

4. COMMENTS ON SALIM RASHID'S ESSAY "MIGRATION AND BANGLADESH'S ECONOMIC DEVELOPMENT"

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The present author is invited by Salim Rashid to comment on his essay entitled "Migration and Bangladesh's Economic Development" which is article number 3 of this issue. Keeping "the possible effects of migration and brain drain on economic development" as the pivotal theme, Rashid touches upon a number of other important issues relating to the economic and sociocultural development of Bangladesh, such as: (a) work ethics of Bangladeshi people, (b) desirability of a free-market economy over a command economy (in particular the centrally planned Soviet-type economy), (c) primacy of labor (or human resources or human intellect) as the factor of production and human resource mobilization problem, (d) choice of an economic system for Bangladesh, (e) importance of an honest bureaucracy, profit-sharing and decentralization, (f) entrepreneurship characteristics and consumption behavior of Bangladeshi people, (g) positive role of NGO's (non-government organizations) and (h) value of property right.

Since materials are drawn from articles written at different times on different subject matters, some parts of Rashid's article appear to be somewhat unrelated. However, the compassion of Rashid for the well-being of Bangladeshi people comes through loud and clear especially when, after predicting the population of Bangladesh in the year 2020 to be 150 millions, he gives an account of how every Bangladeshi will be provided for through the economy at that time. Rashid projects a reasoned optimism for the economic future of Bangladesh.

As stated in Rashid's essay, the choice of an economic system for Bangladesh is no longer a choice between capitalism and socialism. Free-market capitalism is the choice of the day for Bangladesh. Having said that, we have to answer a number of questions, however. For example, why hasn't the free-market system produced desirable results in many parts of the world? What are the problems of economic development for the developing countries at this juncture of economic history? The economists who prescribe plain free-market principles as the solution for the economic development problems of the developing countries must consider the stark distinction between the implementation of free-market principles *within a nation* and that *among different nations*.

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Despite the fact that the knowledge for achieving higher economic growth and status such as that existing in the advanced industrialized countries is available worldwide, the developing countries continue to struggle to achieve economic progress. What should be more striking is that existing production capacities of sophisticated manufactured goods in a country like Bangladesh does not place Bangladesh to a higher economic growth path. Why?

This is because it is not sufficient to simply state that the adoption of a free-market economic system will solve the economic development problem of Bangladesh. The establishment of *fair* free-market policies, conducive to genuine economic development, *is* the very theoretical and practical problem that needs to be addressed. It would be naive to underestimate the magnitude of this problem. The current electoral democracy under which any one of the major political parties (the Awami League or the Bangladesh Nationalist Party or the Jatiyo Party) would come to power, the existing bureaucracy and the business class which is absolutely dominated by traders, are subservient to foreign capital and will not so easily relinquish their power and privilege. It will require a revolution, so-called "Capitalist Democratic Revolution", in order to dismantle this system and replace it with another system that would support and promote genuine economic development by adopting and implementing *fair* free-market policies. Do the economists who prescribe a plain free-market system as panacea for the economic development of Bangladesh realize this? If they do, then do they truly mean to start a revolution in Bangladesh?

A fair free-market system means that the raw materials and other inputs required to produce high value-added commodities can be secured at a fair market price. It also means that the bureaucratic complications (red-tape), which are put in place only to preserve the unfair status quo, in (a) acquiring industrial inputs, (b) disbursing industrial loans, (c) supplying electrical or other energy inputs, and (d) selling the manufactured goods in domestic and international markets, would be eliminated. It would further mean that industrial loans would be provided to deserving entrepreneurs. A *genuinely fair* free-market system would be desirable for Bangladesh. However, can it be established at the present time and how? If not, is there any alternative?

Aside from the Soviet industrialization strategy [1], which is designated as communist or socialist, the role of state in national economic development is not fully recognized or is downplayed in today's literature on macroeconomics. The case in point is the so-called "Asian Miracle" [2,3] in which the first and second generation Asian Newly Industrialized Countries (NIC's) demonstrated spectacular economic growth mostly under the guidance of the respective state apparatus. Rashid speaks highly of South Korea's economic growth history [4]. However, Korea did not follow free-market principles to achieve this growth. Far from it. "Korea ran what could fairly be regarded as a form of "state capitalism."" (page 196, Ref 3). Although the first and second generation NIC's,

including Japan, geared their economic policies and activities mostly under state protection and control rather than free-market forces, yet these economies are but a variation of capitalist economic system and not a communist or a socialist system. (page 198, Ref 15).

On the issue of human resource and its mobilization Rashid observes that "When we turn to Bangladeshi society we find the common people imbued with a tremendous desire to work." He also notes the opposite behavior among the elites of Bangladesh. He asks the question: "..... how are the people to be so mobilized for action?" That the common people of Bangladesh always desire to find work is a fundamental human behavior under the capitalist mode of production. The very operation of the economy rests on this human behavior. On the question of mobilizing these people, Rashid appears to hold an "economic activist view" in opposed to a "social scientific view".

It is likely that this activist view may have led Rashid to identify certain individual human characteristics as trend-setting socioeconomic factors. For example, he refers to certain "vicious circularity" in economic pessimism among Bangladeshis which appears to be an attribute at the individual level and may not have any bearing on the national economy. It may have mattered, however, if it were at the level of national policy making. Under capitalist economic system, human beings, at the individual level, have been in the past and continue to be guided by self-interest.

It may safely be asserted that policies at the top or macro level drive economic activities at the micro level. Thus, sound economic policies based on theoretical and empirical investigations are preconditions to ensure growth in any country, developed or developing. This is in sharp contrast to the view: "Economic development is no theoretical problem, only a practical one", even for a country like Bangladesh.

Individual actions or decisions at the personal level do not exert any perceptible influence on the national economic development. As such, looked from the point of view of Bangladesh, the willingness of its people, especially its elites, to leave the country, which may be considered as individual decisions, is primarily only an "effect" and not a "cause" for economic underdevelopment, although it must be recognized that continued drainage of country's elites and intellectuals may undermine its development aspirations.

References and Notes

1. Rashid does not acknowledge the existence of a *Soviet industrialization strategy*. He states that the success of Soviet industrialization may be attributable to "a will to create" and there was no "well-thought-out industrialization strategy". However, what must be noted is that this willingness

was "national" rather than "individual" in scope. This implies that Soviets did follow a well-planned industrialization strategy. It must also be pointed that there is nothing "socialist" or "communist" about adopting a policy of basing industrialization of any country on the transfer of agricultural surplus to industry under heavy State protection. This is not to suggest that the Soviet industrialization strategy is desirable or feasible for Bangladesh.

2. *The Lessons of East Asia: An Overview of Country Experience*, Danny M. Leipziger and Vinod Thomas, A World Bank Publication, The World Bank, Washington, D.C., October 1993.

3. *Asia's 'Miracle' Economics*, Jon Woronoff, M. E. Sharpe, Inc., New York, Second Edition, 1992.

4. "..... let us remember that in the early 1960s people were making negative comments about Korea's economic prospects in much the same vein as one hears about Bangladesh today." (See Salim Rashid's essay in this issue).