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FROM THE EDITOR

Willem Van Schendel wrote volumes in his piece, Blind spots and biases in Bangladesh Studies, (<https://www.thedailystar.net/in-focus/news/blind-spots-and-biases-bangladesh-studies-1754635>) about the status of research in the context of Bangladesh. While being positive about the evolution and the contributions of “a new network of young scholars [that] has been growing vigorously and the space for critical academic debate has expanded” he asks whether Bangladesh has become more visible as a society in the wider world because of this growing body of work? His own response: “I would say: scarcely, and certainly nowhere in line with its status as one of the most populous societies on earth. Bangladesh studies are still a field *in statu nascendi*, in the process of being formed. They have not yet reached the point of producing sustained academic debates that contribute powerfully to wider discussions in the social sciences and humanities.” He maintains generally that “Bangladesh Studies is still a relatively disjointed and poorly institutionalized field of knowledge production.” While Schendel made these observations in 2014 (reproduced in 2019), the situation has remained more or less unchanged.

While leading the top-ranked private university in Bangladesh, I too came directly in contact with issues surrounding research. Resonating those of Schendel, my observations in 2019 were as follows:

- Interactions at both public and private universities made it apparent that the role, value, and need for research are acknowledged but not well-understood. For university faculty, it is seen mainly as a means for promotion. There is also an actively anti-research group that downplays or degrades the value of research. For this group, time is better spent in petty politics (to advance their own interests without academic effort) or trivial projects which add little value to either the institution or society. This aversion is reflected in the Times Higher Education rankings: not a single university from Bangladesh showed up in the Emerging Economies University Rankings 2019! None of our academic institutions are deemed world class.
- An unfortunate fact is that the role of research in our universities has been minimized or marginalized by policies, while time devoted to teaching has been maximized. Teaching full loads (roughly around 36 credits per academic year and perhaps more), in a corporatized model of revenues and costs, can cut substantially into faculty time to conduct research.

The dependence on adjunct faculties is a whole other story of cost-cutting at the expense of quality education, especially research. It is thus important to consider categorizing faculty into research or teaching streams. Research faculty must be given smaller teaching loads, autonomy (with accountability), and seed funding so that they can concentrate on research and seek resources to build appropriate research infrastructures.

- My conclusion was that focus ought to be on the next generation of academics (our generation has had far too many non-performers) whose mission will be to pursue exciting avenues of knowledge, primarily of relevance to the country and its aspirations. To make research central to their careers, they must be shown the many payoffs: psychological, emotional, financial, social, intellectual and reputational.

Professor Ahrar Ahmad, a well-regarded scholar and a long-standing member of the JBS editorial board, also opined recently (2019) about Bangladeshi researchers that “It is most difficult to get people on the path to research and publication. That culture, that appetite, that scholarly commitment has eroded considerably. They love the microphone, they hate the pen.” This is an ominous observation. JBS, with its supporting organization, Bangladesh Development Initiative (BDI), ought to find ways to address this downslide.

BDI’s biennial conferences were designed and launched in 2008, with conferences at Harvard University playing a lead role in directing, acquiring, publishing and archiving knowledge streams through JBS and book publication projects. That initial thinking has continued to be successfully pursued. This volume is a measure of success in its goal of preserving some of the emerging thinking reflected in the Yale Conference of 2019.

In the above milieu, JBS has played an important role for twenty years to provide a platform and to encourage researchers from Bangladesh to engage in and address the epistemic challenges portrayed above. I can say with pride that JBS managed to get a foothold in the world’s stellar academic institutions including Columbia, Cambridge, Berkeley and Illinois, to name a few.

The challenge now is not just getting shelf space, but to make JBS a better-known journal with targeted impact. In that pursuit, it may be time to examine the epistemological questions it ought to focus on. As Schendel asks us to ponder, “Is there a field of Bangladesh studies?”

Yes, there are area studies journals that focus on a particular geographical area; but over time they evolve an identity by culminating into some defined academic space. Perhaps JBS should also contemplate a similar transition.

As of now, consideration is given to writing from “a jumble” of academic areas. However, an evolving model of using special editors (we tried it with Microfinance successfully), as this issue is, may be one answer to getting scholars to join forces in a particular area of research to highlight its opportunities and challenges. It is also possible that JBS might consider sister journals that begin to occupy distinct spaces (economic development, poverty reduction, etc.) to play a role in Bangladesh’s growth path, but in a more concentrated manner. The determining question will be whether such journals can be sustained in the present state of epistemological engagement of our universities – 57 public and about 107 private – enrolling more than 3 million students but expected to grow to about 4 million by

2026. But do we have to depend only on universities from Bangladesh? Not quite!

All told, JBS has made remarkable contributions since 1999 with an editorial team that ought to be proud of itself. Now, as a new leadership begins to settle in to decide JBS’s journey into the future, they will need to establish a clear mission, develop greater team work, partner with many academic institutions (not just from Bangladesh), project its scholarly strength by getting listed in many of the scholarly indexes, and engage in continuous quality improvement. JBS is here to stay and poised to go from strength to strength with new ideas, a young crop of editorial board members (with high academic credentials), and a passion to project Bangladesh’s image and vitality to the world. Innovation and risk-taking will also help shape its destiny.

Syed S. Andaleeb
Editor

FROM THE SPECIAL EDITORS

The papers in this issue are selected from among those presented at the Bangladesh Development Initiative (BDI) Conference “Bangladesh in The Next 30 Years: Challenges and Prospects” at Yale University, March 22nd - 24th, 2019. That two-day conference marked another coming together of scholars, intellectuals, and practitioners under the auspices of BDI to discuss the current situation in Bangladesh. A frame for the discussions was set in the opening statement where Professor Munir Quddus, President of BDI, explained that BDI is a professional organization with a shared vision of a prosperous and democratic Bangladesh.

In keeping with that framework, the current issue consists of five papers focused on politics and economics in Bangladesh. Two papers directly address growth in Bangladesh. One of these focus on the estimation of potential growth for the country. Potential growth is usually understood as the growth path of the economy based on its capital stock, potential effective labor force, and that production which can be sustained at a constant inflation rate. The author uses data from 1985-2018 to make the case that the actual output growth rate is catching up with the potential output growth rate, not only because the country is using its resources more efficiently, but also because the potential growth rate itself is decelerating due to slower capital accumulation and productivity increases.

The second paper on growth attests to signs of maturity in economic development in Bangladesh, and looks at the location of economic activity. This paper informs readers that extreme poverty in Bangladesh is localized in a few districts in Bangladesh, that excessive concentration of economic activity in Dhaka is impeding overall urban development, and that dispersing production and income generation throughout the country can enhance economic welfare. The article provides a useful chronological literature survey of research on regional economics and makes important points about the collection of appropriate evidence in this regard.

The need for better governance for development is addressed in another paper, and it takes on the question of administrative reform leading to higher salaries that would enhance the incentives for more productive

workers to enter the public sector. Following several revisions, particularly that taken in 2015, the public sector has become more attractive for those with tertiary education, and it is found that the recent generous wage and non- wage benefits in high-level public sector jobs have led to upward wage adjustments in comparable jobs in the private sector. In 2018, there was a strong student movement against the excessive use of quotas to allocate public sector jobs. The author sees this protest as having resulted from the administrative reforms, making such jobs more sought after.

