

SELECTED ESSAYS

12. ON THE ECONOMIC DEVELOPMENT OF BANGLADESH

(The policy statements made in this essay coincide with those of BDI. However, if the reader finds any part of the essay controversial, the author takes full responsibility for it. The essay was published in Bengali in the 'Ekushe' February special issue of The Weekly 'Bichitra', 1993, published from Dhaka, Bangladesh. Another shorter version of the essay was published in English in the November 1992 issue of The Voice of Bangladesh, published from New York city.)

Ashraf Ali, D.Sc.

INTRODUCTION

The objective of this essay is to present two important economic propositions. One, the social progress of a nation can be measured by the technological sophistication that goes into the production of commodities of that nation. That is, the level of social progress of a country can be gauged by looking at the type of commodities that country produces. Sophisticated technology is required in the production of durable, intermediate and capital goods. Therefore, if this proposition is correct, then Bangladesh should initiate the production of these types of commodities on account of social progress. Note that "social progress", with all its implications, has been identified here as the targeted aim. That is, "advanced technology" is not a mere collection of scientific and technical knowledge, the technology congealed in the commodities is an indicator of social progress as well. Another point that should also be mentioned here is that the production of these types of commodities requires accumulation, and not dispersion, of capital.

Two, the roots of development cannot be implanted in Bangladesh and the economy cannot be stabilized until and unless the average national per capita income of the people of Bangladesh are made comparable to that of the advanced industrialized countries. If international income disparity exists, the countries with higher income are capable of exercising influence on all affairs of low-

income countries. This type of influence can extend from the general public to the bureaucracy, intelligentsia, and administration. Therefore, the task of removal of international income disparity should be considered an indispensable component of any development philosophy. This process may also be termed as "the development of internal market".

In the question of environment, we can learn from and avoid the past environmental mistakes made by the advanced industrialized countries and plan our development strategies accordingly. The abandonment of industrial development work can, however, be suicidal and cannot be accepted as a solution to the environmental problem in a country like Bangladesh.

The present essay will also shed light on (a) the myth of an alleged labor displacement phenomenon due to mechanization, (b) the existing development impediments of Bangladesh and (c) the question of foreign investment in Bangladesh. In line with the proposal number one above, it is recommended that the national capabilities for the production of durable and capital goods should immediately be established as a long-term solution to the economic problem of Bangladesh. This, in turn, will require the solution of the problems of (a) internal market development in accordance with the proposal number two, i.e., the creation and preservation of domestic demand for the home-made durable and capital goods as well as the increase of the national income through the increase of individual earnings and (b) capital accumulation necessary for the undertaking of the production of these goods. An inductive approach is recommended as a partial solution in which the industrial development leads academia.

FORMALIZATION OF THE ECONOMY

- A. Establishment of durable, intermediate and capital goods industries: Modern machines possess the ability to repeat given actions at very high speeds. Therefore, logically poor countries like Bangladesh are expected to employ machine-intensive production methods wherever possible, as opposed to labor-intensive methods, in order to produce 'large' quantities of 'quality' goods in a shorter time span (see below for a discussion of the associated labor displacement phenomenon). It is clear that the fate and future of all Bangladeshis are closely related to the policy of mechanization of production in Bangladesh in all economic sectors. An all-out industrialization is, however, a long-term process. We may desirably envision a Bangladesh at least as industrialized as the Newly Industrialized Countries (NICs) of Asia in 20 to 30 years time. By that time Bangladesh may target to attain the technological sophistication to produce

most of the important durable goods and the modern means of production (capital goods) along with other commodities of direct consumption. The long-term overall national gains attainable through the process of diversified industrialization of the economy of Bangladesh that include the production of capital goods are multi-faceted.

Although this might appear to be a simple proposition to most of you, there are prevalent views both in Bangladesh and abroad that attempt to seek solutions elsewhere. As an example, Dr. Harry Blair, professor of political science of Bucknell University and a long-time development consultant in South Asia for organizations like World Bank and United States Agency for International Development (USAID), on the eve of making his 19th trip to Bangladesh in July 1991 for conducting research that would examine how the people of Bangladesh adapt to flooding, said in an interview, "We want to get some insight into what people in Bangladesh ordinarily do in a flood. ----- We want to see if that knowledge can be systematized and distributed to the general population. ----- Getting people better able and equipped to deal with floods would be a lot cheaper than building civil engineering works" [1].

