

CONTENTS

From The Editor Syed Saad Andaleeb
Experience of a Professional Economist – Selected Episodes Nurul Islam
Spatial Planning: A prerequisite for Sustainable Development of Bangladesh Sujaul Islam Khan, Syed Monirul Islam and Dibbendu Saha
Landlockedness: Boon or Bane? Findings from a Household Survey in Two Selected Villages in Bangladesh Mausumi Mahapatro
Standards as Trade Barriers: The Case of Shrimp Export of Bangladesh to EU S. J. Emran, Q. N. Taslim and M. A. Taslim
Stock Market Bubble-Bust Cycle in Bangladesh – Policy Implications Sayera Younus
The Economics of Social Business Wahiduddin Mahmud
A Puzzling Stylized Fact about the Term Structure of Credit in the Banking Industry of Bangladesh Kazi Iqbal and M. G. Mortaza
Book Review: "Financing for Overcoming Economic Insecurity" by Nazrul Islam and Rob Vos Munir Quddus

Experience of a Professional Economist Selected Episodes

Nurul Islam

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I had a professional life—a rather chequered career—in which I had held a wide variety of positions over a span of six decades. The various stages in my professional life were as follows: Associate Professor (Reader) and then Professor of Economics (1955–1964); Director of Pakistan Development Economics, Bangladesh Institute of Development Studies (1964 to 1971–72) University of Dhaka; Deputy Chairman of the first Bangladesh Planning Commission (1972–75); Assistant Director General of the Economics and Social Policy Department, Food and Agricultural Organization of the United Nations, Rome, Italy (1977–87); Research Adviser/Emeritus Fellow, International Food Policy Research Institute, Washington, DC (1987 onwards).

1 Dhaka University

I joined the University of Dhaka in mid-1955 on my return from Harvard after obtaining a PhD in economics. There were two major challenges confronting the economics department at the time. One was a severe dearth of highly qualified teachers; the second was that of the outdated syllabus inherited from the past. My first task was to modernize it and I did it extensively, especially in the area of economic theory. This involved in the absence of senior teachers—a very heavy teaching load requiring at a stretch four or more hours of teaching a day in both BA honors and MA post-graduate classes. In those days, teaching responsibilities were taken very seriously; it was considered a solemn moral responsibility of a teacher to the students.

Similarly, it was considered a duty in those days of a university teacher to do research as their obligation. The *Pakistan Economic Journal* was a choice outlet for such research by the economics faculty. It was published by the Pakistan Economic Association and its editorial office was the Dhaka University Economics Department.

Even though my interest was in international trade and/or macroeconomics in the context of the then academic environment in the university without a peer group to interact with, I focused my research on national economic problems, especially of East Pakistan. The economy was overwhelmingly rural and I wanted to familiarize myself with the rural economy. I participated in the surveys of a few colleagues in course of which I met and interviewed farmers and traders in the villages. The subjects of research ranged from the production and marketing of jute to rural credit and rural employment. The questions examined included the structure of the marketing chain of raw jute, including the degree of

competition or otherwise in the various stages of the supply chain; analysis of the concept of disguised rural unemployment or underemployment; sources of credit for rural families and their uses; for example, I learned that the predominant sources of credit were friends and relations and own savings and not the rural money lenders as commonly believed.

Unlike today, there were no foreign donors, i.e. foreign foundations or international civil societies or think tanks to finance our research. The main sources of finance were the Central Bank and the different interested ministries of the Government of East Pakistan. These research projects were undertaken at our initiative and not that of the funding agencies.

During the latter part of the 1950s and early 1960s, I was a member of a few commissions appointed by the government of Pakistan on East-West economic relations. This was a very interesting experience for an academic in the political economy of interregional resource allocation.

In these committees, there were long debates about the absorptive capacity of the East Pakistan government to utilize additional resources. It was argued that the absorptive capacity was not independent of use of resources. The latter itself can be used to enhance the absorptive capacity, if such capacity is deemed inadequate.

Apart from lessons in political economy, I had valuable experience in gaining knowledge of the details of various tax and non-tax revenues of the central and provincial governments. The administrative problems of the tax system were within the terms of reference, including the estimation of the impact and incidence of taxation. Again, the distinction between capital

expenditures and current expenditures on the one hand, and that between development and non-development expenditures on the other, was discussed and agreement had to be reached on a uniform set of definitions which were to be used for the purposes of domestic budgetary allocation as well as for the allocation of foreign aid.

