

Chowdhury, Malik K.

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YALE UNIVERSITY

Box 1987, Yale Station
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CENTER DISCUSSION PAPER NO. 241

FIRST FIVE YEAR PLAN, ECONOMIC DEVELOPMENT, EVOLUTION OF
POLICIES, INSTRUMENTS AND INSTITUTIONS IN BANGLADESH

Malik K. Chowdhury

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First Five Year Plan, Economic Development, Evolution of
Policies, Instruments and Institutions in Bangladesh

-I-

Like the emergence of Bangladesh as an independent country, the issues of her development planning and strategy can be seen as the products of a number of circumstances which are peculiar to the country's past history. Just as the most immediate reason for the country's break-away from Pakistan was its persistent failure over a period of 25 years in its attempt to have an effective participation in the political process of pre-liberation Pakistan and a legitimate share in the distribution of political power, the economic factor in the breakup was a less than proportionate sharing in the economic benefits and opportunities, which had been generated by the massive development effort undertaken by the Central Government located in, and controlled by, what then was West Pakistan during the period of her association with Pakistan.

The above factors, which have been analysed and documented by many experts in various ways, may seem in retrospect, too obvious to deserve further mention in any discussion on the current economic policy making. But for an insight into present day development policy of Bangladesh it is essential that we refer to what actually happened in the period preceding the events that followed since March 1971. This is because one can see in the attempts that have been made since liberation in policy making the influence of these factors, both in respect of political and economic reorganization of the country.

The political factor contributing to the desire, and later achievement of independence is too well known to need a detailed discussion. Suffice

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it to say that despite a long drawn-out struggle for a just share in political power structure, by March 1971 it became quite clear that for reasons well known to the ruling groups, there had been no real intention in the then West Pakistan of sharing power with the people of what then was East Pakistan despite a massive victory by the Awami leaguer in the general election of 1970.

The economic factors which operated before need, however, a careful exploration from the point of view of an understanding of the decisions regarding the present policies and process of evolution of strategies in different sectors of the economy that have since been embodied in the country's First Five Year Plan.

There have been various manifestations of the economic factor that caused disaffection in pre-liberation Bangladesh. However, of these, one can identify two aspects from the point of view of their having a strong influence on later policy making. The first is the impact of the centrally directed policy on East Pakistan's economy in the shape of unfair sharing of resources as evidenced by a consistently lower allocation of investment within the framework of Five Year Plans as well as of not locating proportionate amount of income generating Central Government activities. This effect was compounded by the fact that due to Central control over the economy, a massive transfer of resources took place from East to West Pakistan through various devices such as utilisation of the region's overall balance of payments surplus, over-valuation of domestic currency, protected market and so on.

The other form in which the economic factor expressed itself, and which has been taken as the effect of conscious policy decision by a sympathetic government located in the other part of the country, has been the growth and

importance of a strong private sector in the large scale manufacturing industry of Pakistan, almost exclusively located in the Western half of the country. The extent and importance of their growth have been epitomized by the appearance of 22 families who were found to own and/or control almost 90 percent of the total assets of all privately owned manufacturing industries, banking and other financial institutions. The importance of this group was equally great in the then East Pakistan, since as much as 33 percent of all manufacturing capacity in that part was controlled by them. The development of a strong private sector by itself would not have caused much resentment in the East but it was taken to be a vehicle of exploitation since its expansion was based on active government assistance in the shape of various direct and indirect government subsidy which resulted in higher prices for the consumer of East Pakistan, as research by the East Pakistan economists had subsequently shown. In addition, the pattern of development turned to be such as to diminish competition and encourage monopoly in ownership and control and thus was viewed in the East as an instrument of accelerating the process of exploitation of one part of the country by the other.

These two factors are mentioned here as the background against which much of the present day planning policies, especially those with regard to ownership and control of economic assets of existing as well planned industries can be discussed for an insight into their social and economic significance. This is so because many persons who have been involved in working out the approach to planning and the associated strategy for Bangladesh, either directly or indirectly, have very often drawn attention to the history of planning in Pakistan (when Bangladesh was a part

of that country) for deriving appropriate lessons for the planning exercise for Bangladesh, strongly emphasizing the need for avoiding the policies of Pakistan Planning which they considered as totally mistaken ones.

Finally, it is possible and also pertinent, in this connection, to identify two groups of people whose views about the course and pattern of future development of the country seem to have influenced the process of plan making and, therefore, formulation of policies in Bangladesh. The first group consists of those whose past research on economic policies of Pakistan seems to have been designed to demonstrate injustices done to East Pakistan by the policies followed by the Central Government of Pakistan, in the shape of exploitation of the agricultural sector of the region. Some among this group had also shown earlier that the claim that the region's neglect in regard to resource allocation had been based on the fact of its lower productivity in relation to West Pakistan had not been a true picture of the reality in the shape of detailed study of sectoral and regional productivity and saving propensities of the two wings of the then Pakistan.