Among the two papers that are concerned about politics, one discusses protests by Islamic groups, and how these were suppressed by the state in 2013 - pointing to the larger question of Islamic political engagement in a democracy. The author points the difficulties faced by Islamic parties in participating in democratic politics both because the emancipatory ideals that prevail in popular minds today are no longer overtly religious, and because the state in Bangladesh has repeatedly taken forceful actions against Islamic policies. Because of this, the author maintains, Islamic groups have instead engaged in retaliatory violence themselves and there has been a plethora of terror attacks against writers and bloggers, as well as the infamous Holey Artisan Bakery attack. Finally, these attacks have been done by violent extremists who have been able to recruit and enhance their size and abilities through the use of digital media and related networks on the internet. This phenomenon is examined by a paper which analyzes narratives of terrorists who were arrested or killed in the past twenty years. It also shows the trends in the use of such digital platforms and shows how the increase in online communication in this arena poses challenges for counterterrorism efforts in Bangladesh.

While this is a small sample of the papers presented at the BDI Conference at Yale, we believe these provide an interesting collection that narrate specific important developments in Bangladesh.

Farida Khan and Rahim Quazi
JBS Co-editors, Volume 21, Issue 1

Estimating Potential Growth for Bangladesh: The Performance Gap and Policy Implications

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Abstract

Potential output growth, as different from actual output growth, determines how much growth the economy is sustainably capable of achieving by deploying its capital, labor, and productivity. While potential growth is used as an essential guideline for policymaking in all developed countries and also in many developing countries, Bangladesh has ignored the estimation of potential growth due to not only data scarcity, but also policymakers' lack of interest in it. This article estimates potential growth for Bangladesh over the 1985-2018 period. Although the country's recent annual GDP growth rate of over 7 percent seems commendable, its potential growth appears to be even higher by around 2 percentage points. The gap between the potential growth and actual growth has been dwindling slowly since the late 2000s, not only because of acceleration in actual growth, but also due to deceleration in potential growth, caused by the gradual fall in the rates of capital formation, labor supply, and productivity. Hence, reverting the falling trend of potential growth is as important as raising actual growth. To make it happen, improving growth in investment along with factor productivity and adopting reforms to improve efficiency across the board are required.

1 Introduction

A country's potential output growth gives us the measure of its sustainable growth, which a country is capable of maintaining using its inputs and technology without running into inflationary pressure. Deriving potential growth for Bangladesh is needed to find a desirable benchmark which would indicate how the economy should perform in coming years. This benchmark guides policymaking for private enterprises and for the regime. Hence, its derivation has drawn crucial attention in macroeconomic literature.

All developed countries and some developing countries now engage in statistical and econometric exercises on how to obtain the right measure of GDP (CBO, 2004; Feldstein, 2010; Goyal and Arora, 2012; Fernald, 2014). Bangladesh is among the developing nations that have not developed any definite method for estimating potential growth, however a number of fast-growing economies in the region including India and Sri Lanka have already started calculating potential growth in planning and policymaking. The research area of whether Bangladesh's actual growth has been either over or underperforming the potential growth has been relatively unexplored. This article fills that gap by estimating potential growth for the Bangladesh economy based on the production function in a supply side approach.

The fiscal authority in Bangladesh always strives to increase output growth, while monetary policy is expected to consider whether the growth level is above or below the potential level, because stimulating growth above the potential level will be inflationary, as per the Phillips curve. However, monetary policy is often not robust in Bangladesh due to two reasons: 1) the fiscal authority determines growth and inflation targets that are heavily based on political aspirations and the monetary authority normally follows suit, and 2) monetary policy has no benchmark for potential growth that the central bank can use for either monetary expansion or contraction.

Bangladesh's planning authority targets growth for the medium run without any rigorous analysis of potential economic growth, leaving room for questioning whether the planning was either ambitious or conservative. This study seeks to address these policy anomalies by providing a guideline for the country's fiscal, monetary, and planning stances. Despite a plethora of studies in this area, estimating potential growth has always remained a challenging task for developing economies mostly because of data scarcity in the areas of capital stock, labor supply, and factor productivity. Fortunately, this does not appear to be a problem for Bangladesh, due to availability of data from the Bangladesh Bureau of Statistics (BBS) and many global sources.

To briefly summarize the results: this study finds that despite Bangladesh's commendable output growth performance particularly in the recent decade, the growth rate still remains below its potential level by around 2 percentage points. Potential growth, however, has shown a trend of deceleration due to declining growth in productivity, capital formation, and labor supply. This trend can be reverted substantially by improving the investment growth rate and labor force participation rate, by increasing the number of formal workers in total employment, and by raising overall productivity in labor and capital through reforms that improve institutions, knowledge, and technology.

The remainder of the paper has been organized in seven sections: Section 2 presents literature review, Section 3 defines potential growth and describes its importance for an economy, Section 4 outlines different methodologies, Section 5 uses the most appropriate method to estimate potential growth, Section 6 determines the performance gap, Section 7 discusses policy implications of this study, and Section 8 concludes the paper.

2 Literature Review

The existing literature on potential output growth concentrates on the developed countries, leaving a huge gap for the developing countries. This gap is starkly evident for Bangladesh, since other economies in the region such as India, China, Pakistan, Sri Lanka, Malaysia, and Indonesia have already started calculating potential output. Historically, potential output has been utilized as an important variable in designing five-year plans in different countries. Deriving potential output has been essential in analyzing the output gap in business cycles studies (Paul, 2008; 2009a; 2010; Paul and Zaman, 2015). In a study of India, Goyal and Arora (2012) find that a 2-percent underestimation of potential output leads to a 50-basis point rise in policy interest rates. Hence, the correct estimate of potential output is imperative for the right operation of monetary policies.

The US Budget Office argues that potential output is often underestimated (CBO, 2015). This is more prevalent in developing countries where markets are not efficient and investment opportunities remain unexploited. Consequently, their potential output is likely to be above their actual output. Using Okun's law, Kahn (1996) estimates the US potential output growth for the 1990s, where he decomposes estimated potential growth rate into labor productivity growth and labor input growth to separate the secular trend from the cyclical changes. Feldstein (2010) re-estimated the US potential growth and found it to be 1.9 percent for the 2010s. The European Commission regularly estimates potential output for most

European countries (Denis et al., 2006). The National Bureau of Economic Research (NBER) has a number of studies on potential output, which are used to officially date the US business cycle (Fernald, 2014; Gordon, 2014). The US Congressional Budget Office (CBO) routinely derives potential output, which is used to advise the US government on macro policies (CBO, 2004; 2014). In 2015, the US Federal Reserve Bank raised the policy interest rate after 8 years, as the output level reached too close to the potential level. US policymakers have been able to reduce business cycle volatility remarkably since 1984 by accurately estimating potential output and following stabilization policies accordingly (McConnell and Perez-Quiros, 2000).