During this period, one of my research studies was on the estimation of a number of consumer demand functions for a variety of consumer goods, including prominently important food items. This was based on a very intensive analysis of the household income and expenditure surveys conducted by the East Pakistan Bureau of Statistics for a number of years.

As various research studies were being undertaken in the Departments of Economics and Commerce, we felt that there should be an institutional framework to support research conducted by the university teachers. The university administration was persuaded to provide the overhead facilities, including space and other physical facilities on a very limited scale. Professor Atwar Hossain was the first chairman of the Commerce Department and I was the second chairman.

After two or three years of teaching in Dhaka University, I felt the need to update myself with the latest developments in economics as I felt that I was falling behind in my research competencies far away from the centers of teaching and research in advanced countries.

There was an increasing use of mathematics and statistical methods in economic analysis during this period. Linear programming in economics by then was the rage of the time. I had no knowledge of matrix algebra. I requested a colleague in the Statistics Department to help me learn matrix algebra. My eagerness to keep abreast with the latest developments took me to England on a Nuffield Foundation Fellowship—first to the London School of Economics and then to the Department of Applied Economics at Cambridge University.

Following my stay in the United Kingdom, I moved to the Netherlands Economic Institute to spend a few months. The subject which was very intensely discussed in those days in the research seminar conducted by Jan Tinbergen—later on a Nobel Laureate in economics who was the director of the Institute, was on the subject of theory of economic policy in which he had made pioneering contributions. I was one of a few visiting fellows debating all aspects of the relationship between targets and instruments of economic policy. The theory that policymaking requires an equal number of instruments (as targets) was in its heydays. For example, to use one instrument to achieve two targets was inefficient and would fail. During my stay at the Institute I completed my book on short-term econometric model for Pakistan's economy.

2 Pakistan Institute of Development Economics (PIDE)

After almost 10 years of teaching at Dhaka University, I moved to the Pakistan Institute of Development Economics in Karachi at the end of 1964, which until then was directed by foreign economists mainly from the United States under a Ford Foundation grant to the Government of Pakistan and Yale University.

As distinguished from academic life, my work at PIDE was all research and no teaching. I had adequate resources at my disposal to pursue research in my areas of interest, i.e. trade, foreign investment, and aid. This was a substantial improvement over my past academic environment since there were resident economists from well-known foreign universities visiting for a period of two to three years with whom I could interact and benefit from discussions and debates on a daily basis on subjects of our mutual research interests. Additionally, there were short-term visiting scholars. In addition, a foreign advisory group consisting a few internationally distinguished economists such as Jan Tinbergen (mentioned earlier), Austin Robinson of Cambridge University, Lloyd Reynolds of Yale University, and others would visit for a period up to two weeks at a time to review, comment, and advise on our research program and publications.

The assurance of academic independence was also the declared policy of the government even though the Governing Board was headed by the head of the Pakistan Planning Commission with members such as the finance secretary, etc. — i.e., all the economic czars of the Pakistan government. The policy of noninterference by the Board in the professional decisions of the Director was effective partly because that was the condition included in the agreement between the government and the Ford Foundation. This allowed us to undertake research on some of the important controversial and politically sensitive policy issues of the day—sometimes with very critical conclusions from the point of view of the policymakers of Pakistan. My tenure at the Institute was the most productive period of my professional life in respect of the quality and quantity of my research.

At the same time, a few research outputs of the Institute on Pakistan's economy were of a very controversial nature. For the first time, an estimate of per capita income of East and West Pakistan was separately published. Until this time, no authentic estimate of income of East and West Pakistan was available in the public domain. The income disparity was a highly explosive subject, politically, as East Pakistan was demanding an end to discriminatory policies on the part of the Pakistan government and a substantial redirection of investment resources and policy incentives towards

East Pakistan. At the same time, articles were written at the Institute on disparity between East and West Pakistan in respect of comparative performance of agriculture as well as industry. Research on these politically explosive issues from the point of the Pakistan establishment were naturally disliked. But the Institute was protected first by its link with the highly respectable academic community abroad which ensured the high analytical quality of our research. Secondly, the political and army leadership in Pakistan did not feel threatened by these articles since they rightly assumed that these articles published in academic journals such as the Institute's journal had no audience among the public. The members of the public or politicians were not aware of these research publications and did not read them even if they were aware. Moreover, the military-civilian leadership was secure in their power to be able to deal with any fallout effect of such research findings in case they found a way into the political discourse.

