06, 2017 contains news that the power of money (moneyed persons) exceeded the power of administrative machinery and even the power of politics. This is evident from the revised order containing the management of the private banks by the

government. If the hemorrhage continues, how can we become a developed nation? We are not interested to elaborate the points mentioned above; because our more interest lies in the issue of inequality. It is to be noted here that recently, investments by both foreigners and locals are on the increase; foreigners are taking projects like construction of rail-roads and its improvement, highways, ports, air-ports etc. and local investors are taking increasing interest in investing special economic zones along with foreigners. The progress of establishing 100 economic zones, spread over throughout the country, of course mostly in eastern part, must be accelerated. People in general feel that the local investors' greater participation will ensure their interest best. But yet, as we said earlier, that the investment is much low compared to its requirements in Bangladesh. However, there is no similarity between the two countries in respect of status of development and prevailing situations; comparison will not be meaningful. The per capita income of Bangladesh is only \$1500, whereas for USA it is more than \$50000, testifies so. Still, one can use the scales (points considered) while judging Bangladesh' vis-à-vis the case of USA .The results will be just opposite, even item-wise. The developing countries including Bangladesh has more than thousands to learn from USA's position. The most amazing thing is her infrastructure and transport system, which laid the foundation for such a remarkable progress. The more I see the country, the more I wonder; will it be possible one for them to even reach 10 % of such achievement? Yet, Bangladesh is a promising country; very soon she will achieve the status of MIC (Middle Income Country) by world bodies, and she has been thriving to be included in the status of developed nation by 2040-41. If not, it may take another ten years. At one time she will achieve so.

In 2016 end, The Dhaka Chamber of Commerce & Industry (DCCI) organized a one-day international conference on 'New Economic Thinking: Bangladesh 2000 and Beyond'. The world renowned experts, like Jeffery D. Sachs of USA, Joseph Di Vanna of UK, and Prof. Remy Prude of Paris joined the conference and expressed that Bangladesh has big opportunities to grow further and laid suggestions also. It may be noted here that Bangladesh earned the favor, help and assistance from both the emerging powers like India and China. They have taken interest in Bangladesh and implementing various big projects. And they are assisting in implementation through their expertise. She is also expecting various development projects to be financed and implemented by a number of developed countries. Among them UK, Canada, Japan, Germany, Iran, UAE etc. deserve to be

mentioned. Thus, in such an effort, the experiences of developed countries will act as eye-opener. Meanwhile, although our farmers and growers are not educated or conversant with technology, but through their wisdom and experience quality agricultural products which are fetching foreign markets, especially, European countries. Growers of different products have realized that to get better prices of the products, quality is a must. If we could orient them with required education and impart training (improve human capital) they could excel more. If we could use our most valuable assets- our people –in the most productive way possible, our idea say that the productive capacity of common people will enhance. The main issue lies here is the creation of more job-opportunities, when even common people will find people will jobs easily and earn more, standard of living will be upgraded. Consequently, poverty will be shortly narrowed down in a very short time. On these issues we have many things to learn from Chinese and Indian experiences of development. For example, India has been able to shift from agrarian economy to a service-based economy without building out significant industrialization. 8 Bangladesh can follow and following also the same suit, but at a slower speed. Dent has made a pragmatic analysis of social, political and economic scenario of both India and Pakistan and made forecasting of both innovation and inflation and spending waves of them. India is likely to be the nation leading Asian nation between the 2030s and 2060s, and ultimately the leading nation globally in GDP with the largest population as well. Compared to India, Pakistan’s potential for growth even further out into the future-until 2080 -2090. In two figures he has shown (in page- 228-229) these. He didn’t attempted such exercise for Bangladesh, excepting making a hint- the megacity’s goods’ market, other than consumers’ goods, is under the control of India. Bangladesh should try to recover it.

The Issue of Inequality:

The Issue of inequality has become a headache not only to developing countries, such as Bangladesh, who are suffering from absence of law and order, lack of accountability, corruption and malpractices for which proper actions are absent.

But also in almost the countries, irrespective of status, are suffering with the same problem, more or less. For a long time such situation has been prevailing and in many countries neither the governments nor the people in general are highly concerned, rather they are accustomed with it.

Even in many fast developing and emerging nations like China and India are the victims of inequality of greater degree, so to say. It was a surprising for me when I came across with the writing of Stiglitz, particularly the chapter, 'Of the 1Percent, by the 1 Percent, for the 1 Percent' and one can know about much details he has mentioned. How the 1 percent has been enjoying the larger chunk of income, wealth and resources depriving rest 99 percent of Americans and that is why the title of his recent book is *The Great Divide*. How in a country like USA such situation has developed?