Burns et al. (2014) described a parsimonious methodology employed by the World Bank for estimating potential output for 159 developing nations using the production function. The IMF has developed several methods for estimating potential output over time. As De Masi (1997) asserts, the concepts of potential output and the output gap are central to the IMF's analytical work in providing policy recommendations to its member governments. They estimated potential output for emerging Asian nations (Anand et al., 2014) and also for the Middle East and North African countries (Mitra et al., 2015). Herd and Dougherty (2007) found that the potential growth for China and India is 10 percent and 8 percent, respectively. Zheng et al. (2009) revised China's potential output growth to 9 percent for the early 2010s. Wolf (2016) finds a lower level of growth for China at 6 to 7 percent and asserts it as China's new normal. Ball and Mankiw (2002) believe that potential output growth should be revised from time to time since the business cycle changes.

The literature suggests that Bangladesh's neighboring economies are well ahead in estimating potential output. Goyal and Arora (2012) found that India's output reached the potential level only in 2007-08 when growth rate exceeded 9 percent, and also there was no sustained excess of growth over potential in the period 2010-11. The Indian Planning Commission and the Reserve Bank of India have routinely estimated the potential output for a long time. India's 3rd Five-Year-Plan (1961-1965) used the concept, and the latest 13th FYP (2016-2020) uses an updated concept. Adnan and Khan (2008) estimated the potential output for the Pakistan economy, and Ding et al. (2014) found that Sri Lanka's potential output has risen slightly in the last few years.

As the literature asserts, analyzing potential growth is not only important for policymaking, but it also unveils important insights into areas of capacity utilization, resource mobilization, and the direction of both private and public investments. However, it appears that the concept of potential growth has not drawn adequate attention yet at the policymaking level in Bangladesh.

3 Definition and Policy Implications

This study uses both potential growth and potential output interchangeably since we can derive growth from output by using the percentage form:

$$g_t = \frac{Y_t - Y_{t-1}}{Y_{t-1}}; \text{ or in log: } g_t = \ln \left(\frac{Y_t}{Y_{t-1}} \right) \quad (1)$$

where g stands for growth at time t , Y is output at time t , and Y_{t-1} is output at time $t-1$. Potential growth is the level of growth that an economy can achieve by ensuring full employment in the labor market and ascertaining the best possible utilization of other existing resources and technology. The Non-Accelerating Inflation Rate of Unemployment (NAIRU) of 5.5 percent is the natural rate of unemployment which refers to the natural level of employment in the US (Ball and Mankiw, 2002).

3.1 Defining Potential Growth

CBO defines potential output as an estimate of “full-employment” Gross Domestic Product, or the level of GDP attainable when the economy is operating at a high rate of resource utilization. Potential GDP is a measure of the economy’s maximum sustainable output, in which the intensity of resource use is neither adding to nor subtracting from inflationary pressure (CBO, 2004). Thus, potential output relates to the concept of full employment or the natural level of unemployment:

$$Y^P = (N_n / N_t) GDP_t = [(1 - u_n) / (1 - u_t)] Y_t \quad (2)$$

where Y^P stands for potential output, N_n for full employment level, N_t for the level of employment at time t , u_n for the natural level of unemployment or NAIRU, and u_t for the unemployment rate at time t . GDP_t and Y_t represent the level of output at time t . By using data from the Bureau of Labor Statistics (BLS, 2017:2) and the Bureau of Economic Analysis (BEA, 2017:2), US potential output for 2017 is:

$$\begin{aligned} Y_{US}^P &= \left[\frac{1 - u_n}{1 - u_t} \right] Y_t \\ &= \left[\frac{1 - 0.055}{1 - 0.048} \right] * 18.861 \\ &= \$18.722 \text{ tn} \end{aligned} \quad (3)$$

The economy seemed slightly overheated in 2017 since actual output was above potential output by a small margin. This induced the Federal Reserve to consider tightening monetary policy, which was ultimately delayed due to economic distress in Europe.

The output gap between the actual output and potential output can be estimated as:

$$\begin{aligned} Y_t &= \alpha + Y_{Trend} + \varepsilon_t \\ \Rightarrow og_t &= Y_t - Y_{Trend} - \alpha \\ &= \varepsilon_t \end{aligned} \quad (4)$$

where og_t stands for the output gap at time t – an amount that measures the gap between the actual output and its trend plus constant values. The output gap is positive when the economy performs over the trend, and negative when the economy falls below the trend line.

3.2 Policy Implications for Potential Growth

Without estimating the potential growth rate, policymakers cannot ascertain when the overheating or cooling of the economy begins. We can further elaborate the importance of deriving the potential growth for Bangladesh under several policymaking frameworks: fiscal, monetary, planning, and investment.

Fiscal Policy and Budgeting: The government’s budgeting process becomes more transparent and robust when the estimated potential output is available. The challenge for the government is to ensure that the Debt-Output Ratio (DOR) is sustainable and risk free. Fiscal deficits $[(G_t - T_t)/Y_t]$ and the DOR $[B_t/Y_t]$ are the main concerns of fiscal policy. Higher potential growth can help a nation keep the DOR constant even after raising government spending on capital formation. The change in the debt-output ratio can be written as:

$$\begin{aligned} (B_t/Y_t) - (B_{t-1}/Y_{t-1}) \\ = (r - g)(B_{t-1}/Y_{t-1}) + [(G_t - T_t)/Y_t] \end{aligned} \quad (5)$$

where B stands for the debt level at time t , r for the interest rate on the debt, g for the growth rate, G_t for the government spending at time t , and T_t for Taxes at time t . As long as a country’s output growth rate is as high as the interest rate on debts, the nation will not see any rise in the debt ratio. Rearranging the terms, we can write the above equation as:

$$\begin{aligned} (B_t/Y_t) &= (1 + r - g)(B_{t-1}/Y_{t-1}) \\ &+ [(G_t - T_t)/Y_t] \end{aligned} \quad (6)$$

Foreign lenders will be interested in providing credit to a country with high potential growth, releasing some extra room for higher government spending on capital formation.

Monetary Policy Decisions: The basic classical theory of monetary growth is grounded in the Quantity Theory of Money (QTM), which dates back to the 16th century and has gone through various interpretations by different schools over time. If we assume the velocity of money to be constant and impose the idea of potential output, it turns into a behavioral equation.