3 First Bangladesh Planning Commission

By the end of 1970, the PIDE had its headquarters shifted to Dhaka. I was involved closely with the political leadership of the independence movement from March 1969 onwards even when I was the Director of PIDE. By that time, I crossed the line of academic neutrality and became an active participant in politics. Consequently, after the crackdown of the Pakistan Military in East Pakistan, I was on exile until independence in December 1971. In early 1972, I was appointed the Deputy Chairman of the first Planning Commission which was headed by the Prime Minister. We prepared the first Five-Year Plan and constructed a macroeconomic model for the economy based on inputoutput framework and policymaking fell on the members of the commission.

The first lesson for me in the new job was to learn the techniques of how to explain to and dialogue with politicians in the language they could understand the economic issues and policy choices. It was a difficult task and I did my best. I felt I had improved over time in this task in relating my explanations to a specific policy choice.

The second lesson was for me to understand that in policymaking what appeared to be a logical and straightforward choice for an economist was not so straightforward for the politicians. An economist, while suggesting a solution for a problem or suggesting a policy, does not take into account the political feasibility of his policy prescriptions. However, an economist's advice provided without a clear understanding of the political feasibility, constraint was not likely to be

accepted. This was, for example, the case of fertilizer subsidy. It was a highly popular measure among the farmers and the party in power was dominated by middle farmers at that time who had been used to fertilizer subsidy for a long time. The demonstration that there was a substantial leakage in the government-controlled system of distribution through sales outside the public distribution and that the subsidy often went more to the bigger size farmers than to the smaller farmers—in whose name the policy was advocated because they had scarce resources of their own or very limited access to credit—did not dissuade the political leaders. Moreover, compared to the period when the subsidy was introduced, the food price was much higher to make food production profitable in the absence of low cost input policy such as fertilizer subsidy. At the same time, most of the traders in the supply chain were also the main supporters of the regime. The argument that large expenditures on subsidy reduced the available resources for other investments in agriculture such as irrigation or extension services did not sway the leadership; it was feared by them that any removal of subsidy might result in a fall in food supply. This was a risk that they were unwilling to take. They were willing to consider a gradual reduction in subsidy provided there was a substantial increase in supply of fertilizer along with an associated increase in other modern inputs such as highyielding seeds as well as the supply of agricultural credit accessible by all farmers, including small famers.

As the Deputy Chairman of the Commission, I was invited to cabinet meetings and committees on all subjects which had any implications for development programs or economic policy or resource allocation. Hence, I had to participate in cabinet deliberations on issues such as choice in the agricultural sector between low lift irrigation, deep tubewells and shallow tubewells, or appropriate balance between fertilizer and irrigation investment or allocation of resources between rural credit and supply of inputs. I had to familiarize myself with the criteria for an appropriate balance between various types of soil nutrients and chemicals or agricultural extension systems. For the first time, I learned the interrelationships between the various tiers of the educational pyramid—i.e. primary, secondary, and tertiary education—keeping in mind that output of one tier is input to another tier. For example, output from each lower stage provided input, i.e. students, to the next higher tier and similarly the outputs of the higher tier provided teachers for the next lower tier. The appropriate ratios and proportions between inputs and outputs at various tiers of the educational system to be used in these balancing exercises for the purposes of resource allocation were a part of my education. Yet another example was in the field of family planning. I recall the discussion on the family planning programs involving the workload of the family planning workers

and the most appropriate way of getting the best results out of their visits to the family to motivate the women who were the main focus of their visits. I still remember the dictum that the best time a woman was most receptive to the family planning message was immediately before, during, and after the birth of a child.

The above examples illustrate that in dealing with issues concerning various sectors of the economy as a policy coordinator in the Commission, I had to delve far away from traditional economics to other disciplines. I became a jack of all trades with a smattering of knowledge with various subjects.