The underlying notion of the thesis of professor Blair, though well-intentioned, may, at best, be interim or short-term and may not be substituted for the long-term engineering solution of the flood problem or any other technical problem for that matter. Bangladesh is full of tendencies which advocate the preservation of the status quo in production method. These tendencies propose to maximize the efficiencies of the existing methods of an economy which is dominated by a huge 'informal' sector. The outcome of these efforts would possibly be to add a couple of more pennies to the current fifty cent average daily per capita income of the people of Bangladesh. To make things worse, these extra pennies go into purchasing foreign-made durable and capital goods, thereby supporting an average daily per capita income of fifty dollars or more in other countries. For example, in developing countries like Bangladesh, the so-called import-substituting industrialization replaces one category of imports— particularly consumer goods and other mass produced goods for which the production technology has become relatively simple. Yet, at the same time, it generates a strong demand for imports of capital goods and various intermediate products.

It is clear that none of the important socio-economic indices, e.g., national per capita income, longevity, child mortality, illiteracy, excessive population growth rate, etc., will appreciably improve unless Bangladesh goes into the production of durable and capital goods. Furthermore, it ought to be realized by now that the strength of a nation emanates from its ability to master modern technological capabilities. As a

rule, the production system, and not the academia, of a nation first feels the need for, tests and utilizes new technologies. Should the academia, at a later stage of development, get involved with the innovation of new scientific and technological methods, then these new methods also usually get assimilated by the production system. That is how the technological progress of a society attains its objective dynamic.

The need for modern production methods in Bangladesh has been supported by other researchers as well. In an article, citing other research reports, Franklin Vivekananda and Sadrel Reza write, "----- a warning against excessive obsession with what has come to be regarded as "appropriate" technology. A technology may apparently seem appropriate from a country's factor endowment point of view but it may not necessarily be competitive in the world market. ----- intermediate technology should be considered a supplement to, not a substitute for the rapid development of a modern, large-scale "backbone" industry. ----- the effect of shying away from the more advanced and modern technologies would simply be disastrous. The future of this world will belong only to those countries which will hold the keys to the technologies of the future. One can't afford to falter in this field" [2].

Franklin Vivekananda and Sadrel Reza could not have been clearer on this point. The cycle of poverty and underdevelopment in Bangladesh can only be broken by an all-out industrialization, rooted in Bangladesh. In a recently published book, Shahid M. Shahidullah, also clearly advocated advanced technology over appropriate technology [3].

At this point we should answer one question. Historically the nations that managed to have a technological edge over others always ended up assuming imperialistic characteristics. A nation may be loosely defined to be possessing imperialistic characters if it projects and maintains its military powers outside its national borders in the name of protecting its own national interests. In the post second World War era, the newly industrialized countries of Asia (Japan, Taiwan, South Korea, Singapore, Hong Kong, Indonesia, Thailand and Malaysia) have succeeded in establishing the industrial production bases without becoming imperialistic. Bangladesh can follow the examples of these countries for its own economic development. That means, at this juncture of history, it is not necessary to project military power outside the national border in order to sell high-tech, i.e., value-added commodities in foreign markets.

It is known to all that the value of a commodity also includes the value of labor necessary to produce the commodity. When the commodity is sold, the labor also gets sold with it and the value of raw materials and labor used in the production of the commodity is realized simultaneously. If commodities are

produced by skilled laborers and then sold, it is possible to sell the labor of the skilled laborers, i.e., the added value. By skilled laborers, we mean to include the highly educated people as well. The most important significance of successfully selling the labor of skilled laborers in domestic and foreign markets is that it opens the way for the generation and maintenance of skilled laborers in home country. Only up to primary level education is good enough to produce Bangladeshi ploughs, oxen carts or baskets, or to work in the garment industries to produce clothes. If the Bangladesh economy continues to be governed by the production-works of these types of commodities, the Bangladeshi society and educational institutions will continue to produce only primary school graduates/dropouts. On the contrary, a university graduate will always be on the lookout to leave the country at the first opportunity, since there is no utility of his education and training in the home country and there are limited opportunities to get a decent salary in the work place. However, if the industries that can produce tractors, cars, machineries for the garment industries, chemicals, computers, medicine, air planes, electronic goods, etc. are established in Bangladesh, then the Bangladeshi society and educational institutions will be compelled to supply highly educated skilled workers.