$$\begin{aligned} M\bar{V} &= P\bar{Y} \rightarrow M \uparrow \Rightarrow P \uparrow, \\ \text{if } Y \uparrow \text{ to } \hat{Y}, M \uparrow &\Rightarrow P \text{ doesn't } \uparrow \end{aligned} \quad (7)$$

where M stands for money, V for the velocity of money, P for the price level, and Y denotes output or income. By

assuming that V and Y are constant (\bar{V} and \bar{Y}), we are assuming them to operate at the full employment level, which suggests that money supply will be inflationary when actual output reaches its potential level or rises above it. If potential output can be raised to a higher level (\hat{Y}), policy decision for monetary growth becomes necessary, since this time increased money supply is absorbed by higher output and hence new money growth will not be as inflationary as before. This rationale becomes more evident if we write the QTM in a growth equation form:

$$\bar{g}_M \approx \bar{g}_Y + \bar{\pi} - \bar{g}_V, \\ \text{if } PG \uparrow \Rightarrow \bar{g}_M \approx \bar{g}_Y + \bar{\pi} - \bar{g}_V \quad (8)$$

where money growth (g_M) approximates output growth (g_Y) plus inflation (π) minus velocity growth (g_V) and all these variables are in the first steady state. If we find that potential growth (PG) has risen to a new state (g_Y), the central bank can increase money supply proportionately (to g_M) without stoking inflation, since growth in money velocity is assumed to remain constant. The Taylor Rule, despite reservations from many economists against it (see Bernanke, 2015), is still a useful suggestion for a monetary policy stance:

$$i_t = i^* + a(\pi_t - \pi^*) - b(u_t - u_n) \quad (9)$$

where i_t stands for the policy interest rate at time t , i^* is the basic interest rate that acts as a constant value, π_t is inflation at time t , π^* is the desired and tolerable level of inflation at the full employment level (also called the threshold level of inflation in developing countries), u_t is unemployment rate at time t , and u_n denotes the natural level of unemployment. Due to the lack of unemployment data, we can replace the last part of the above equation with output growth by using Okun's law (Okun, 1962):

$$i_t = i^* + a(\pi_t - \pi^*) + \beta(g_t - \bar{g}) \quad (10)$$

Per the above equation, if actual growth is equal to potential growth, then interest rate decision is based only on inflation. However, if actual growth is lower than potential growth, further monetary easing by lowering policy rates is warranted. Since growth is likely to be inflationary as per the Phillips curve (Phillips, 1958), if actual growth is far above the potential, the government budget should be strict on limiting fiscal deficits and the central bank should be conservative on money growth and policy rates. By using the Okun's law to replace the unemployment gap with the output gap, we get a modified Phillips curve. Since supply shocks play a dominant role in determining inflation, Gordon added them to the Phillips curve to better account for inflation (Gordon, 1975; 1977; 2006). The Gordon-style Phillips curve is:

$$\pi_t = c_0 + c_1\pi_{t-1} + \beta(y_t - \bar{y}) + \gamma SShocks + \varepsilon_t \quad (11)$$

If actual output is above potential output, the central bank should be worried about inflationary pressure and act accordingly. Likewise, the opposite policy move should be undertaken if potential output is above actual output. In a study of the Phillips curve for Bangladesh, Paul and Uddin (2017) suggest that raising output growth beyond its potential level will be inflationary. Thus, there are huge policy implications once we can determine whether the actual output is above or under potential output.

Long-Term Strategic Planning: Potential growth should be a crucial factor for five-year plans. Most nations use this concept for projecting their future path of growth and investment needs. Potential output will have a long-run effect on policy and growth. Domestic and international stakeholders are interested in learning the potential growth of a country for their decisions on the capital market and direct investment.

4 Estimation Methods and Current Methodology

Economists have developed a number of methods to determine potential output which can be divided into two broad categories:

4.1 Statistical and Econometric Methods

The advantage of statistical filters is that they can extract the trend from GDP directly by examining the series itself (French, 2001; Kuttner, 1994; Haltmaier, 1996; Laxton and Tetlow, 1992). These methods, as below, do not generally use Okun's law and do not require judgments about trend breaks.

- a) The HP Filter: Researchers use the Hodrick and Prescott (HP) filter widely to derive potential growth particularly in developing economies where theory-based methods face numerous constraints. The easier derivation, simplicity, and some degree of flexibility have made the HP filter popular (see Hodrick and Prescott, 1997). Because of its simple smoothing technique, the HP filter is one of the most commonly used methods of estimating potential output (see Mitra et al., 2015). As a high pass filter, it minimizes the difference between actual and potential output while constraining the rate of change in potential output for the whole sample of T observations. Hence, the HP filter minimizes the following:

$$\text{Min} \sum_{t=1}^T (y_t - y_t^*)^2 + \lambda \sum_{t=2}^{T-1} [(y_{t+1} - y_t^*) - (y_t^* - y_{t-1}^*)]^2 \quad (12)$$

where y is the log of real GDP, y^* is the log of potential GDP, T is the length of the time series, and λ is a weighting factor that determines the degree of smoothness of the trend.

- b) The Kalman Filter: It describes a recursive solution to the discrete-data linear filtering problem (Kalman, 1960). As Faragher (2012) asserts, the Kalman filter is over 50 years old, but is still one of the most important and common data fusion algorithms in use today.
- c) The BP Filter: The Band Pass (BP) filter assumes that we can define business cycles as fluctuations of a certain frequency. Specifically, it is a linear filter that takes a two-sided weighted moving average of the data where cycles in a “band,” given by a specified lower and upper bounds, are passed through, and the remaining cycles are filtered out. There are two types of BP filters: the Baxter-King method (Baxter and King, 1999) and the Christiano-Fitzgerald method (Christiano and Fitzgerald, 2003). Both approximate the ideal infinite BP filter assuming a cycle lasts from 1.5 to 8 years.
- d) Simultaneous Econometric Models: Some researchers have specified full simultaneous systems of equations that describe the behavior of variables such as output, employment, productivity, and inflation (Adams and Coe, 1990). The parameters of these equations can be estimated using statistical techniques using certain assumptions.
- e) Multivariate Time-Series Models: This category includes statistical methods of estimation known as vector autoregressions (VARs) and structural VARs (Demiroglu and Salomon, 2002; Blanchard and Quah, 1989; Dupasquier et al., 1997; St-Amant and Norden, 1997). These models are similar to econometric models in that they estimate the parameters of econometric equations using statistical techniques.

4.2 The Production Function Approach

This category is based on supply side theories (see Solow, 1957). The supply side approach to output uses a production function to derive sustainable long-term growth. The production function approach describes the functional relationship between output and its factor inputs. This method focuses on the supply potential of the economy and calculates potential output as the level of output given “normal” rates of capacity utilization. The rate of capacity utilization is assumed “normal” when the labor and capital input are consistent with nonaccelerating wages and inflation, and Total Factor Productivity (TFP) is at its trend level. The Cobb-Douglas Production Function (CDPF) with constant returns to scale is applied here as:

$$Y_t = A_t * K_t^\alpha * L_t^{(1-\alpha)} \quad (13)$$

where Y_t represents real GDP at time t , K_t is the stock of capital at time t , L_t is the labor force at time t , A_t represents TFP at time t , α is the share of capital in output, and $(1-\alpha)$ is the share of labor in output.

4.3 Methodology of the Current Study

The statistical approach takes the actual growth series and determines a trend by filtering the series; hence, the derived trend turns out data-biased by design. In contrast, the theory-based approach, which is based on the production function, derives a trend independent of the existing data by determining potential growth from capital, labor, and productivity factors. This study uses the production- function based methodology, and following most similar studies in the literature (see Lucas, 1990; Burns et al., 2014), this study also uses the constant returns to scale.

5 Data and Estimation

Data limitation has purportedly impeded studies on estimating potential output in Bangladesh. This section describes how this study addressed these impediments by reviewing other studies and adopting empirical judgment as needed. The study uses data from 1985 to 2018. The labor market data begin with new definition from 1985. Output and growth data from WDI (2017) are available up to 2016, and the respective data for 2017-2018 have been taken from the National Budget (Budget, FY2018).