The negotiation of foreign aid was the responsibility of the Planning Commission which had to negotiate the quantity and composition of aid required for the implementation of the annual development programs and the Five-Year Plan. While the details of the projects receiving foreign assistance were the responsibilities of the members of the Commission, along with the officials of the relevant ministries, I was involved with associated policy issues as well as macroeconomic policy issues which were the domain of the World Bank and the IMF. Apart from project aid, other forms of aid, i.e. commodity aid, and structural adjustment and balance of payments had strong policy components.

4 Food and Agriculture Organization of the United Nations (FAO)

While at the Planning Commission I was dealing with the overall and economy-wise policy issues of one country and gained a smattering of knowledge of social and non-economic/technical subjects. At FAO, as the head or the Assistant Director General of the Social and Economic Department, I had to deal only with one sector, i.e. food and agriculture sector, but with its various subsectors in great details. It included international aspects of the food and agriculture sector as well as inter-country comparisons of national food and agricultural policies. In addition, I had to deal with a wide variety of international and UN organizations for joint deliberations and cooperative projects with them. Moreover, I had to deal with the representatives of the member governments of the FAO located in Rome.

As far as the international aspects of agriculture were concerned, the most important analytical and conceptual issue which faced the international community in the mid-1970s was that of world food security. I was involved in the analysis of the global food and agricultural policy issues as well as cross-country comparisons of agricultural policy issues in this sector such as state intervention in the markets for outputs and

inputs. Each of the aspects of food security, .ie., stability of food supplies and access of all the people to nutritious and safe food had both national and international ramifications.

At the international level the policy issues to ensure adequate food supply related, firstly, to the flow of adequate external resources to the agriculture sector, i.e. development assistance and private capital, and secondly, to food aid. The analysis of the international trade and trade policy issues also assumed a critical importance in this context since access to world market for non-food exports as well as on assured supply of food in the world market for the food-deficit poor countries was critical for world food security.

All these issues led me and my colleagues to encounter the issues of the North-South divide since the interests of the two groups of countries did not necessarily coincide. In this context it is worth mentioning that since the inception of FAO, I was the only economist to be appointed from the developing countries. My immediate predecessor was an economist from New Zealand. However, the post of the Director General had changed hands between the developed and developing countries over the years. During my tenure. the Director General was from a developing country, i.e. Lebanon. The heads of the other technical departments such as agriculture, livestock, and fisheries, etc. however changed hands between the two groups of countries. Since economic policy issues in FAO were the responsibility of this department, the budget of this department was almost one-third of the entire organization. In this environment, my conduct and performance was under close observation especially from developed member countries. Fortunately, however, because of my background of higher education in the United States and subsequent several research related and other jobs in the United Kingdom and the United States, the citadels of the Western developed countries, the latter were willing to give me the benefit of doubt.

An important task was to monitor the flow of foreign aid to the agricultural sector. In the aftermath of the world food crisis of 1973–74, there was an understanding that the developed countries would commit to increase the flow of aid to the agricultural sector. We, in FAO, had to estimate investment requirements to increase agricultural output at the rate of 5 percent or more for the developing countries as a whole. The estimated requirements of foreign assistance for agriculture were scarcely met by the actual provision of assistance. Our periodic publications pointed to the shortfalls in expected performance. Naturally, the developed member countries did not like to be told that their generosity did not meet expectation. There was continuous debate regarding our estimates, on the one

hand; on the other, the inability of the recipients to absorb additional resources.

Food aid, on the other hand, raised a different set of problems. There was a Committee on Food Aid and Policies consisting of donor and recipient countries (1) to channel the multilateral aid through the World Food Aid program, and (2) to monitor the flow of bilateral aid. It was the responsibility of our department to undertake all the necessary analysis and related documentation. One important issue related to the adverse impact of food aid on the incentives for domestic food production was that of reducing domestic food prices. The challenge was to formulate rural development projects in such a way that food aid financed development projects, mainly rural infrastructure projects, should increase the demand for food to match the increase in food supply provided by food aid. However, in emergency situations of food shortage caused by wars or weather-related crop failures, food prices were higher causing deprivation. Under those circumstances, the disincentives for food production were unlikely to be a relevant issue. Our analysis and empirical case studies had to be designed and accomplished with a view to resolving these controversial issues. The food-surplus developed countries were anxious not to be accused of dumping food surplus on the food-deficit poor countries and thus discouraging domestic food production.