Second Part: Poverty and Inequality in America

Efforts are now being made to explore it. It is to note that in the beginning we will try to summarize what Stiglitz has told.

Stiglitz started the discussion stating the sentiments of the a group of people that they look inequality and shrug their shoulders, as if it is a trivial issue how the pie is divided but to them the size of pie is important. 'That argument is fundamentally wrong'. In America, most citizens are becoming worse year after year. There are several reasons for this.

First, growing inequality is a flip side of something else: shrinking the opportunities of 99 percent. That is we diminish equality of opportunity and thereby we are not using some of our valuable assets-our people. Second, many of the distortions that led to the inequality- such as those associated with monopoly power and preferential tax treatment for special interest- undermine the efficiency of the economy. This new inequality goes on to create new distortions, undermining the efficiency even further. To give just one example, too many our most talented youths, seeing the astronomical rewards, have gone to finance rather than into the fields that would lead to more productive and healthy economy.

Thirdly, the most important, a modern economy requires “collective action”- it needs government to invest in infrastructure, education and technology, even government –sponsored research that led to the advances in public health, and so on. America has been suffering from the under-investment in infrastructure in basic research and in the education at all level. When in our eyes we are surprised to see the marvelous achievement of America in infrastructure of all kind, but in the estimation of Stiglitz it is opposite. He raises objections for this negligence in more improvement in this field, I do not know how can I express the conditions of underdeveloped countries- their dismal picture of the governments’ spending on infrastructure? But alas, the government has no resource- no ability to do that.

According to Stiglitz all these happen when society’s wealth distribution becomes lopsided. The more divided a society becomes in terms of wealth; the more reluctant the wealthy become to spend money on common needs. The top 1 percent may complain about the kind of government we have in America, but in truth they like it just fine: too gridlocked to redistribute, too divided to anything but lower taxes.

Stiglitz has supported economists’ inability the growing inequalities in America. The ordinary dynamics of demand and supply have certainly played a role: labor-saving technologies have reduced the demand for many “middle- class”, blue collar jobs. Globalization has created worldwide market place, but pitting not for unskilled American workers or cheap unskilled workers overseas. Lowering tax rates for capital gains, which is how the rich receive a large portion of their income, has given the wealthiest Americans close to a free ride. Much of the today’s inequality is due to the manipulation of the financial system. The government lends to financial institutions at close to zero percent interest and provided generous bailouts on favorable term when all else failed. Now America is doing inequality on world-class level. And as it look as if we’ll be building on this achievement for years to come, because it was made possible in self-reinforcing. Wealth begets power, which begets more wealth. 'Virtually all U.S. senators and most of the representatives in the House, are members of the top 1 percent when they arrive, are kept in the office by money from the top 1 percent, and know that if they serve the top 1 percent well they will be rewarded by the

top 1 percent when they leave office. By and large, the key executive-branch of policy makers on trade and economic policy also come from the top 1 percent.' We have quoted from Stiglitz, because he has shown the position of top 1 percent drastically.

'America's inequality distorts our society in every conceivable way.' Stiglitz's such remarks require our deep concentration of thinking. Coming back to the issue of top 1 percent, Stiglitz has pointed out that people outside the top 1 percent increasingly live beyond their means. In the same vein, we find in the study of Jeffery D. Sachs as follows: "The wealthiest 1 percent of American households today enjoys a higher total net worth than the bottom 90 percent, and the top 1 percent income earners receives more pretax income than bottom 50 percent. 9

Trickle-down economics may be a chimera, but trickle-down behaviorism is very real. Stiglitz feels 'Inequality massively distorts our foreign policy'. Again he has opined that top 1 percent rarely serve in the military- the reality is that the "all-volunteer" does not pay enough to attract their sons and daughters, and patriotism goes only so far.

To know the present poverty and income inequality situation of United States and its causes from an internationally reputed expert in this area, in my understanding, we are satisfied; but if one is interested to knowing others views and especially how historically such situation emerged, one will have to search out. We felt interested for that; Ganesh Sitaraman, 10 a well-known lawyer and researcher, in a book on law in chapter-5 titled, 'How Economic Inequality Threatens the Republic', satisfied us. The chapter contains two features- firstly in the beginning, he gave his own views and also an overview of what has been discussed in the chapter by other researchers belonging to various disciplines (which is required in discussing the thick-based issue like this) and secondly he has started cited from a large number of studies on the area – both met requirement. It may not be possible to mention here all those, but some selected ones are mentioned below. In that way, we got multiple views with different flavors from a variety of scholars.