In addition, there was also a lot of research undertaken in the sixties by a number of competent economists from the Eastern half of Pakistan on regional income statistics which showed that despite a satisfactory rate of growth occurring in the national context, East Pakistan's per capita income remained stagnant, and it actually declined in her rural sector. These were shown to be the effect of the development strategy pursued by the central government of Pakistan during the sixties.

The second group encompasses individuals who can be, in fact are, called the radical economists in Bangladesh. Although apparently they did

not have as much influence in plan making as the first, but, as we shall show later, they did manage to affect the policy structure proposed in the plan in a subtle way, which was enough to create confusions and contradictions from the point of view of implementation of the plan. In general, this group advocates an immediate and complete socialization of all productive assets and allocation of these by a single Central Planning authority. In support of their contention they maintain that under the existing conditions of Bangladesh the traditional forces of market mechanism would not be able to solve the massive problem of unemployment and poverty. Accordingly they advocate a complete restructuring of existing society on the lines of China, under which the regimentation and control will be exercised by the specially trained members of a political cadre. Further, they advocate that the control and management of all production activities will have to be vested in the hands of some variant of revolutionary councils, as are found in the socialist countries.

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The above background to the current situation and the social milieu is necessary to understand why the present development policy with its preponderance of state and other socialistic forms of ownership and control has been devised as a means to promoting growth. But something more needs to be added to make the condition sufficient in order to understand what needs to be done for lifting the economy out of its present downward movement.

This is because an analysis of the present state of the economy is needed before prescription for remedying the situation can even be attempted.

The economy of Bangladesh, as it functioned during the last 25 years or so, can be truly described as a traditional, stagnant, or at best, as a static economy in progress, exhibiting a state of affairs in which some progress may have been made in one or two sectors, but in which the per capita income, consumption, the extent of rural unemployment and other indicators of growth tended to remain more or less constant. The statistics of these major indicators make a depressing reading, as they reflect not only one of the lowest levels of living for the population but also show how little indeed has been the extent of progress in the immediate past. At the same time, however, the picture of the economy indicates the direction that the future growth should take as well as the action programme that must be initiated without any further delay to overcome the present state of stagnation and chaos.

Thus the present economic structure shows in bold relief the characteristics of what has been called a dualistic and labour surplus economy, having a large agricultural sector which directly and indirectly contributes nearly four-fifths of the GDP, employs nearly 75 percent of the total labour force. Manufacturing industries in the modern sector (the latter taken as the one in which economic calculations determine production) contributes only six percent to the GDP, providing employment to no more than one percent of the total labor force of the country.

The productivity of agriculture is one of the lowest in the world, not merely in terms yield per acre (for rice, the yield per acre is only 1/3 that of Egypt) but also in terms of productivity of labour. To illustrate the case of this productivity, one can cite the findings that are now

available about the size of surplus labour. While different estimates vary in respect of computational methods, they all agree that even taking account of seasonal fluctuations in labour requirements, 32 to 35 percent of the total agricultural labour force can truly be regarded as surplus, although depending on, and apparently seen as being employed in agriculture. To understand what this means in terms of social cost, one has only to remember that in absolute terms this proportion represents over six million workers, who could be said to have been remained completely unutilized for the period of the last 25 years for which data are available. The situation in this respect appears to have been further aggravated in recent years by two other factors viz (1) a high population growth and (2) the relatively stagnant state of the economy since 1971.

Alongside this, if we remember that there is at present very little scope in Bangladesh to bring new land under cultivation so as to provide opportunities for employing the surplus labour, we can grasp the serious dimension of the problem. The country is believed to have already reached its extensive margin of cultivation.

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Given the above picture of the economy, it becomes intuitively clear that the way in which growth and development can be generated is to find productive employment of the economy's surplus labour. But in view of the current pressure of population on agriculture, it becomes clear that there will be but little scope for such employment in this sector, except perhaps marginally. This indicates that the only way to the country's long-run

development is for her to plan to achieve a reallocation of the surplus labour in the shape of provision of employment in non-agricultural activities to be developed over a period of time. As has been known since Nurks's contribution, this in turn will depend on the capacity of Bangladesh's agriculture to release a surplus output for consumption (wage payment) by the surplus labour to be employed in the non-agricultural activities, if inflation is to be avoided.

In the conditions prevailing now in Bangladesh, there does not appear to be any other way. The country does not have any known deposits of minerals such as oil except some quantity of natural gas, which can be exported and proceeds from which can be used for importing these wages fund from outside. It follows, therefore, the process of finding employment of agricultural surplus labour will depend on the capacity of the agricultural sector to provide this surplus--and this must come from present level of output, however low it may be, as well as from higher productivity in this sector to be brought about by the application of new technologies.