5.1 Series for Estimation

To estimate equation 13, the following data series are needed - net capital stock, labor supply, share of capital in output and total factor productivity. Here we discuss how the study addressed some issues related to scarcity of data and how each of the data series was constructed to ultimately estimate the potential growth for Bangladesh.

Net Capital Stock: This is typically higher than the amount of annual output of an economy because capital is accumulated over time through capital formation or investment. This study uses the capital stock series from the Penn World Table (Penn, 2017). To match with the 1985- 2018 sample, the value of 2018 has been projected by the authors (see Figure 1). The calculation of net capital stock is:

$$K_t = K_{t-1}(1 - \delta) + I_t \quad (14)$$

where K_t stands for net capital stock of the current year, K_{t-1} is capital stock of the previous year, δ is depreciation rate, and I_t is investment of the current year. It is hard to find the average depreciation rate for the Bangladesh economy. The study uses the average

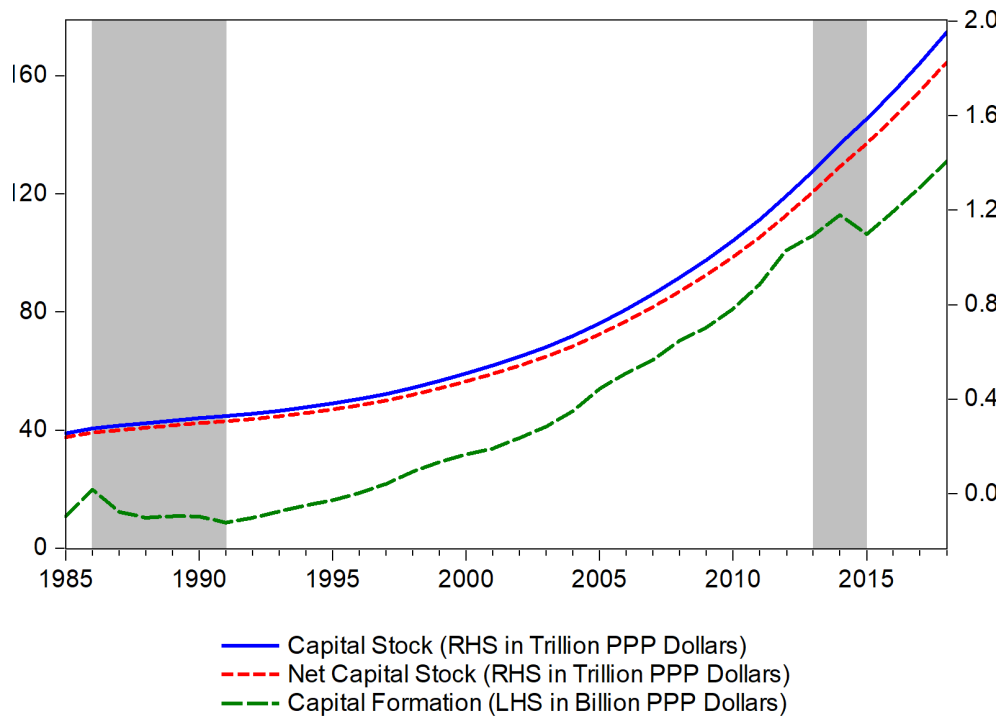


Figure 1: Capital Stock, Net Capital Stock, and Capital Formation

Source: Penn (2017), Burns et al. (2014), and Authors' Calculation

depreciation rate used for South Asian economies by Burns et al. (2014), which is 7 percent. Some studies have used lower rates such as 4 to 5 percent (see ADB, 2013), but this study uses a conservative rate. Figure 1 shows the net capital stock and annual capital formation series that experienced two declining phases in the second half of the 1980s and during 2014-2015, which were likely due to political instability and the ensuing economic uncertainty.

Labor Supply: This study needs to determine the level of employment that keeps output at a level which is grounded by the natural rate of unemployment, which is also called potential employment. Due to data paucity, some studies have used working-age population as a proxy of labor supply (see Burns et al., 2014), and some studies have used labor hours as proxy of labor supply (OECD, 2001; Denis et al., 2006; Roeger, 2006). In the case of Bangladesh, relevant data is available since the BBS routinely runs surveys on the labor market.

The labor supply series is derived from several labor data series that were collected from various BBS labor force surveys (1986-2017) and shown in Figure 2. Working-age population covering the 15-64 age group (WDI, 2017) declined to around 60 percent in the early 2000 from a high of 70 percent in the mid-1980s, and again has risen to almost 70 percent in recent years. The

population growth rate has slowed down since the early 2000, but that slowdown was adequately offset by the rise in the working-age population. As a result, the trend line in the working-age population has become steeper than before since the mid-2000s.

The trend participation rate is collected from the BBS surveys (1986-2017). The participation rate is multiplied by the working-age population to derive the total labor force series. The participation rate has risen from 45 percent in the mid-1980s to 60 percent in the mid-2010s. As a result, the labor force has risen at a faster rate than the working-age population. The unemployment rate in Bangladesh is not comparable with that in developed countries. Bangladesh follows the ILO definition which defines a person employed if he/she has worked even for an hour over any time during the entire last week. This definition, largely loose by design, makes Bangladesh's unemployment rate appear very low. The trend unemployment rate started roughly at 1 percent some 30 years ago and has reached 4.4 percent in the mid-2010s, where it has remained in recent years. The potential level of employment is derived by deducting the potentially unemployed workers from the labor force, as shown in the following equation:

$$N_t = (1 - u_n) * L \quad (15)$$

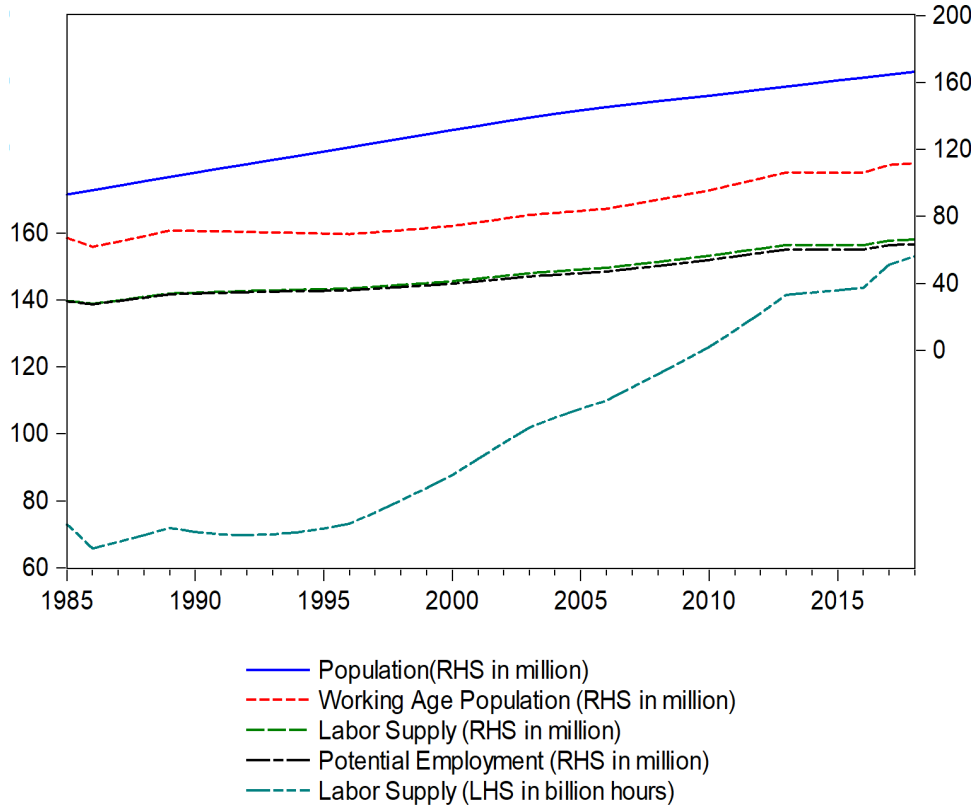


Figure 2: Population, Working-Age Population, Labor Force, Potential Employment, and Labor Supply