Sitaraman quoted economist Thomas Piketty 11 who argues that the mid-twentieth century was economically exceptional. Prior to that time, the economic inequality had been pronounced, with economic gains flowing to the wealthiest in the United States and the Europe. Two world wars and the Great Depression wiped out much of their wealth, ushering an age of unprecedented economic equality, broadened economic growth, and relative economic stability. Since 1970s, economic wealth has once again becomes increasingly stratified. Unless public policy changes, Piketty predicts the twenty first century will look more and more like a Gilded Age of late nineteenth century.

For those on the losing end of the economy, both economic and political power seems out of balance. This isn't just felt among progressives. According to a 2014 Pew survey, 48 percent of the steadfast *conservatives* believe the economic system unfairly favors the powerful, and 71 percent of the steadfast believe too much power concentrated in the hands of few large companies 12.

Everywhere people look those seems to be evidence that the system serve to perpetuate the privileges of the economically powerful .The banks who engage in criminal activities didn't get prosecuted. Hedge fund managers pay lower tax rates than their secretaries. And no matter who is in charge of Washington, it seems as if many policies never changes.

These two phenomena- collapse of the middle class and Americas increasingly rigid political system – are connected. But the truly terrifying thing is that they are reinforcing each other. As wealth is concentrated in the hands of elite and corporations, they use their wealth and influence to rewrite laws and regulations in a way that helps them to amass even greater wealth and power. The result is downward spiral, a vicious circle in which economic inequality and the capture of political system reinforce each other. This dynamics makes it more likely with each passing days that modern America is losing its character as a republic. The above description is sufficient; but I couldn't check the temptation of citing some more studies.

As Sitaraman started such citations at first with Putnam's famous book *Our Kids: American Dream in Crisis*, which focuses of Port Clinton (author's home town in

Ottawa Country, Ohio) and its residents from 1959 to 2015, we can follow that. Putnam's case study covers both past and present. The issue under discussion is not absolutely the domain of economics, rather it belongs to various disciplines; it is covered by Sitaraman. In 1955 manufacturing in Ottawa Country accounted for 55 percent in all jobs. But in 1995, the Standard Product factory, army based, and gypsum mines had closed. Manufacturing dropped to just 25 percent of jobs. Wages in 1970s was slightly above the national average, but forty years later they were 25 percent below the national average. In 2012, the average worker in Ottawa Country was paid 16 percent less than his grandparents were in the early 1970s. The population had grown steadily from World War 11 through 1970 but soon flat lined and then dropped by 17 percent. Business disappeared. Juvenile delinquency rates grew from the average to three times the national average by 2010. Single parent households doubled. The divorce rate quintupled. Unwanted births doubled to almost 40 percent between 1990 to 2010. And just fifteen years, from 1999 to 2013, child poverty in Port Clinton jumped from 10 percent to 40 percent. 13

At the same time as Port Clinton's working class collapsed, the town saw the emergence of new upper class, wealthy. Wealthy mid westerns noticed Port Clinton's location in Lake Erie and started building gated communities and massive mansions, particularly in the Catawba area, just northeast town.

Putnam's story of the collapse of middle class and the fraying of his home town's community isn't a memoir of one idiosyncratic spot of America. Putnam shows that the trend and challenges facing Port Clinton over the last 30 years. In this connection we can cite Conservative intellectual Charles Murray's *Coming Apart: the State of White America, 1960-2010* traces how American whites have become increasingly divided into upper class and lower class, segregated from each other and ink different habits and behaviors. Again, one can get enough information in a book Chrysie Freeland's *Plutocrats: the Rise of the New Global Super Rich and the fall of Everyone Else (2012)*. This book along with many other books, show the growing divide between the wealthy and the poor.

For a generation, economic growth meant shared prosperity. But since the late 1970s and early 1980s, the Great Compression has turned into what Paul Krugman has called the “Great Divergence” 14. Jeffery D. Sachs pointed out that economic growth was widely shared from the end of war until 1980s. Then all economic benefits tilted towards the rich (see page -23, figure 2.7).15 Sachs has also shown the segregation of American society into various way, via, red states versus blue states; suburban versus urban centers; rural versus urban; white versus minorities; fundamentalist versus mainline religious dominations; conservatives versus liberals; Sunbelt versus Snowball. These are real.