The above point with regard to the pattern of development that Bangladesh needs to follow appears simple enough. However, the process that needs to be initiated in order to put the lessons of this point to practical use appears to have been difficult for many to practice. This appears to be due to the fact that the true simplicity of the analysis as well as its common-sense nature often leads them to suspect the effectiveness of the solution that seems logically to follow from the analysis. Moreover, it is often seen in connection with policy making in less developed countries that those entrusted with such a task often fall a victim to their own sophistication,

gained in a different context and this frequently leads them to search for complicated solutions of a simple problem in the shape of suggesting institutional structures which, instead of providing for pragmatic and orderly change from a less developed to a more developed stage of the economy, ends up in creating a lot of rigidities. These rigidities, in their turn, later prevent an active and spontaneous participation by many in the development process, thus stultifying individual initiative and creating a sense of alienation among those very people whose interest the policy makers want to promote in the first place.

In the context of the problem of development in Bangladesh, the significance of the above is that when one knows what the development process involves, there should be a choice as to the means of achieving the process and in making the choice among the alternatives, the persons concerned with policy making should be guided by the current situation of the country, rather than by historical or other factors which may not remain as relevant as they might have been before.

The discussion at the beginning was introduced for purposes of showing how the thinking of those who have been concerned with policy making in Bangladesh could be seen to have been shaped as a reaction to what happened in the past as well as how too much attention to, or concern over, the past policy could, in the situation of Bangladesh, lead them to go to an opposite but equally rigid point of view with regard to the choice of means. More specifically, this concerns the type of institutional arrangements that need to be created or improved upon in order that Bangladesh may make its transition from its present situation of low productivity agriculture, a large volume of surplus labour and a tiny modern sector to the process of

successful development, characterized by absorption of labour by a growing industrial sector. Further it implies that if the goals of the development are what have been mentioned above, then the question as to how these will be achieved, whether through the operation of market mechanism, or through the exercise of direct control by a single authority, should be allowed to be decided by their relative effectiveness with respect to goals of policy. Insofar as the development of Bangladesh requires a steady and successful transfer of surplus population to non-agricultural pursuits, its achievement does not have to be tied to only one method of execution, whatever may be its name. No doubt there are activities which should be initiated and controlled by public authorities, central and local, but the decision to do so should be made on the basis of demonstrated effectiveness of such measures in respect of the goals of development. Similarly, there are areas and one suspects there may be many, in the context of the present situation of Bangladesh, which can be more efficiently developed by the private enterprise operating through the market forces in the development of which the latent energy of people may find its fullest expression and therefore these should not be completely kept outside the orbit of private enterprise. A dogmatic pursuit of one or the other without a sensible analysis of their effectiveness in relation to the primary goal of development policy has more often than not plunged many an LDC in stagnation and consequently violent social upheavals. There is no reason to suppose that Bangladesh will escape this consequence if dogmatism is always allowed to prevail in the matter of formulating development policy.

-IV-

It is within the above framework that I propose to discuss the development policies of Bangladesh which are embodied in the country's First-Five Year Plan. In this my intention is not to discuss the usual questions relating to the size of the plan, its sectoral composition, balance of payments and other macro variables as well as their estimates. This is because in going through the plan, one finds almost the same type of discussion and estimate as regards these variables as in the case of the developments plans of other LDC's. The similarity in dealing with the questions as to these seems fairly strong with the techniques used in Pakistan, especially with regard to the techniques of calculating investment, domestic saving and other related variables. My main object in examining the country's First Development Plan is to explore the extent to which the decisions with regard to allocation of resources between different production sectors as well as between the rural and urban components of the economy are likely to lead the economy toward the sort of development that has been indicated above, viz., the starting of a process whereby over time a progressive transfer of agricultural surplus labour to non-agricultural production takes place. Secondly, I shall evaluate the institutional structure that the planners have proposed for the implementation of the programmes in the two principal production sectors, industry and agriculture, from the point of view of their likely effectiveness in generating dynamism in the economy.

The reason why an analysis on the above lines is attempted becomes obvious when it is remembered that while the conventional Five Year Plans mention the targets as well as the instruments of their implementation, it is often seen that the actual performance of these plans differs from these

targets. Thus it has been said in the context of planning exercises in Pakistan that the actual development of the economy turned out to be quite different both in respect of targets as well as institutional change. The most important factor for this has been the LDC's over dependence on foreign aid so that any significant change in its flow causes wide deviations from the planned objectives.

It would appear that the most important factor in the development strategy concerns not so much what the figures of the various macro variables are but to what extent the strategy that is selected is able to introduce dynamism in the economy in place of an atmosphere of stagnation--often the result of the existence of various forms of rigidities in the economy. From this point of view, it may not be a matter of great concern to find whether the targets of a particular plan are achieved to their full extent, especially in the course of the next four or five years. What is of fundamental importance from the point of view of attaining and sustaining a forward movement over the long run, is that the process of development start in the right direction.