Source: BBS (1986-2017), WDI (2017)

Here, N stands for potential employment, u_n denotes the NAIRU, and L is the labor force. Next the labor supply is determined by multiplying the number of working hours with the number of potential employment, as shown in the equation below:

$$S_L = H_t * [(1 - u_n) * L] = H_t * N_t \quad (16)$$

Here H_t denotes the average number of working hours per employed worker at time t . According to BBS surveys, the average working hours during the sample period began at 50, which steadily declined until the mid-1990s, and then continued to rise for a decade to reach 47 hours, where it has remained in recent years. The labor supply has been on an upward trend since the mid-1990s, which has become steeper since the mid-2000s due to the combined effects of rising working-age ratio, higher trend participation rate, and rising average working hours. A small rise in the trend unemployment ratio during this period was offset by the combined rise in these ratios.

Factor Productivity and Alpha: It is hard to find factor productivity series for Bangladesh economy. There is no

time-series data on the country's capital productivity or total factor productivity (TFP). The labor productivity series is collected from the Conference Board (CB, 2017) and converted into an index as shown in Figure 3. The TFP is calculated by the following formula:

$$A = \kappa^\alpha \lambda^{1-\alpha} \quad (17)$$

where κ is the efficiency index for capital and λ is the labor productivity index. κ is multiplied with capital to derive the amount of effective capital and λ is multiplied with labor to derive the amount of effective labor. Thus, potential output turns out to be:

$$Y_t^P = [(\kappa_t * K_t)^{\alpha_t}] * [(\lambda_t * L_t)^{1-\alpha_t}] = A_t * K_t^{\alpha_t} * L_t^{(1-\alpha_t)} \quad (18)$$

Burns et al. (2014) derived a period-wise series of growth in TFP for South Asia, which this study uses for Bangladesh to construct an index series for TFP by adopting the progression formula and the HP filter, as shown in Figure 4. While the trend in labor productivity slightly sagged from the mid-1990s to the late 2000s, the trend in TFP did not show any such sign since it includes

capital as well. Alpha is not only the exponent on capital in this equation, but also it signifies the relative share of capital in the whole production process. The series of capital's share in output is collected from the Conference

Board (CB, 2017), and is used by this study as alpha – the exponent of capital.

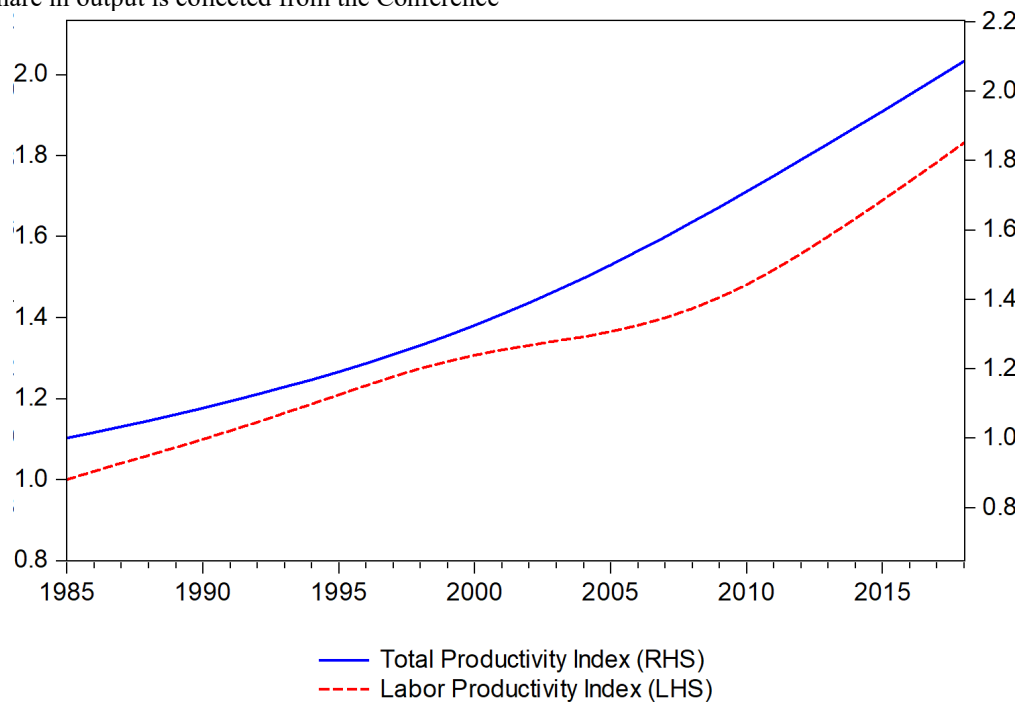


Figure 3: Labor Productivity Index and Total Factor Productivity Index

Source: CB (2017), Authors' calculation from Burns et al. (2014)

5.2 Estimation and Results

First, the potential output is derived by using equation (13) and then annual growth is derived by using equation (1). Next, the target series of potential growth is derived by trending this growth series with the HP filter. As shown in Figure 4, Bangladesh's potential growth is remarkably higher than the actual growth, which is consistent with the assertion by CBO (2004) that the actual output growth in most developing countries is lower than the potential level because of inefficient use of resources and suboptimal capacity utilization in productive sectors. The supply-side potential growth shows a decelerating trend since the early 2010s or precisely since 2012. Table 1 lists the differences between potential growth and HP trended actual growth. The policymakers in Bangladesh should explore why actual growth is remarkably below the potential level, and more importantly devise strategies to reach the potential level

by adopting optimal fiscal and monetary policies along with five-year plans.

6 The Performance Gap

The performance gap is defined as the difference between actual growth and potential growth, which can be derived by subtracting the former from the latter.

Dynamics of the Performance Gap: Figure 4 displays the actual growth and potential growth for Bangladesh, which shows a widening performance gap during the early 1990s and late 2000s, that has closed somewhat during the 2010s. The Bangladesh government set a target growth of 7.4 percent in 2018, whereas the potential growth was 9.4 percent, creating a performance gap of 2 percentage points. It should be noted that since the actual growth path is subject to disturbances and fluctuations, the actual growth trended line is derived by the HP filter.