That is why, the successful establishment of the durable, intermediate and capital goods production industries in Bangladesh, accompanied by the accomplishment of the task of development of the internal market, will almost immediately produce many desirable results simultaneously. We will briefly talk about a few of the beneficial results here. Firstly, it will force the Bangladeshi universities to initiate effective master's and doctoral programs. Secondly, it will help in creating a favorable educational atmosphere in the University campuses. Because of the expansion of the production base, the possibilities of getting suitable jobs will increase. If the promise of adequate salary is added to it, the process of producing skilled workers from the universities will automatically become dynamic. Thirdly, it will force restructuring of the educational curricula at all levels. It is needless to say that the education system should be made vocation-oriented [4. page 218]. In reality, the academia is controlled by the production system of the society. Mahabub Hossain says in the above mentioned paper that he was surprised not to find a connection between the degree of schooling of the head of household in rural Bangladesh with the needed skill in agriculture management [ref. 4, pp. 217].

In this essay, he focused on the 'demand' for education in agriculture and wanted to see whether a connection existed between the demand and supply of education. Mahabub Hossain designated the use of high yield variety seeds, chemical

fertilizers, and irrigation with the help of deep tubewells (at most) as high technology. Since this technology is available in Bangladesh for use in agriculture and since the application of this technology demands the farmer to be more educated, he expected to find a relationship between a farmer's education level and his ability to apply this technology more successfully. But the survey results showed that if the head of the household received a higher level of schooling, (a) the labor supply in agriculture decreased, (b) the income from the agriculture decreased and (c) the relatively highly educated heads of the household left the agricultural work to take up non-agricultural jobs.

Truly speaking, Mahabub Hossain is looking for the connection in the wrong place. In this essay and elsewhere [5] Mahabub Hossain has discussed the use of 'seed-fertilizer-water' technology essentially in the cultivation of rice. Furthermore, note that in rural areas basically traditional plough, oxen cart, etc. are used in rice cultivation. In some places tractors are also used which are imported from foreign countries. In addition, chemical fertilizers and tubewells are also basically imported from outside. We have to remember that agriculture does not mean the cultivation of rice and crops alone. The production of fish, cattle, chicken (as food for human beings) also comes under the category of agriculture. A little reflection will reveal that the agriculture sector is only a consumer, and not a creator of, technology. Another layer of agriculture-related industries exist between the agriculture sector and academia. These industries create new and advanced technologies to be used in agriculture, supply farm-implements to the agriculture and at the same time control the movements of educational institutions. For example, chemical fertilizers for agriculture, tubewells, tractors, harvesters, various types of medicine and other high-tech items for the farm-raised animals, such as, cattle, chicken, fish, etc. are produced in these industries and are supplied to the agriculture sector. The United States companies, such as, Dow Chemicals, Monsanto, Du Pont, etc. are continuously creating new technologies for the agriculture and other sectors. Every year these companies employ Master's and Doctoral graduates from the universities in order to continue the research unhindered and to keep on creating new technologies. The education curricula of the universities are essentially controlled by the demand of these companies. For the last few decades these companies have continued to force open new branches of education and new horizons of human knowledge. For example, many of you may perhaps be aware of the recent revolutionary research on genetic engineering. Many universities have been compelled to open a separate department, called the Department of Genetic Engineering, in order to meet the demand of these companies.

One cannot help making one more point regarding Mahabub

Hossain's essay. As a result of the introduction of relatively high technology in agriculture (although at the present level it is insignificant), the effective demand for the farm-implements, viz., chemical fertilizers, tubewells, tractors, etc. has increased. It has been shown above that the role of the industries that innovate, produce and supply farm-implements is indispensable and unavoidable in revolutionizing the agriculture sector in a true sense. In the discussion of Mahabub Hossain's 'green revolution' [5], these implements are, however, imported from outside. As a result, through the creation of new demands, markets are being created for foreign companies for the sale of these implements in Bangladesh. The foreign companies that produce these implements are profiting from the poor Bangladeshi farmers. It is clear that real economic freedom of agriculture-dominated Bangladesh lies in the establishment of this industrial layer that occupies the position between agriculture and academia. Unfortunately, Mahabub Hossain's essay [4] or his recent books [5,6] do not address this important issue.

Let us mention a few other desirable benefits that would result from the successful establishment of durable, intermediate and capital goods industries in Bangladesh. Clearly, the brain drain from Bangladesh can be stopped or slowed down, provided the task of the development of internal market is accomplished along with this industrialization. It is realized from the above discussion that these industries are the agencies through which the agriculture sector can truly be revolutionized; the agriculture sector itself cannot and does not bring about the revolution in agriculture. Furthermore, it is through the establishment of these types of industries that Bangladesh will ever see true economic independence. To be dependent on others for higher technologies is as good as sacrificing the sovereignty of the country. If seen from the other side, it becomes clear that the advanced industrialized countries guard "important" technologies created in their countries extremely carefully exactly for the same reason. The advanced industrialized countries often suggest to countries like Bangladesh to produce "import-substituting" goods. A little deeper reflection reveals that the production of the types of products they suggest to these countries to substitute requires only a low-end variety of technologies. The industrialized countries will not suggest to the developing countries to substitute durable, intermediate or capital goods. The responsibility of undertaking these initiatives rests on the people and the Government of Bangladesh. Most importantly, the **social cost** that results from refraining from the cultivation of higher technologies in the home country is so enormous that it cannot simply be measured in economic terms. We have already hinted about this loss in the above discussion.