In the second place, the study of the pattern of growth strategy in terms of its socioeconomic implication is necessary for its possible ability in the creation of a spirit of dynamism in the crucial sector of agriculture. This is because it is the most important sector in today's Bangladesh economy and, whatever may be the point of view from which one looks at it, from this sector must emerge the agents for promoting dynamic growth. It is, therefore, important that one subject the proposed institutional structure for this sector to a scrutiny to see if it contains elements of ordered flexibility or if it is more likely to merely replace one type of rigidity by another, thus leading to the perpetuation of the present state of stagnation in Bangladesh.

-V-

If one carefully goes through the plan document, one can detect a distinct pattern running through its entire length. It is that in respect of mobilization of resources as well as of their planned use, the public sector has been given a predominant role. This is reflected not merely in the share of this sector in the aggregate investment, which comes to as much as 83 percent of the total planned investment, but also in a complex system of interferences and controls the plan has proposed to introduce in the shape of an institutional structure for the implementation of the various sector programmes.

This becomes evident from an examination of the policy packages of the plan with respect to the various sector programmes such as agriculture, manufacturing industry, transport and communication, housing, etc.

In respect of manufacturing industry, the policy is orientated towards the development of a limited number of large scale industries the development potentialities of which have largely been explored in terms of their capacity for import substitution as well as in terms of the possibility of using the discovery of natural gas in the country. But the institutional structure proposed by the plan for implementing the programmes for this sector is such that ownership as well as control will remain in the public sector. Private enterprise from domestic as well as foreign sources in this regard has been completely ruled out.

The logic of this approach to industrial development does not always appear clear from this plan. At times it is supported by reference to ideology and at other times in terms of the argument that Bangladesh presently lacks the supply of an adequate number of capable private entrepreneurs who can be expected to undertake the size of investments to be needed in starting

what has been defined as large scale industry, therefore, the state needs to play a larger role in the industrialization process at this point of time. So far as the first argument is concerned, it is not possible to pass any judgment since being an ideology, it is, like religion, largely a matter of belief and, therefore, cannot be subjected to a scientific test (though from the point of view of ends or goals of policy, its effectiveness vis a vis other methods can be evaluated). As to the latter, one does have a greater freedom, since despite its protestations, Bangladesh is not certainly the only country in the world which has been attempting the development of industry under the sponsorship of the state. For having faced with similar conditions, Pakistan, Japan and many other countries in both developed and less developed countries of the world have followed this path in the early stages of their development.

What, however, distinguishes the approach to Bangladesh is a permanent injunction that for all time to come the large scale industry will remain in the domain of the public sector only.

Now it may be true that in the situation immediately prevailing in Bangladesh shortly after independence, there were not enough Bengali entrepreneurs to take over the enterprises abandoned by their Pakistani owners so that govt. take over and administration of these might have been necessary (though this was true only to a limited degree since many Bengali owned enterprises in the large scale sector was also nationalised at the time of take over). Judging by the performance of these enterprises in the subsequent period, however, especially at the hands of the government appointed administrators, one may have reasonable doubts about the efficacy of state control as the best form of industrial management for the future. Jute manufacturing,

the largest of all manufacturing industries, has been practically ruined at the hands of the government appointed managers, according to the recent economic survey by the new government of Bangladesh, which is a pointer to the shortage of administrative talent in the government sector.

Granting, therefore, that there was an adequate reason for the early take over of large scale units of industry in Bangladesh, there does not seem to be any valid ground for supposing that private enterprise will never appear so that for all time to come, the state will have to be responsible for owning and running large scale industries in the country. Surely, the history of industrialization in Pakistan of which Bangladesh was a part until the other day, has been marked by the appearance of a successful group of types entrepreneurs from out of the same/social classes and groups as are found in Bangladesh today. Given the proper framework, therefore, there is no reason to believe that in future Bangladesh will never have a supply of entrepreneurs able to play a creditable part in industrialization of their country.

What, however, is relevant here in the context of promoting dynamic growth in the economy is the contribution that the expansion of large scale industry, to be initiated by the public sector alone is likely to make to the growth of output and employment. For it is on this that the future development potential of the plan will depend.

According to the plan, the estimated contribution of the proposed large scale units of industry has been put at no more than 1/6th of the total volume of employment expected to be created in the manufacturing sector. The small scale sector which has been given over to the private enterprise for development is expected to create 5/6th of the total new jobs. Yet the share of the state in the total industrial investment has been put at 83 percent

as against 17 percent for the private sector. Similarly out of a total expected growth of output in the manufacturing sector, only one-fourth is expected to be generated in the public sector, the bulk is expected to come from the private sector, operating the small and cottage industries of the country.

