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## Taking the long view of economic growth



Bengal was considered a land of "inexhaustible riches" which led to its invasion through the Battle of Plassey in 1757. PAINTING BY FRANCIS HAYMAN

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Two groups are now engaged in a passionate discussion regarding Bangladesh's LDC graduation and the march forward. One group clings to the idea that this changeover might prove to be way too challenging—the other group to the idea that the transition will be seamless and almost inevitable. Interestingly, both of these groups share a common

handicap: too much reliance on the present, and too little reflection on the lessons of the past.

Amid this discussion that is generating more heat than light, it is instructive to recall Joseph Schumpeter who, over half a century ago, said no economist is trained unless he is numerate and neither is he trained if he is not historical. Therefore, a history-based scrutiny is essential.

In 2015, Bangladesh became a low-middle-income economy, as classified by the World Bank, based on the GDP per capita criterion. Recently, based on all the three criteria of GNI per capita, Human Assets Index, and Economic Vulnerability Index, Bangladesh has become eligible to graduate out of the LDC, classified by the UN. Although per capita income is not the perfect indicator of development or well-being, it is still universally accepted as a useful measure of growth and development and correlates closely with other human development indicators, such as life expectancy, maternal mortality, etc. In many instances, Bangladesh has surpassed most of its neighbours, both small and large, perhaps reflecting her increased social dynamism.

In today's connected world, we observe the trend that individuals or entrepreneurs often show a keen interest in moving their brains and capital resources to the developed countries to enjoy the better opportunities there. Now, looking back over 400 years, when the world was large and much less connected, we can wonder what prompted the Europeans in the 17th century to sail for the Indian Subcontinent which initially led to the "discovery" of West Indies and the Native America by Columbus and ultimately India by Vasco Da Gama. From the Arab traders, the Europeans learned that India was a land of riches. In the book *Poor Lands, Rich Lands: The Widening Gap*, Louis Zimmermann asserted that Western countries then were no richer than the rest of the world. On the other hand, Francois Bernier described India as more beautiful than Egypt in *Travels in the Mogul Empire*. His observation coincides with what Robert Clive (1766) said in the British parliament to introduce Bengal of the Indian Subcontinent: "The country of inexhaustible riches, capable of making its masters the richest corporation in the world." We don't need these texts any more to wonder about their motive.

These riches were why they were so interested in conquering the whole Indian Subcontinent, which became a reality with the fall of Bengal in the Battle of Plassey. In *Capitalism and Material Life, 1400-1800*, Fernand Braudel identified the Battle of Plassey as an epochal event in the history of mankind. The reason becomes clear from a remark by the renowned American historian Brooks Adams: "Very soon after the (Battle of) Plassey, the Bengal plunder began to arrive in London and the effect appears to have been instantaneous, for all the authorities agree that 'industrial revolution', the event which has divided the nineteenth century from all antecedent time, began with the year 1760."

It is also worth noting that the deindustrialisation of Bengal started with the destruction of local textile when this industry flourished in England. Renowned German economist Friedrich List also opined that destruction of the Indian textile industry paved the way to industrial revolution, which in turn led to the development of woven textiles industry in Lancashire and Manchester, which ultimately resulted in the economic growth of England. This industrialisation necessitated capital accumulation fulfilled by colonisation in the Indian and Latin American regions. It is not surprising that capital always seeks the utmost maximisation of profits. Therefore, once the investment market in Western Europe became saturated, through the East India Company, a basic form of the earliest transnational company, this accumulated capital later helped with the industrialisation in the USA in the early 19th century. After the Second World War, in the form of capital transfer and foreign aid, the same capital helped reconstruct European nations and also came to the newly developed Asian countries like Japan, South Korea, Singapore, and Hong Kong, playing a crucial role in their own industrialisation. More recently, China and India have become the main beneficiaries of that capital.

Thus the development of the then Bengal largely took place because of its textile industry, the destruction of which facilitated the Industrial Revolution in the Europe, particularly the textile industry of the UK. The early development of the USA can also be attributed to its textile industry. Interestingly, in terms of initial industrialisation and capital accumulation, no exception is found even in the cases of South Korea and China.

Likewise, after independence in 1971, thanks to the capital from South Korea, industrialisation in Bangladesh started with the Desh Garments, which ignited the necessary spark to give birth to a number of able personnel and subsequently risk-taking entrepreneurs. Since the 1990s, because of liberalised policies, the profits earned from the RMG industries helped capital accumulation and financial investment in other industries like pharmaceuticals, agro-based products, footwear, shipbuilding and so on. Consequently, the per capita income of this economy has increased over time and today's progress in the development indicators is a direct result of that. An economy actually moves forward and upward, aided by the dynamic, innovative and risk-taking entrepreneurs.

If we take the long view, we realise that economic growth is not only a function of capital or labour. Rather, it is a function of formal and informal institutions, social mobility, its dynamism and people's initiatives. Our present development is much explained by individual initiatives of millions of innovative entrepreneurs. Hence, our future depends on this group of people including the grass-roots level entrepreneurs who are shaping the rural Bangladesh through innovative social engineering in many forms, from changes in agricultural practices to micro-credit.

Every social scientist knows that no development is an unadulterated blessing. A lot of negativities cross paths in the way as a nation moves up. However, how fast the nation develops depends on how efficiently and effectively it deals with those negativities, such as rapid and unplanned urbanisation, environmental degradation, growing gaps in the public policies, etc. At this point of time, to guard their own interests, large manufacturers from different industries and other groups who have enough influence to shape the policies should strive towards the formulation of policies that will augment national cohesion. Ultimately, along with serving the interest of the large-scale manufacturers, this shared goal can boost the social dynamism in Bangladesh, the enduring driving force of the economy.

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