Moreover, if these industries are established, the total productivity of Bangladesh will increase manifold and the standard of living of Bangladeshi people will rise substantially. In addition, this industrial sector will bring a lot of revenue to the Government. Faced with the uncertainty of returns in the present economic conditions, many do not send their children to school. Many students drop out at the primary level or at the middle of secondary education and join in the agricultural works or become self-employed by opening petty business. At present, the labor of hundreds of farmers are being wasted on land that could be cultivated by a single farmer with the help of modern farm-implements. The industrial sector lying between the agriculture and the academia, if established and expanded, would form a part of the production infra-structure which would provide the highly educated Bangladeshi graduates with a mechanism through which they would be able to generate higher value in a short amount of time. Obviously, because of this, a large number of people will be brought under the fiscal reach and accounting of Government. Consequently, an adequate amount of money would be accumulated in the hands of the Government for building and maintaining the country's infra-structure, for taking measures to market the commodities produced in the domestic durable, intermediate and capital goods industries in foreign markets and for doing other Government works.

These industrial goods may first be produced for the domestic market. It has already been mentioned that the development of internal market is an important component. In this respect, Salim Rashid [7] argues that "The first requirement for having an honest bureaucracy is the payment of a decent salary. This will not solve the problem by itself, but without this, nothing will get solved".

- B. Capital/land accumulation and income disparity: A little reflection will reveal that effective industrialization, which includes the production of durable and capital goods, will invariably require a great degree of capital accumulation at the public or private level. Furthermore, since this type of industrialization is national in scope, it will not materialize unless backed by the Government in power. The implication could not be clearer.

Salim Rashid asked whether "The real question facing Bangladesh is "Shall we be equal in poverty or unequal in wealth?" [7]. The first option can be discarded without much thought and obviously what is most desirable is to opt for a third possibility of being 'equal in wealth'. This option may not, however, be implementable in Bangladesh at the present moment. Since Bangladesh is one of the world's poorest nations, the creation of national wealth should be of primary

concern. An equitable income distribution is desirable. However, at the current stage of economic development, income distribution cannot be the root cause of poverty in Bangladesh. It is the income generation that ought to be the focus of all development planning. It should again be pointed out that the precondition for the establishment of modern industries is to accumulate, rather than disperse, capital in some form.

In agriculture, the situation is more obvious. The revolution in agriculture means the use of large farm machineries in the sowing of seeds, in the application of fertilizers and water and in the harvesting of crops. It also means the use of machineries and modern methods in the processing, preservation, transportation and marketing of agricultural products. As a result, some form of land and capital accumulation or collectivization will become essential, which can be brought about either by the nationalization of lands or the transformation of the large farmers into still larger farmers. This modernization of production methods will generate a net higher national income. This, in turn, is expected to raise the standard of living of an average Bangladeshi, including the small and marginal farmers who would lose land in the process of accumulation of land and capital.

In structural engineering, there is an analogous phenomenon called the 'rigid-body-motion', in which the whole body moves under a force without causing stresses and strains in the body. Income inequality may, as a whole, increase in the process. **We emphatically note here that the fear of generating income differential may not be used as a basis for rejecting the production of modern durable and capital goods or the agricultural revolution in Bangladesh. Income inequality is not the root cause of widespread poverty in Bangladesh.** In an essay [8] Mohiuddin Alamgir and Sadiq Ahmed, commenting on the determinants of inequality and poverty in Bangladesh, write, "In a country like Bangladesh, one would expect income inequality to be associated with inequality in the distribution of assets, particularly landholding, diffusion of new High Yielding Variety (HYV) technology; ". They express concern, "Available evidence suggests that ownership of productive assets has become more concentrated". Alamgir and Ahmed appear to be on a wrong track when they associate poverty in Bangladesh with income inequality. They conclude their essay by saying, "the future of Bangladesh lies in promotion of productive forces on the basis of appropriate technology and shared austerity and authority".