The above picture does not, however, say, small as the private sector is going to be, where exactly these small scale industries have been proposed to be located. Yet if a spirit of growth and dynamism is to be introduced in the economy of Bangladesh, it is essential that much the greater part of the required volume of jobs as well as manufacturing activity will need to be created for the surplus labour in the agricultural sector and in order that this may be done without too great a strain on resources, it should be created in the rural areas of the country. Excepting the case of cottage industries, ^{however,} there does not seem to be any clear indication as to where the small scale industry will be located. In addition, one can find a systematic bias against the appearance of a class of small and medium type individual entrepreneurs which is reflected in the shape of the plan's recommendation that all new enterprises in this sector be started and run by worker's cooperatives right from the beginning. For this to happen, the plan devotes much time and space on how to form the cooperatives on the basis of help and direction of several government sponsored institutions to be created as a part of an ever increasing bureaucracy.

In the context of the situation in Bangladesh today, it is true that suitable institutional arrangements are needed in many spheres. But one should also bear in mind what really needs to be done if one's aim is to promote the development of small scale industries. In view of the existence

of a large volume of surplus labour in the rural areas of the country, what is needed is to encourage people to come forward and set up these activities in the rural areas so that the surplus labour can be absorbed in productive employment in the production of those goods for which there is now a gap in supply. So long, therefore, there is an existence of this surplus labour in the rural areas, establishment of these by any agency, be it private, public or cooperatives, will be a welcome development from the point of view of absorption of labour as well as output creation. Whether this can be done more effectively by private individuals or cooperatives will depend on existing situation. In some countries which depended on market forces and where there has taken place a successful transition to full employment growth, there has been more reliance on private enterprise, the members of which had emerged out of the rural sector itself. Japan, which generally is mentioned as a country on which it is suggested that Bangladesh should model itself for development, provides a striking example of this type of policy.

The emphasis by the planners on the setting up of the small scale industries by worker's cooperatives as a desirable thing and their detailed recommendations to the effect that in respect of all new endeavours in this sector, **these should be given preference over all private initiative** reflects nothing but a prejudgment about the capacity or the potential of private enterprise to perform effectively in this field. Apart from the fact that there has been no proof that these types of cooperative or collective enterprise have been easy to set up in the mixed economies of the type one finds in Bangladesh today, a large scale diversion of resources and talents to the establishment of more and more paternalistic bureaucracy is likely to bring about a further element of rigidity in the social structure of the

country when the need of the hour seems to be to loosen the present rigidities that have caused such wide spread stagnation as one encounters in the rural sector of the country.

VI

The other sector which is the most crucial one for Bangladesh's development is agriculture. It produces nearly 60 percent of the current GDP (80 percent of which is in the form of foodgrains), provides employment to 75 percent of the labor force and supports 85 percent of total population while its contribution to the country's exports has been as high as 80 percent. Yet this has been the sector which remained almost stagnant in the sense that its growth rate remained consistently below the growth rate of population in the last 25 years of Bangladesh's association with Pakistan. Unlike many areas of the less developed world, there never really has taken place anything like a green revolution in Bangladesh despite the fact there have been isolated and limited attempts to introduce crops of high yielding variety, especially different varieties of rice. The result of this has been the appearance of a deficit in the domestic supply of foodgrains which now accounts for 12 to 15 percent of the domestic production even in the normal years.

In view of the above, it seem natural that the plan should lay a strong emphasis on the development of this sector. The objective of the plan is to obtain increases of 30 percent for the principal crops like rice and jute and of much higher percentages for what are called minor crops.

Given the country's present food shortage as well as the possibility of what can be done to increase yields per acre (rice yields are only 1/4th of those in Japan) there can be little doubt about the rationale of these objective. There is in fact so much a sense of urgency about the raising of productivity in this sector that any further delay in this respect can be

extremely dangerous for the survival of the millions. Added to this is the fact there does not seem to be any leeway in the shape of financing the import of required quantity of food grains by quickly increasing exports which are fairly traditional and face almost a stagnant demand from abroad. On the other hand, if it is decided to cover the present deficit in food-grains through imports, which amounts to 1.1 to 1.2 million tons in a normal year, its financing will require more than half the country's export earnings and thus will deprive manufacturing industry of its raw materials and spare parts, most of which needs to be imported from abroad.

Moreover there is the problem of unemployment and underemployment which is mostly concentrated in this sector in which the ratio of unemployment has been estimated as 32 percent. There is, therefore, no question about the justification for the sector's programme in relation to growth.

For the implementation of the programme the planners have recommended the establishment of an institutional set-up in the form of a set of co-operatives on the model of those developed at the Rural Development Academy at Comilla but with a difference which will impart a radical bias to agricultural economy of Bangladesh.

Unlike the original model of Comilla which was devised as an institution of owner cultivators for cooperation in respect of the supply of improved agricultural inputs and credit, the system proposed in the plan (and given the name, Intergrated Rural Development) has been designed to include three categories of rural population, (a) the landless rural population (b) those farmers who own and cultivate their own land (c) those farmers who own their own land but cultivate land with the help of hired labour. The system specifically excludes the inclusion of landlords and other interests who own land but do not directly participate in the cultivation of land.