Insofar as the direction of aid was concerned, it was found that the poorest food-deficit countries did not always have priority in the allocation of food aid by the donor countries. After all, it was well known that aid flow was influenced by strategic and political considerations of the donor countries. To point out that the aid flow was not predominantly directed to the very low-income countries did not make me and my colleagues very popular to the donors.

The North-South divide was much more serious and controversial on the issue of trade because the most preponderant players in the world food export trade were the developed countries, i.e. North America and Australia, as exporters, while the importers were predominantly the poor countries. Moreover, the price support policy of the European Union (EU) countries hampered the export of those few developing agricultural exporting countries. The EU followed a price support and food stock policy which ensured adequate and stable domestic supply at a price above the world price. Moreover, export subsidy policy for agricultural exports such as cotton in the case of the United States discouraged the exports of developing countries. These policies and their adverse effects on the developing countries were analyzed by FAO.

The instability of food supplies and prices in the world food markets resulting in periodic high food prices

had adverse impact on the poor and vulnerable sectors of the population of the developing countries. To provide a stable supply of food to the poor countries was a priority issue in international deliberations in the FAO forums. I was involved in formulating proposals for international stocks to offset the impact of fluctuations on the world food supply.

The system of governance in FAO as in all the UNspecialized agencies was such that all countries had equal votes in the decision-making process, i.e. in budget and expenditure decisions. This, in effect, meant that the decision-making process was dominated by the developing countries where the financing of the budget was based on the assessed contributions of the member countries based on their per capita income. In other words, the rich countries like the United States carried the major burden of the budget while Papua New Guinea had the same vote as the United States or EU. The latter found this situation absurd and resented it seriously. Therefore, there was a constant struggle on their part to keep the budget as small as possible. Every year, the budget session was a tense and wrenching experience in the face of disagreements between the two sets of countries. We, in the Secretariat, had to tread a very delicate path in the midst of these controversies. There was great deal of pressure by the rich countries to keep the technical assistance projects at the country level to be financed by FAO from its budget as low as possible. They preferred that such assistance was bilaterally provided as they had the freedom to choose the recipient and the types of technical assistance. Moreover, bilateral technical assistance provided employment for their own nationals in technical assistance projects in lieu of the FAO-recruited international experts.

The Economic and Social Policy Department I was responsible for produced the annual flagship publication of FAO called the State of Food and Agriculture which reviewed the supply and demand situation of food in many countries, regions, and the world as a whole. It included an analysis of the various factors affecting supply and demand of food. At the same time, there were monthly and quarterly reports on the evolving food situation and estimates of impending shortages, if any, in specific countries and regions. This was published as a part of what was generally called the Food Information and Early Warning System established by FAO to enable countries and international agencies to deal with emerging food shortages. Also, for the first time, we undertook a long-term perspective study of world food and agriculture for 10 years and more. This was done under my direct supervision with a highly competent group of macroeconomists and econometrician as well as agricultural experts. Interacting and directly supervising this group was for me a highly satisfying intellectual exercise. In the process, I learned a lot about the projection techniques as well.

As far as subjects that I had to deal with at FAO, they ranged from the technical aspects of agriculture such as economics of irrigation and appropriate balance between different types of fertilizer and pesticide to such institutional issues as alternative systems of land tenure, including communal land rights and peasant or cooperative farming, different types of cooperative associations and farmer's organizations, and agricultural education and extension systems. Moreover, I had to deal most intensively with the causes, consequences of, and policies to combat under nutrition. Our department was responsible for a periodic publication called World Food Survey which estimated the extent of undernutrition in individual countries, regions, and the world as a whole. This involved working very closely with technical experts who estimated the nutritional requirements of individuals, on the one hand, and the supply of nutrients, on the other. Based on such exercises, the gap between requirements and supplies of nutrients on a country basis was estimated. We had to work very closely with WHO and UNICEF. In those days, the emphasis was on calories and proteins, and the concept and measurement of micronutrient were still in their infancy. In cooperation with WHO, I had to chair the Codex Alimentarius Commission dealing with food safety issues and establishing food safety standards for various kinds of food which were adopted by national governments and which were also used in international trade negotiations on food trade.