Alamgir and Ahmed appear to advocate what Salim Rashid called "be equal in poverty" [7]. In the question of the relationship between the income disparity and the average standard of living, let us take the United States of America as the role

model for Bangladesh (U.S.A. is a dreamland to many Bangladeshis). The existing income differential in the U.S. (for example, an American on the minimum wage has to work 79,000 years to earn as much--\$550 million--as Michael Milken did in 1987) does not appear to substantially diminish the existing standard of living of an average American, nor does it make the United States economically poor and weak as a nation like Bangladesh is.

DEVELOPMENT AND ENVIRONMENT

When we talk about the "environment", we mean "man's environment" because human beings form the central piece of nature and the natural environment. The well-being of human beings is at the core of environmental consciousness. Environmental well-being does not convey any meaning. Let us imagine a pollution-free pristine world which is not inhabited by human beings. This world is as good as non-existent to us. We desire such a serene pollution-free world where an increasingly progressive human society is progressing towards an increasingly prosperous life.

The notion that talks only about the preservation of the environment disregarding the aspects of improving the living standard of mankind is obviously wrong and misguided. The people of Bangladesh, on an average, earn an income that is equivalent to about 3 pounds of rice a day. As a consequence, millions of people of Bangladesh already live in extreme poverty and unsanitary environment. Therefore, environmental concern in Bangladesh by necessity should be targeted toward the alleviation of the standard of living of these poor people. Furthermore, development cannot be a mindless process that destroys the surrounding in which human beings live. Suppose, because of economic development, the average earning of the people of Bangladesh is raised to a level that is equivalent to 300 pounds of rice a day. As a result of this, their material needs would be effectively satisfied. This would increase their consciousness to such a level that they themselves would demand a cleaner environment to live in. But, **under no circumstances, the abandonment of the industrial development process can be imposed as a solution to the environmental problems.** The roots of scientific and technological development need to be established in Bangladesh. The knowledge gathered through this process can be applied to secure the ecological balance of environment. This is what is the correct philosophical theory which seeks solution through scientific knowledge and economic development.

Secondly, and possibly most importantly, environment is not only a national, but also a global issue and should be treated as such. Oftentimes the Bangladesh national issues on environment are confused with global environmental concerns. The confusion

comes from the fact that Bangladesh is an integral part of the world capitalist system without itself being a capitalist country. The industrialized countries of the world initiated the industrial development cycle a few hundred years ago. The citizens of these countries enjoy a standard of living that is one hundred to one hundred twenty times higher than that of Bangladesh. Today they are faced with the problem of air pollution, the disposal of waste materials of various kinds and the near-depletion of the natural resources at home and developing countries. These countries are at present under pressure from within and without (1) to look for alternative automobile fuels, (2) to use recyclable materials wherever possible, (3) to tighten air pollution criteria, etc. It does not mean that these countries are being asked to give up their advanced methods of production. They are rather being pressured to innovate more advanced and environmentally conscious production methodologies. Obviously, the environmental concerns of Bangladesh and other developing countries are of a different nature than those of the industrialized nations of today.

For Bangladesh, the primary concern should be to initiate a massive industrialization phase starting from now. We cannot afford to wait even for the next year because of the desperate existing economic conditions of the people of Bangladesh. Even the United States of America felt that it could not afford to sign all the environmental agreements of the Earth Summit 1992 of Rio de Janeiro in fear of impeding development activities at home. Wherever possible, Bangladesh should avoid the past mistakes made by the industrially advanced countries. For example, (1) child labor should be stopped or eliminated; (2) women's labor should be appropriate to her physical abilities; (3) Bangladesh can produce only electric automobiles to begin with and can use the new material under research and development rather than CFC for refrigeration, and so on.

Finally, the possible impact of the process of industrial development on the cultural setting of Bangladesh should be pointed out. It ought to be understood that culture is a dynamic system of practices that evolves with the evolution of the society itself. Scientific and technological development of a nation does not destroy the cultural setting in it. The prosperity of people makes them more aware of their own history, tradition and culture.

This is an important issue for Bangladesh. Many thinkers and writers in Bangladesh mix up the issues of tradition and culture on the one hand and science and technology on the other in addition to confusing Bangladeshi national and global environmental concerns as mentioned above. For example, Farida Akhter recently wrote, "That is, we start identifying ourselves as underdeveloped or developing on accepting the premise that prosperity cannot be achieved without industrialization. We too

have accepted it to be true that we cannot prosper if there are no modern arrangements for living, if there are no huge skyscrapers, or if a train or bus does not run every two minutes and fifty seconds, if we do not have one automobile per person. But there are problems looking at things this way. And at the time when everybody is concerned about the global environment, it can be seen that the lifestyles of the advanced countries cannot be a model at all. Should we move heaven and earth to make ourselves prosperous in the same fashion? Of course not. This increases the number of houses and automobiles and the profits of the corporations, but it does not improve the conditions of human beings" [9].