As can be seen, the proposal for the representation of the above categories of people in the rural cooperatives implies taking a prior decision on land tenure system as regards the size of land ownership in the sense that landowners who presently let their land out to others on the basis of contractual payment will not be entitled to membership of the cooperatives. But this implies that since all arable land is planned to be brought under this system, no one can hold agricultural land unless he engages directly in its cultivation. This is a very radical programme which, as we shall see later, runs in the face of the government land reform decision limiting the ownership to 33 acres, yet prescribing no injunction to the effect that all of this must be cultivated by the owner himself.

Another feature of the proposed institutional structure is that these cooperatives will be used for supplying to their members improved seed, fertilizer, water as well as credit all of which will be procured from the Central Government institutions like the Agricultural Development Bank and other branches of the central agricultural ministry. Consequently, there will be neither any scope nor any opportunity for the development of any private initiative in this field.

Moreover, though the programme under which these cooperatives are planned to be set up is called integrated rural development programme there does not seem to be any comprehensive scheme of rural mobilization implicit or explicit in the programme. In so far as rural mobilization implies a coordinated endeavour involving an active participation by all classes of rural population not merely in agricultural activity but also in the development of an industrial sector in the countryside, omission of a complementary strategy in respect of this presents a rather puzzling picture. In spite of its name, the IRDP, to be implemented through the net work of cooperatives

both at the union as well as at the thana level, appears to have been designed primarily for the execution of an agricultural programme for increasing the output of foodgrains only through the application of the new technology in this field which is to be facilitated by the supply of credit, fertilizer, water and improved seeds. The agency which has been given the task of supplying credit and other inputs is the Agricultural Development Corporation which is a central government institution. Specifically it will work as the link between the central government which will place the critical inputs at its command and the cooperatives which will obtain those inputs for the members as credit.

From the above, it is clear that the plan for developing the rural sector under the I.R.D.P. there is no intention for the creation of the group of private entrepreneurs for performing the function of intermediaries in respect of supplying these inputs to the cooperatives. This provision appears strange in the face of solid evidence that the preliberation period provided about the success of private enterprise in spreading the use of fertilizers in agriculture vis a vis cooperatives. Quite naturally, therefore, there has been so much emphasis on the need for training various categories of workers who will emerge as a new group of bureaucrats to man a new Central organization which in its turn can be used to meet the cooperatives to be formed by the three categories of rural population.

It may be mentioned in this connection that rural cooperatives have not been totally unknown in Bangladesh. In fact they have been in existence in the country in one form or another since about 1800. The present arrangement can, therefore, be said to be an extension of the earlier attempts in this field, but with an important difference. This

is reflected not merely in a widening of the scope and dimension of the project so as to cover about 80 percent of agricultural production but also in the fact that the organizational structure from the point of view of participation and management appears to have been based specifically on the concept of class conflicts existing in the rural communities. Further the analysis underlying the programme seems to have been carried out in such a way as to identifying a particular class in the rural society as the social enemy viz., the surplus farmers in the country. This, incidentally, has brought the recently enacted government land reform scheme, which allows private ownership of 33 acres of agricultural land without specifying whether all of this must be farmed by the owners themselves, into an open clash with the ownership pattern implicit in the planners' programme for cooperatives. Since it seems that the government reform scheme for land tenure system of the country was devised at about the same time as the plan itself, the recommendation regarding the structure and management of the cooperatives could be viewed as an attempt by the planners to impose on the economy the type of land reform they had wanted in the first place but for which they failed to have approval from the government.

As regards the development of rural industries which have been completely left out of the I.R.D.P., there is, however, only one type that has been suggested for development in the rural areas albeit in a different context. This concerns what has been traditionally known as cottage industry sector in which only family labour is used. Presumably this has been done on the

belief that modern industry or manufacturing of modern products cannot be established in the countryside; at any rate, the cost of attempting to do so will be too high and at the same time, there is no possibility of any small scale entrepreneurs ever emerging in the rural areas. In view of this, all that one can do in respect of rural industrialization is to encourage and help the traditional forms of cottage industries which are carried on by the small farmers as a subsidiary activity or by those who combine this with other types of rural activities (e.g., fisherman using part of his time in weaving). This provides the clue to ^{an} answer to the question that arises naturally in this context as to why no where in the plan there is any discussion on the prospects of developing an indigenous group of entrepreneurs, nor has there been any analysis of social classes from which should normally emerge a class of businessmen who will take the leadership in developing industries in line with the requirements of the development pattern that is called for by the present structure of the economy.

Since the proposed cooperative structure for agriculture is to be based on the Comilla approach, it is pertinent to mention that this experiment in rural cooperatives was originally addressed to farmers, who, due to the small size of the holdings they owned and operated, were not in a position to take advantage of the new seed-water fertilizer technology and other facilities being provided by the central authorities. It would thus appear that the formation of cooperative was considered as a necessary institutional set-up for all categories of producers for bringing about the desired technological change in agriculture and through this in the rural communities. What however, has been suggested by the plan is not the formation of producers' cooperatives, irrespective of ownership size, but of cooperatives of three categories of rural population. Of these three categories, the first will

have no land but somehow through a numerical superiority in the organization will participate in the production process of the land under the jurisdiction of the cooperatives and will presumably get a share in the output, not as wages but as dividends. There is no specific mention, though, as to how all this will be done.