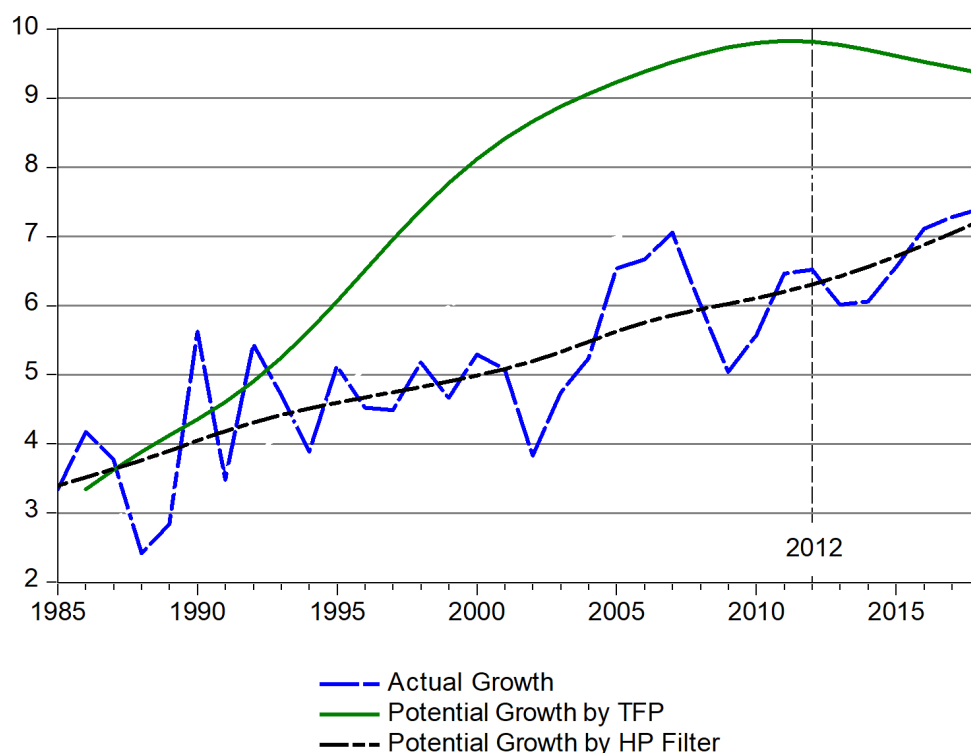


Figure 4: Actual Growth and Various Estimates of Potential Growth (in percent)

Source: BBS (1986-2017), WDI (2017), CB (2017), Penn (2017)

Table 1 provides an overview of the performance gaps over the sample period, which has been divided into six 5-year periods and one 3-year period (2016-2018). The third item in the table (The Performance Gap) was derived by deducting the trended actual growth from potential growth and also by averaging within each period. The gap shows a hump over the entire sample period, which begins with a very small gap in 1985, reaches a peak in the 2006-2010 period by 3.68 percentage points, and then declines to 3.31 percentage points over 2011-2015 and to 2.4 percentage points in the 2016-2018 period. Although the declining gap is a sign of economic strength, the reduction in the gap in the later

part of the sample has mixed messages. The gap declined not only for the rising actual growth, but also for the deceleration in the trend of potential growth, particularly since the late 2000s. Potential growth reached 9.83 percent in 2011 and then fell slowly since 2012, eventually reaching 9.36 percent in 2018. The fourth item in the table describes the growth volatility, which is an indicator of macro stability. The growth volatility gradually declined from the mid-1980s to the late 1990s, then increased until the mid-2000s and finally fell to a minimum around the end of the sample, indicating greater macro stability for the Bangladesh economy in recent years.

Table 1: Period-Wise Growth Rates and the Performance Gaps.

	Periods						
Averages of:	1986–1990	1991–1995	1996–2000	2001–2005	2006–2010	2011–2015	2016–2020
Potential Growth	3.87	5.29	7.37	8.85	9.62	9.75	9.45
Actual Growth (HP Trended)	3.77	4.40	4.83	5.34	5.94	6.44	7.05
The performance Gap ^a	0.10	0.89	2.52	3.51	3.68	3.31	2.40
Volatility in actual Growth	1.12	0.74	0.34	0.87	0.73	0.24	0.12

Notes: ^a The performance gap, meaning deficiency, is measured by deducted trended actual growth from trended potential growth.

Source: BBS (1986–2017), CB(2017), Penn(2017), WDI (2017), and Author's Calculation.

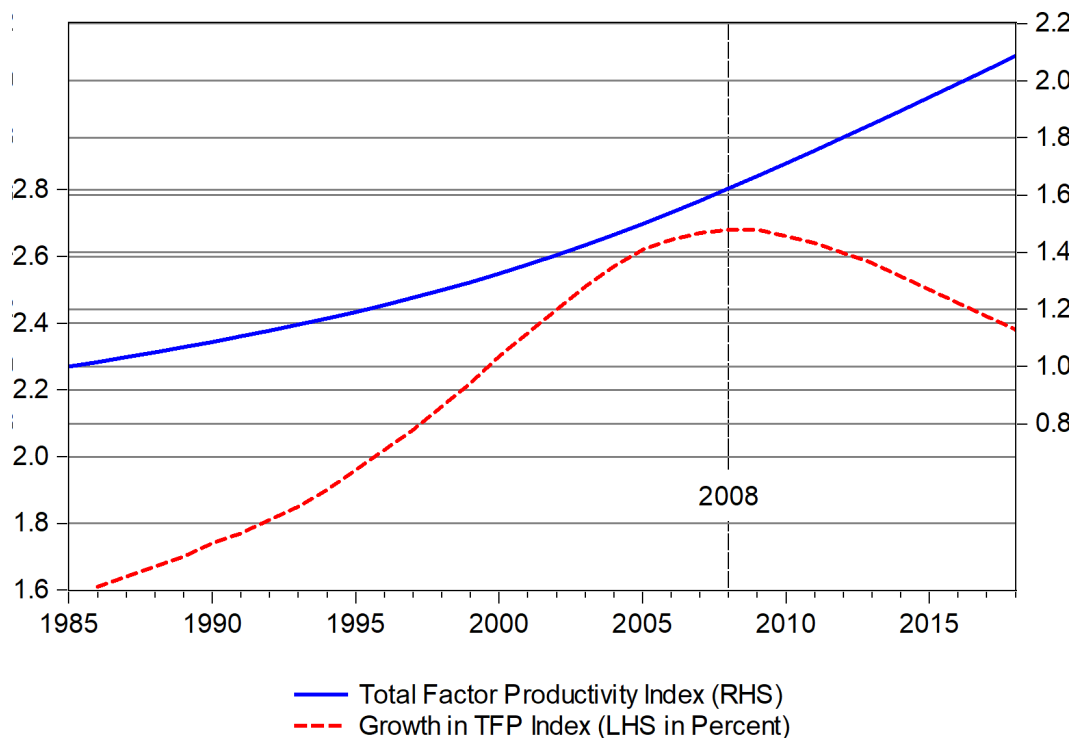


Figure 5: Total Factor Productivity (TFP) and Its Growth

Source: Burns et al. (2014) and Authors' Calculation

Deceleration in Potential Growth: As discussed in the previous section, the trend in potential growth has decelerated since the mid-2000s and the potential growth started declining since 2012. The reasons for this deceleration mainly include the falling rates of growth in TFP, net capital stock, capital formation or investment, potential employment, and labor supply. Figure 5 shows that the TFP index gradually increased during the entire sample period but at a decreasing rate, as shown by the Growth in TFP Index, which started falling after 2008, contributing to the deceleration in the trend of potential growth. This turning point coincides with the global financial crisis and the Great Recession in 2008. Bangladesh's openness to the global economy is not very high, however Burns et al. (2014) shows that many emerging economies also experienced a similar type of fall in TFP growth following the global financial crisis.