Contrary to what Farida Akhter is saying, though she meant well, the people of Bangladesh do need modern comforts of life, e.g., modern water supply and sewage disposal systems, electricity, modern transportation, modern fishery and farm implements, modern telecommunication system and so on. The most compelling argument in favor of mechanization of the production system of Bangladesh is the necessity of revolutionizing the agriculture sector. The farm implements, i.e., irrigation systems, tractors, harvesting machines, etc., should be produced in Bangladesh, otherwise the growth in the agriculture sector would not be sustainable for more reasons than one.

MECHANIZATION OF PRODUCTION

VS.

LABOR DISPLACEMENT

There is a myth that runs deep in the hearts of people of all ranks that automation and mechanization of production will throw the people of Bangladesh into massive unemployment. On the contrary, **the mechanization of production system will be the beginning of the end of the existing conditions of poverty and underdevelopment.** It has already been pointed out that Bangladesh, like any other third-world country, possesses a large informal economic sector which implies an enormous loss of productivity. This also means that a large part of the labor force is remaining outside the fiscal reach of the state, which is a tremendous loss for the Government of Bangladesh.

As we mentioned before, any sizable industrial undertaking will require some form of capital and/or land accumulation. The process of accumulation displaces people from their original location and occupation. For Bangladesh it may mean that the workers from the informal sectors will move to the newly-created formal sectors, whereby they will generate more productivity for themselves as well as for the nation. 'Automation' means to automate production and other activities using computers and

other machineries. It is clear that the industries that will undertake the production of these machineries in Bangladesh will employ a large number of Bangladeshis. The productivity of this type of skilled workers is usually many times higher than that of the workers engaged in the activities of the informal sector.

Under no circumstances, should we allow the economy of the country to remain at its current and predominantly informal stage on the pretext of expected massive unemployment. If we do, then we will surely prolong the state of underdevelopment for many years to come.

IMPORTANT DEVELOPMENT CONSTRAINTS FOR BANGLADESH

Bangladesh, like many other developing countries, has a number of development constraints. In order to be able to successfully contribute to the process of economic development of Bangladesh, it is helpful to be aware of their existence and to understand their significance. Here we discuss, as development constraints of Bangladesh, the effects and workings of foreign aid, globalization of capital, domestic connections and interrelations among them.

It is well-known that capitalist production does not exist at all without foreign commerce and, consequently, capital always tends to get globalized. This inevitable globalization of capital invariably gives rise to mercantile classes in the developing countries. In Bangladesh the situation is no different. The fact that durable and capital goods already exist in global markets in excessive amounts, the businessmen in Bangladesh tend to invest much more capital in trading than in domestic production. This, in turn, discourages development of modern domestic industries.

Foreign aid does not solve the problem either [10], because "the impact of foreign aid is thwarted by the country's corrupted bureaucracy" [1]. Bangladesh has so far failed to utilize foreign aid in her favor. "In Bangladesh, massive aid since independence has paved the way for mal-development and military power than people participation" [11].

Secondly, the developed donor countries would naturally try to protect their own interests. They would like to export their own major products, technological know-how, machine tools, ships, heavy trucks, paper and electronic goods to the recipient countries. On the other side, the donor countries desire to safeguard the inflow of raw materials. Developing countries like Bangladesh are compelled to sell specified raw materials at cheaper rates and have to import finished goods at a price quoted by the donor countries. The U.S. is importing about ninety percent of the minerals from the developing countries. The significance of this type of trade is clear; sophisticated

technology built on imported raw materials is cheaper and is exported at higher prices to the same developing countries in the form of military hardware like tanks, aircrafts and nuclear technology [11].

Moreover, foreign aid often comes with severe imposed conditions. The Structural Adjustment Policies (SAP) and other imposed aid conditions of the International Monetary Fund (IMF) are well-known [12]. On the aid conditions of the Scandinavian countries imposed on Bangladesh, Nurul Islam writes, "The Western donors, both bilaterally and through multinational agencies often sought to go further and attach conditions to projects and programmes financed by them which affected Bangladesh's ability to run its own affairs and to design and manage its own institutions" [13].