Now in the absence of some kind of vesting of landownership in the cooperatives, it is difficult to see how the landless labourers can really have any share as well as responsibility in the management of agricultural planning and production in the rural areas. From what one can glean from the policies towards land tenure system of the country which puts a ceiling of 33 acres per family, there does not seem to be any intention on the part of the government to force all individual owners to surrender their land to the cooperatives. So there does not seem to be any scope for the landless to have any real impact on how the land should be cultivated. Moreover, if the I.R.D.P. is merely to repeat the Comilla experiments, the cultivation and management of the farms will remain with the operators as is the case now. It follows, therefore, the only possibility for the landless labour to participate lies in their being employed as wage-labour the benefit of higher productivity resulting for the IRDP going to them in the form of higher wages, as well as in the prospect of being gainfully employed over a longer period in the year.

VII

The above discussion can now be utilized for deriving the main features of the approach of the planning exercise of Bangladesh as to objectives and policy instruments. So far as the targets are concerned, the techniques used in quantifying them seem to have been identical with these used earlier on in

the context of undivided Pakistan. The methods of estimating resources for development such as domestic savings, the required volume of foreign aid, marginal rate of saving etc., as well as the minimum growth rate of GDP and their sectoral distribution can be shown to have been the same as before.

The difference which distinguishes the approach of planning exercise in Bangladesh from that of the earlier one appears to relate to the policies, instruments and institution that have been recommended in the plan for implementing the programmes. This difference has manifested itself in the shape of two major policy recommendations: Firstly, the large scale sector of manufacturing industry has been totally reserved for the state sector for purposes of development and operation. Within the time horizon of the First Five Year Plan, development of this sector has been limited to the growth and expansion of a few items such as the textiles, cement and petrochemicals. Private enterprise has been given rather a subsidiary role, being limited to small scale industry only with a share of barely 13 percent of the aggregate individual investment proposed in the plan.

In the rural sector where the major emphasis has been put on increasing agricultural output only within the framework of the I.R.D.P., the cooperatives have been taken to be as the principal instrument of change. But there does not seem to be any realistic policy for initiating a complementary process of industrialization in the rural as a means of absorbing the surplus labour at the source except for the fact that the development of the traditional handicrafts which are usually carried on by some social classes in the rural areas, has been given some attention, though its quantitative significance from the point of view of coverage as well as

extent of assistance to individual industries tends to be rather small.

To implement the programmes in both of these sectors, as indeed in other spheres as well, the planners have envisaged the creation of what appears to be a vast structure of bureaucracy consisting, what has been mentioned at places, of the Cadre, the members of which will be assigned the jobs that normally are performed by the market e.g., allocation, procurement, distribution, etc., although the members of this bureaucracy are expected to be guided by "accounting prices" to be calculated no doubt by the planners at the top in making decision on the functions mentioned above.

The reality of the situation as one finds it today in Bangladesh suggests that the course of development in the country should follow a pattern in which the rural sector as a whole get a chance to develop as many alternative production activities outside agriculture as possible through the savings and investment efforts of the industrious sections of the rural population in the small scale industries. This is most important from the point of view of the possibility of long run growth. How much growth can be attained appears less important at this moment than whether this process is initiated by a particular plan.

This is because the cause of the stagnation of the past period in Bangladesh has been the existence of a bundle of rigidities which were imposed on the economy by the successive governments since the days of British rule in the shape of too much concern for urban industries and areas at the expense of the countryside. If now an attempt is made to rectify the past mistakes in the shape of replacing the present form of rigidity by another form like the control by the central authority through a vast army of civil servants, there can be little expectation that a process of dynamic growth, making for a coordinated development of country-side will in fact begin.

From the study of the various institutions that have been envisaged for plan implementation, it seems that what the planners must have had as the point of reference at the back of their mind, so far as the control of the economy is concerned, is something like the Chinese type of control of production and planning by revolutionary councils which could perhaps work under an appropriate programme of social revolution with the help of a dedicated cadre. Since, however, the social revolution which would be needed to bring this about apparently was not acceptable to the political leadership of the ruling party, they suggested a diluted version of revolutionary councils in the shape of the cooperatives for the villages with a built-in scope for conflict creation between the rural classes. This may have been good for resolving the conflict between the radical elements among the planners on the one hand, and the conventional political leadership as well as the traditional elements in the planning organization, on the other, but so far as the development of the country is concerned, the result may well be such as to produce the worst of the both worlds. For the system that is being envisaged will be run and controlled by a vast army of bureaucracy on whose decision will depend the allocation of resources between the villages and the towns as well as between different classes of society. As the Pakistan experience amply demonstrated, decisions by bureaucrats may not always lead to harmonisation of diverse interests that may arise in the process of carrying out development programme for the country. If this happens, there will develop conflicts between the urban and rural areas as well as between different social classes which may hinder rather than promote the sort of development that the plan has envisaged for the country. The example of Ceylon can be pertinent in this respect where the attempt to

run the nationalized tea estates with the help of workers' cooperatives has led to disastrous results.