From 1948 to 1978, wages and productivity marched upward together. But since then growth has far outstripped wages. By 2013, productivity in America was up 243.1 percent since 1948. But wages had risen 108.9 percent. 11 Where did all the benefits from the growth go? Between 1979 to 2008, 100 percent of the growth in income went to the top 10 percent Americans. During this period, the income of the bottom 90 percent actually declined. 16 The twenty wealthiest individuals in America are alone wealthier than the bottom half of the American population-152 million people. 16

Coupled with the shrinking middle class are their dwindling fortunes. According to Pew, the middle income households took 62 percent of the nation’s aggregate income in 1970. By 2015, they were taking home only 43 percent. In the same period, the upper class’s share rose from 29 percent to 49 percent of the income. 17 The data shows that the percentage of Americans in the upper class is increasing. The number of highest-income Americans more than doubled from 4 percent to 9 percent between 1971 to 2015. 18

Economic inequality also threatens the ideal economic mobility- the idea that people can do better than their parents. Krueger plotted a measure of intergenerational mobility- the likelihood that people will inherit their parents’ level of income- the Gini coefficient, the standard measure of inequality. What he found was a clear correlation: as inequality rises, the mobility declines. 19

An important recent study found that children born in bottom 20 percent of the income distribution only have 7.5 percent chance of making it into top 20 percent. 20

With the shrinking middle class and rising level of inequality, Americans are becoming more and more segregated by income and, as a result less and less likely to interact with people who are dissimilar to themselves. 21

The increase in income segregation has with a decline in the number of families lived in middle class neighborhoods. By 2012, it was only 40.5. 22

However, our ideas say that enough have been discussed on how poverty and inequality developed in America and their present situation; let us now shorten it. Finally, we want to cite one study. In a study respondent estimated that the top 20 percent in America held 59 percent of the wealth, when in fact it was about 84 percent at the time of study. Their preference, however, was for the top 20 percent to only have 32 percent of the country's wealth. 23. In other words, America dramatically underestimates the amount of inequality in America- and wants a country that far more economically equal.

From the standpoint of a republican system of government, what is more important is that the data shows the collapse of middle and increasing divide between the wealthy and the poor-something that is incompatible with our middle class constitution.

In drawing conclusion over what has been discussed in this section, it is to be noted that since we had the desire to show the parallel situations of America and Bangladesh in matters of causes, consequences, development and present situations of poverty and inequality, if we get similar types of information on both the cases in above line, it could be more acceptable study. But, as we found very few studies, that too broad in case of Bangladesh and lacking depth compared to so many studies in American context with much depth; our only consolation is that at one time, when Bangladesh will be capable in this respect, the researchers may find some clues and dimensions of the studies referred here for their guidance.

Having bias on legal aspect, from person like Sitaraman, which is more likely, his laborious work helped us tremendously to know not only the economic aspects of the issues, but also it covers various related disciplines, such as, Sociology, Psychology, political etc. aspects too. In that way, we find a total situation prevailing in the arena of poverty and inequality in America.

Concluding Part (Findings of the Study):

Although our study covers two countries, situated in extreme poles as regards economic situations and hardly there exist any similarity, even though ironically we find some traits common in both the countries. These are stated as follows:

In all countries the process of exploitation by the rich, wealthiest, whatever may be their percentage, is almost basically has much common. The victims are poor persons in the society. We find this common phenomenon in almost all countries. Secondly, the society is divided, whether in American society or in Bangladesh. We believe in all countries irrespective of economic status, ideology or in whatever angle you see. This is a great threat to human society. One of the fundamental reasons for that, what Adams lamented, "Modern politics is at bottom, a struggle not for men but for forces".²⁴ The study shows how with the shrinking of middle class and rising levels of inequality, American society is increasingly been segregated by income and, as a result, less and less likely to interact people who are dissimilar to them. The rich has formed their own society and they are alienated from the greater society; they think only about their own society, leaving the poor aside. When they do not own the greater society, what you can expect from them? But, nobody will deny that the rich have become so by depriving the poor from their due share. Think of, how the rich in Bangladesh has become more so in case of Garment industry? Obviously, they didn't pay minimum wages to poor workers, particularly women and now in this way they are becoming rich and rich; enjoying a life of pomp and grandeur. Even, the government didn't pursue them; since they form majority in Parliament. In American society how the wealthiest people are utilizing power and resources for protecting their advantages have been clearly discussed.

Thirdly, the political power and process, even Constitution is supporting the cause of the rich, not poor. The king makers are united for achieving their group interest- not for the majority of citizens.