Regarding the workings of development aid, the following remark from President Nixon is very scientific. When development aid was under attack in the U.S. Senate, President Nixon said, "We are helping ourselves, not the underdeveloped countries" (quoted in [11], pp. 330). "As far as Bangladesh is concerned a study reveals that about 68 per cent of the total external aid is spent directly for purchasing donor products" [14]. In the case of project aid, recipients are compelled to purchase goods from certain sources of the donor countries. In most of such cases, the prices are higher than the prevailing prices in the open market, and secondly, the goods and commodities purchased are not of as good quality as can be obtained in the open market ([11], pp. 268-368). Thus, the economically poor nations aid and sustain the economically rich nations [15].

It ought to be realized, however, that the essence of the problem lies in Bangladesh and not in the industrialized countries. The interest of the potential 'productive' entrepreneurial classes must be shared by the Government and the Government Bureaucracy. It is obvious why the President of U.S.A., George Bush, was officially accompanied by the big business executives on his trip to Japan in 1992. Unless similar 'productive' symbiotic relationship is established, Bangladesh cannot succeed in initiating major production activities.

FOREIGN INVESTMENT

Foreign capital (money) should not create economic parasitism in Bangladesh. Economic parasitism is a death-warrant for any country. Furthermore, international freedom of capital should have a justifiable basis. Bangladesh does not possess a strong capital base that can come close to competing with powerful foreign multi-nationals. Therefore, the question of how the weaker Bangladeshi domestic capital, in the presence of these multi-national companies, can most successfully carry out the developmental process in Bangladesh should be subjected to

serious scrutiny. The bottom line is that the conditions for the simultaneous production of consumer, durable and capital goods must be created in Bangladesh and foreign capital should not stand in the way.

Foreign investment can, however, help the development process of Bangladesh if all or part of the research and development related to the investment are carried out in Bangladesh with the help of Bangladeshi professionals, scientists, engineers and professors. The idea is to create scientific and technological roots in Bangladesh that would directly relate the physical developments in the country to the research activities in the Universities and research institutions. Investments for which research and development are done outside any country increase the economic dependence of that country.

AN INDUCTIVE APPROACH

The initiative which starts with organizing the industries, as opposed to starting with building the educational system in Bangladesh, may be designated as an "inductive" approach. This approach is being advocated simply because this is the only scientific way. For example, it should be easy to understand that an expert is not produced in the academia hoping some day he/she would be lucky to find a problem in his/her field for him/her to resolve. In actuality, social production system encounters problems during its normal course of operations which then demands solutions (experts) from the society to solve them.

The education system of any country is not expected to succeed in producing highly skilled men and women until and unless:

- (1) the production system of the society becomes sophisticated enough to utilize these graduates and
- (2) they receive enough incentives in terms of monetary rewards from the employment in the domestic industries.

It ought to be pointed out that no country can prosper on the notion that these highly skilled people should sacrifice their own well-being for the good of the nation. The process is completely objective and universal.

It should also be emphasized that when we talk about the production, utilization and maintenance of these highly skilled people, we mean the broadening of the production base of Bangladesh, thereby creating high-paying job opportunities for millions of Bangladeshis. The present informal-sector-dominated system of production in Bangladesh may be designated as 'unplanned' micro-economically as well as macro-economically. The process of formalization of the economy is unquestionably a progressive step for Bangladesh, as it gives birth to the micro-economic order (planning) in the production. The sophistication

of the planning necessary for the operation of the production system may be used as a measure of the social progress of a nation. That is, it is possible to judge the progress of a country by the types of commodities that it produces ("Computer chips or potato chips", Ross Perot, 1992 US Presidential candidate). This is an important proposition for the present discussion.

The other important proposition of the present essay has to do with efforts to remove the drastic international disparities in the real per capita national incomes. In other words, it is a theory that proclaims the indispensability of the understanding of the importance of equalizing or bringing up the Bangladeshi national average per capita income to a level comparable to that of the advanced industrialized countries. Without this equalization, the national economy would not be stabilized even after industrialization. The proposition has very far-reaching implications. It is well-known that the existence of the international income disparity encourages brain drain from the developing countries to the industrialized countries. A much more dangerous consequence is that the bureaucracy, administration, political parties, and even the laws of the developing countries become defenseless in the face of this income disparity.

On the other side of the discussion, the most crucial question is to ask how to establish the industrial production base, especially the production base of durable and capital goods in Bangladesh. It will, most importantly, require

- (1) the accumulation of capital and
- (2) the 'domestication' of mercantilist economy and bureaucracy, i.e., the 'transformation' of merchants to producers and the 'internalization' of the bureaucracy.