VIII

The discussion may be summarized as follows:

Bangladesh provides a very pertinent example of a labour surplus economy, with 80 percent of the population engaged in low productivity agriculture of which nearly 35 percent can be regarded as surplus or effectively unemployed. The development of the economy calls for a policy which will increase agricultural productivity on the one hand and create a viable industrial structure in the rural sector on the other. The industrial structure that needs to be developed should be based on labour intensive technology so that the present as well as future surplus labour can be absorbed in productive employment within a reasonable period of time.

The past development effort, while successful to a degree in creating an urban sector, failed to bring this about as can be seen in the fact that the rate of agricultural growth was rather low and industrial expansion was concentrated in a few urban areas only, having been based on capital intensive techniques, a process which was aided by the government created factor price distortions.

Although some 5 percent of the cultivated land was brought under the improved method of cultivation by 1971, there has not taken place anything like a green revolution in Bangladesh of the kind which may have taken place in India and elsewhere in Asia.

In view of the above, the plan's emphasis on the need for increasing agricultural output is justified in terms of objectives of development process which needs to be initiated in the country. Similarly, at this moment, there is also justification for the emphasis on the need to increase the output of basic consumption goods like cotton textiles for import substitution and jute textiles for export.

But the institutional structure that the plan has suggested for carrying out the development programme appears to possess a degree of rigidity that is bound to create doubts in the minds of observers as to whether the planning effort will succeed in creating the required level of dynamism in the economy. The lack of any positive effort in promoting dynamism has been shown in the neglect in providing for a complementary programme of rural industrialization of the type and scope which have been attempted in other countries in a similar context.

The possibility of rigidity arising in the process of development that the plan seeks to initiate is clearly seen in the recommendations for the creation of the vast network/^{of} organizations for controlling by administrative decisions the process of implementing the programmes in the various sectors of the economy. In fact, the picture of bureaucracy that emerges from out of the recommendations appears so large that one can genuinely fear that it may take quite a few planning periods merely to create the structure with the result that many of the programmes of this plan may not get off the ground in the course of its duration.

Much of these could have been avoided if the plan had provided for the development of private initiative in the different sectors of the economy on the basis of suitable forms of incentives. This would have needed far fewer

controls by government functionaries who would have perhaps given a better performance as entrepreneurs had they been given the opportunities.

As mentioned in the beginning, the emphasis on the development of collective enterprise as an instrument of growth promotion seems to be the result of the concern on the part of the planners that if private enterprise is given the chance, it will create a class of exploiters in Bangladesh in the way it did in the days prior to December 1971. But this concern seems to be premature and the product of a conviction that the only alternative to collective enterprise is Pakistan's strategy and what in fact happened in Pakistan was necessarily good for her own development.

This is clearly a backlash from the past and, therefore, its use should not be made for preempting the application of all reasonable use of market mechanism. The alternative of collective enterprise in the shape of public and cooperative enterprise in so far as its operation presupposes the existence of a large bureaucracy as well as creation of class conflict in the rural sector should be weighed against the alternative of mass participation in the development process through the market.

The test of whether a particular strategy is likely to be successful in the context of the present situation in Bangladesh is not how much of the indicated targets in the commodity sector can be attained. Rather it should be whether the strategy will be able to move the economy in the direction of a simultaneous development of agriculture and industry by ensuring an ever increasing participation of her people, who by and large live in the countryside. Moreover, the success or failure, not merely in economic but also in sociopolitical terms will depend on the extent to which any particular Development Plan is able to achieve this through the allocation of the rural

labour between the two types of economic activities. Insofar as the extensive margins of cultivation has already been reached in agriculture, it implies creation of employment in non-agricultural activities. Given the high costs of urbanization, this, in turn, points to the necessity of providing jobs in the area where the surplus labour is located. As experience of other countries illustrate, this is more likely to be successful at this point of time by a judicious use of market mechanism than that of a traditional bureaucracy, unless, of course, the political system is prepared, and able, to undertake the necessary social revolution as well as willing to bear the consequent social costs.

It has been fashionable in Bangladesh to talk about the need to follow the Japanese method of economic development. But reliance on market and use of government/^{provided}incentives were precisely the methods which Japan used in the process of her transition to economic integration from the position of being a labour surplus economy. It, therefore, appears logical that if we mean what we say, the course of development in Bangladesh should really be based on the Japanese experience not only in respect of types of industries that Bangladesh will need to develop but also in respect of the types of social institutions which helped Japan to generate growth in a situation which very much resembled that of today's Bangladesh.

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