Fourthly, one of the major consequences in the society is that the future of the society is bleak. As we know, most of the poor parents are not in a position to afford better education of their children. It is only the 'fortunate' children of properly educated and well placed parents understand the necessity of education for their children; but vast majority do not get such facility. And the number of left -over is increasing in the society. In this way, the future generations are deprived; the country is not fully utilizing the potential great resources- human capital. That is a great loss for the society and also for the country as a whole. Even, Stiglitz lamented for the situation in America; developing countries are greater victim in this respect. Ultimately, we all are taking a course greatly hampering the formation of human capital.

Fifthly, we know that human capital is inextricably linked to one of the most important ideas of economics: productivity. Productivity is the efficiency with which we convert inputs into outputs. Again, it is productivity growth what improves our standard of living. Productivity growth also depends a great deal on innovation and technological progress, neither of which is properly understood perfectly. 25 Say, the rich country like United States has yet enough scope of greater productivity growth; she can expect higher productive growth leading to greater prosperity. Now, it does not require thinking that underdeveloped country like Bangladesh, why she is undeveloped? The simple answer is because of low productivity growth and again it is primarily the lack of human capital. It is a known fact that productivity growth also depends a great deal on innovation and technical progress, neither of which is properly understood. As we have found out that, a poverty-stricken country like Bangladesh could not afford such facilities, because of paucity of resources; but it has been possible for United States, which this study testify. The root cause of such situation is poverty and inequality of the country, as we have discussed.²⁶

Talent and innovation do not belong to any country and any nation- rather they are assets to all nations. Think of how many talented and innovative people the world could produce, if adequate provisions could be made for them in different countries, particularly in underdeveloped countries, where people in huge number are illiterate, half-educated and lead lives not befitting like human beings; a threat to human civilization. Are the poverty and inequality not creating great havoc for so many people in every society, even in country like America?

It has been found that in every country, there is a section of in the society (e.g. scrupulous politicians, bad billionaires, businessman, rent seekers; in country like Bangladesh also contactors, some engineers, even persons like bureaucrats, lawyers, shop-keepers etc. make money in unfair ways). Sometimes they escape punishment, fly in other countries, sometimes through money, power and bribing they didn't care anybody, even the law-enforcing authority. It also been seen that the presence of "crony capitalism" in all countries. That is projects that have greater potential to be high profitable do not get financing, while dubious undertakings sponsored by president's brother-in-law are lavished with government funds. Of course, very and much more in developing countries like Indonesia and Bangladesh, but also it is in country like America, in a less degree, of course. In these countries, the corruption -free people are increasingly becoming minority in the society.

One of the major issues that constantly pains us why in this age of prosperity, millions of people struggling so hard even to survive, not to speak of better life? Although many factors are responsible for, may be few have been discussed here. Our views, what is that the poverty and inequality created by man in the society is a fundamental one. We firmly believe that "The world does not need poor countries in order to become rich countries, nor must some people be poor in order for others to be rich." Rather, the lopsided distribution of income may cause the rich to squander resources, when other kinds of investment, such as human capital for the poor, would more return. Now, knowing fully every consequence, we do not know long we will remain indifferent to initiate for its solution?

Before drawing the conclusion, we would like cite extracts from two studies. First, an article by Farida Banya Ahmed came in *The Daily Star*, May 05, 2017. The essence of her article is as follows: “The Bangladesh government proudly showcases its GDP growth which is an excellent numeric indicator to make headlines. But, it does very little to deal with the ever growing inequality, dispossession, gross human rights violation, minority oppression, rise of religious fundamentalism and massive corruption.” This does not require further explanation. Second, we would like to refer that Richard Wilkinson and Kate Pickett, in their book *The Spirit Level* (2009) has demonstrated how unequal societies becoming more and more dysfunctional for the poor as well for the rich.

Finally, to usher in a new era of prosperity throughout the world, forming egalitarian society should be our aim. The future of human civilization depends on the vision and mission of the citizens of the world. We are living in a world where the poverty and income inequality, which is increasingly spreading its sways on income disparity / gap, has already created the situation that 100 crores of people cannot earn \$2 a day. And only eight persons have accumulated income and wealth equal to the assets of 50% of total human population. If good sense prevails among them: they feel for their fellow brethren-human beings, without worshipping power, wealth and prosperity for their own, and again if the society amends law and norms, even Constitutions of the countries accordingly, we can obviously build a future worthy of its kind for the human society, otherwise we do not know where it will end.

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