While at the Planning Commission, I had been initiated into being a jack of all trades with a rudimentary knowledge of some of these non-economic issues; at FAO, my involvement with non-economic and technical issues relating to the agricultural sector had greatly expanded.

The task of coordinating programs of FAO in the social and economic field with UN organizations fell on me. This included the International Labor Organization (ILO) on rural labor market and employment in rural non-farm sector, UNESCO on rural education, and UNCTAD and WTO on trade in agricultural commodities.

5 International Food Policy Research Institute (IFPRI)

After my 10 years in working for FAO in Rome, I moved to the International Food Policy Research Institute (IFPRI) in Washington D.C. It was a significant transition from a job at the FAO where I had considerable administrative and supervisory responsibility for the largest department of the organization with five divisions and with about 150 or so employees in Rome and about 100 or so in the various countries as technical

assistance experts. However, I could not avoid spending long hours in meetings with various committees dealing with a large number of issues as discussed above.

I had no administrative responsibility at all at IFPRI and had all the time to do study and conduct my research. The basic mandate of such an international research organization is to undertake research on international policy issues without regard to political considerations either in the choice of research topics or conclusions reached. Moreover, it was also expected to undertake case studies of individual countries or comparative studies of several countries on selected policy issues. The independence of the Institute was facilitated by the fact that, in the early days, most of its funding came from private foundations and the grants from individual donor countries were largely unrestricted.

While at IFPRI, I published a few research studies which I had conceived while at FAO but could not pursue in view of my heavy responsibilities. One of the studies dealt with the non-traditional agricultural exports of developing countries—a subject which until then did not draw much attention since the focus was on cereals and major agricultural raw materials. It was a comprehensive study over the last several years of the pattern, composition, and direction of horticultural exports of developing countries as well as their determinants. Other topics included the analysis of the rural non-farm sector and the gaps in the existing empirical studies of the sector including the formulation of frameworks for future case studies of the non-farm sector and evaluation of the objectives, policies, and their consequences for the stabilization of food prices in a number of countries. Also, I supervised a prospective study of food demand and supply balance in the light of increasing population and income growth, especially in the developing countries. I also worked on foreign aid to the agriculture sector, including the evolution of its subsectoral composition over the years.

In recent years, the resources available to the research centers have been increasingly tied to the preferences of the donors in general or in particular donor assistance projects and programs in individual countries. This had the consequence of restricting not only freedom of choice on the part of the leadership of the Institute of research projects but also constraints on the countries on which research could be done.

I retired as Research Adviser/Fellow in mid-1990s and stayed on as Emeritus Fellow. In this period I have paid increased attention to the problems of governance and political economy of policymaking in developing countries. This included a study of governance and development in Bangladesh as well as one on corruption.

In the early stages of development, there are sectors which are not seriously affected by poor governance. To

illustrate, informal methods of contract enforcement based on social capital and trust work quite well. As economic transactions and supply chains get complicated, formal methods of contract enforcement assume greater importance. Again, corruption results in the high costs of projects involving the transfer of public funds to private hands. Corruption has serious adverse effects on income distribution and confidence of both foreign aid and private foreign investment, adversely affecting its flow.

As I look at my long professional career some random lessons come to my mind. For example, intellectual curiosity has, for me, been the basis of a satisfying professional life and stimulated research. A successful professor has to keep abreast of the latest developments in the subject of his specialization. In these days of globalization of information and knowledge, very soon it becomes evident when a professor becomes outdated and thereafter loses respect.

The best research is done in an environment in which there are members of a peer group with whom to interact, debate, and discuss. This is especially true of social sciences if not in mathematics or similar natural sciences.

In economics, there is no final answer to a question or a final solution to a problem. In development economics, for example, we do not as yet fully and finally understand which factors generate and sustain economic growth. We may, however, broadly know the range of factors which cause growth.

In quantitative economics, the answer to a question or confirmation of a hypothesis depends on what kind of data and what methods of analysis or estimation techniques are used. Great caution should be exercised in drawing policy conclusions on the basis of quantitative analysis. It is necessary to test the hypothesis using different data sets as well as using different estimation techniques. If the results of multiple analyses lead to the same conclusion, there is a prima facie case for making the policy conclusion. Even then the final decision should be based on common sense and experience.