The establishment of the relationship between the academia and the industries is then a matter of consequence. The subsequent tasks to be performed can be enumerated as follows:

- (1) to build the Bangladesh infrastructure (bridges, roads, unified telephone network, etc.),
- (2) to allow the industries to freely import "raw materials" needed to carry out production,
- (3) to regulate the import of selected sets of industrial goods in order to secure the domestic market for the goods produced in the domestic industries,
- (4) to develop the internal market (Bangladesh has a population of about 110 million. It is obvious that if the buying power of an average Bangladeshi goes up reasonably, then the Bangladeshi domestic market will become extremely powerful).

The philosophy of attempting to make the existing production methods of the Bangladesh economy marginally more efficient,

while preserving these methods, may have an immediate appeal to the general public. However, it may jeopardize the long-term development aspirations of the people of Bangladesh. If we have to undertake short-term quick-fix development programs, let us do them. But we should simultaneously attempt to broaden the production base of Bangladesh to include the production of durable and capital goods so that we can catch up with the rest of the world in the foreseeable future.

CONCLUDING REMARKS

The process of establishment of the durable and capital goods industries should be considered matters of national security by all political parties in Bangladesh. We all know that there are no differences of opinion among the political parties regarding Bangladeshi national flag, national anthem, national capital, etc. Exactly in the same fashion, all the political parties of Bangladesh should consider the establishment of the above industries as the uncompromisable concerns of national security. All the political parties should simultaneously strive to see that work related to the establishment of these industries is done speedily and properly.

REFERENCES

- [1]. "Bangladesh, land of clouds with silver linings", Harry Blair, *Bucknell World* 6, July 1991 (underlined by present author).
- [2]. "Technology Transfer and Dependency: Constraints, Implications: Some Alternative Policy Options to Bangladesh", Franklin Vivekananda and Sadrel Reza, in "Bangladesh Economy: Some Selected Issues, edited by Franklin Vivekananda, Bethany Books, Stockholm, Sweden, 1986.
- [3]. "Capacity-Building in Science and Technology in the Third World-Problems, Issues, and Strategies", Shahid M. Shahidullah, Westview Press, U.S.A. and U.K., 1991, pp. 146-148.
- [4]. "Returns from education in rural Bangladesh", Mahabub Hossain, "Trade, Planning and Rural Development-Essays in honor of Nurul Islam", Eds. Azizur Rohman Khan and Rehman Sobhan, St. Martin's Press, New York, 1990, pp. 199-219.
- [5]. "Green Revolution in Bangladesh: Impact on Growth and Distribution of Income", Mahabub Hossain, University Press Limited, Dhaka, Bangladesh, 1989.
- [6]. "Rural Development in Bangladesh: Problems and Prospects", Mahabub Hossain, University Press Limited, Dhaka, Bangladesh, 1986.

[7]. "The choice of an economic system for Bangladesh", Salim Rashid, Sangbarta, Vol. 02, 1st Year, July-December 1991, pp. 7-9.

[8]. "Poverty and Income Distribution in Bangladesh", Mohiuddin Alamgir and Sadiq Ahmed, in "Rural Poverty in South Asia", ed. P. K. Bardhan and T. N. Srinivasan, Columbia University Press, New York, 1988, pp. 11-38 (underlined by present author).

[9]. "Our Identity Crisis", Farida Akhter, Straightforward Column, Chinta—a fortnightly magazine of thought and action, Year 1, No. 24, August 15 1992.

[10]. "The Crisis of External Dependence: The Political Economy of Foreign Aid to Bangladesh", Rehman Sobhan, University Press Limited, Dhaka, Bangladesh, 1982.

[11]. "Why Aid Doesn't Work? and the Concept of Wild Foreign Aid. An Assessment of Swedish-Bangladesh Aid Relations with Some Alternative Suggestions to Donors and Recipients", Franklin Vivekananda, in "Bangladesh Economy: Some Selected Issues", ed. Franklin Vivekananda, Bethany Books, Stockholm, Sweden, 1986, pp. 268-368.

[12]. "Structural Adjustment Policies in the Third World: Design and Experience, a BIDS-WIDER Seminar Report", Edited by Rehman Sobhan, University Press Limited, Dhaka, Bangladesh, 1991.

[13]. "Interest Groups and Aid Conditionality in Aid and Influence, the Case of Bangladesh", Nurul Islam, in J. Faaland (edt.) the Chr. Michelsen Institute, Bergen, 1981, pp. 65-67.

[14]. The Bangladesh Observer, March 11, 1986, quoted in [11], pp 323.

[15]. "Development Alternative", Guha and Vivekananda, Bethany Books, 1985.