Figure 6 provides the second reason for the deceleration in potential growth – declining growth in net capital stock since the end of the 2000s, a timeline that coincides with the fall in TFP growth. While the net capital stock measures the accumulated capital after accounting for depreciation, its annual addition is due to capital formation, which also exhibited declining growth since the late 1990s (see Figure 6), contributing to the deceleration in the trend of potential growth. Last but not

the least, the third critical factor is labor supply which shows an upward movement in Figure 7, but with a declining growth rate since the early 2000s. Labor supply is affected by potential employment, which has also exhibited declining growth since the late 2000s. Declining growth in potential employment has become a common feature in most developing economies due to population control measures. Population growth rate in Bangladesh was 2.73 percent in 1985, which dwindled down to 1.09 percent in 2018, and contributed to the gradual fall in potential employment. Figure 8 displays together the major factors of the deceleration in potential growth and shows how their growth lines synchronize to explain the slowdown in potential growth since the early 2010s.

7 Policy Implications

The policy implications of the estimated results warrant actions mainly along two lines: TFP and capital formation. The third factor related to the declining labor supply is largely unavoidable, because population growth is expected to fall due to public policies and people's preference for smaller families with greater modernization and higher standard of living.

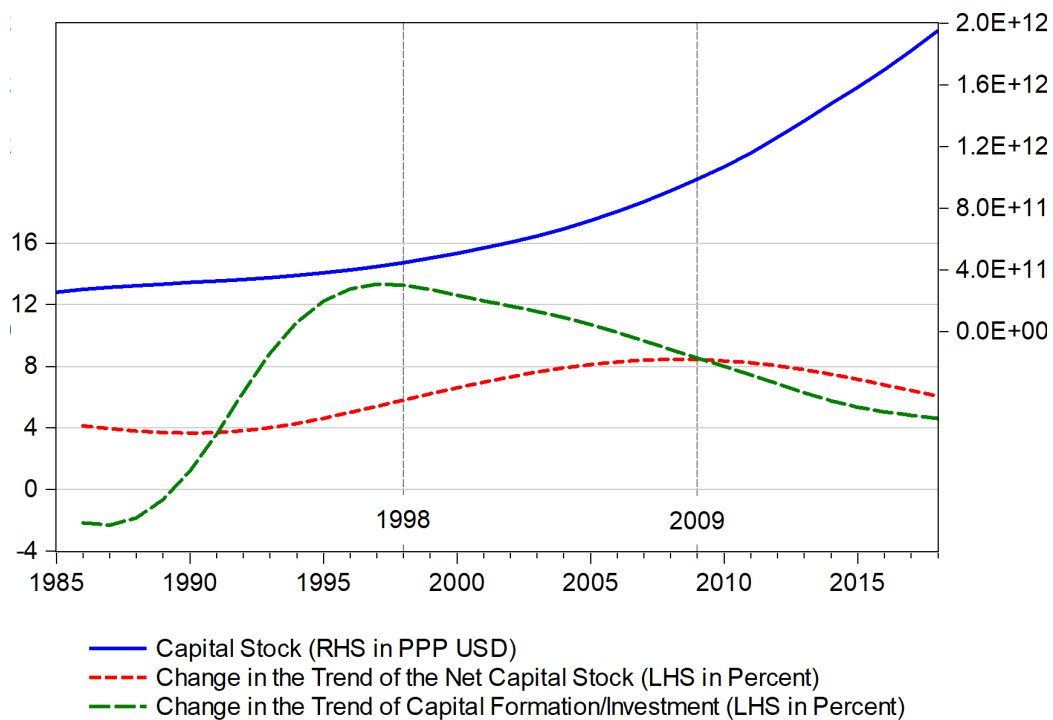


Figure 6: Net Capital Stock, Change in Net Capital Stock, and Change in Capital Formation

Source: CB (2017), Penn (2017), and Authors' Calculation

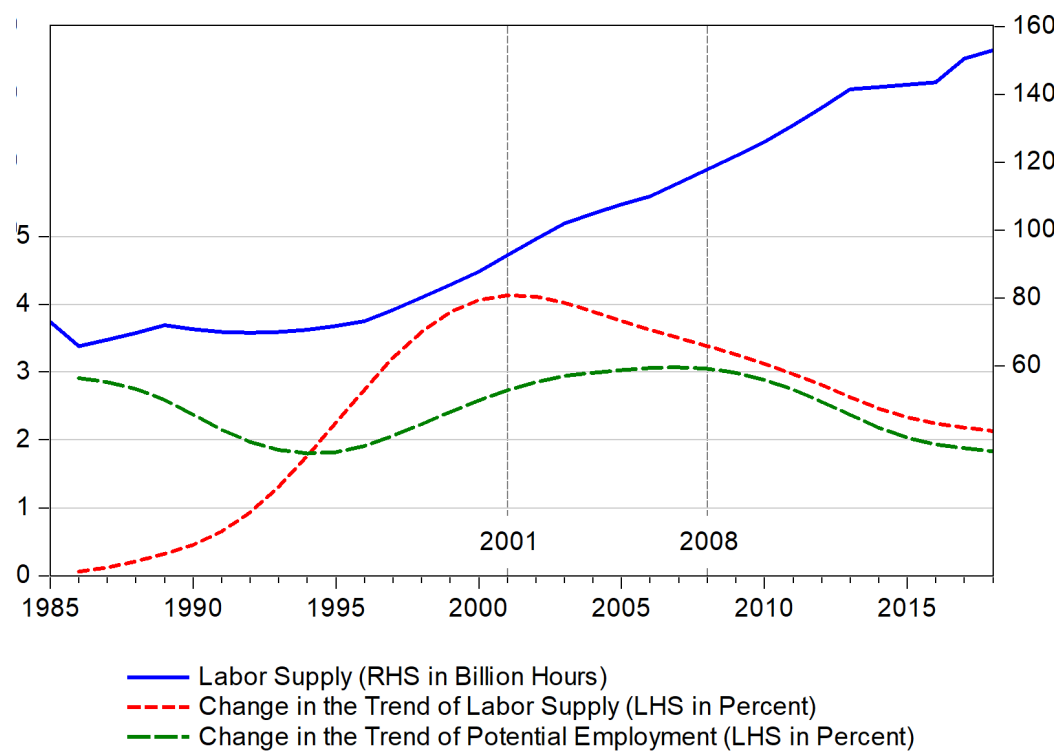


Figure 7: Labor Supply, Change in Labor Supply, and Change in Potential Employment

Source: BBS (1986-2017) and Authors' Calculation

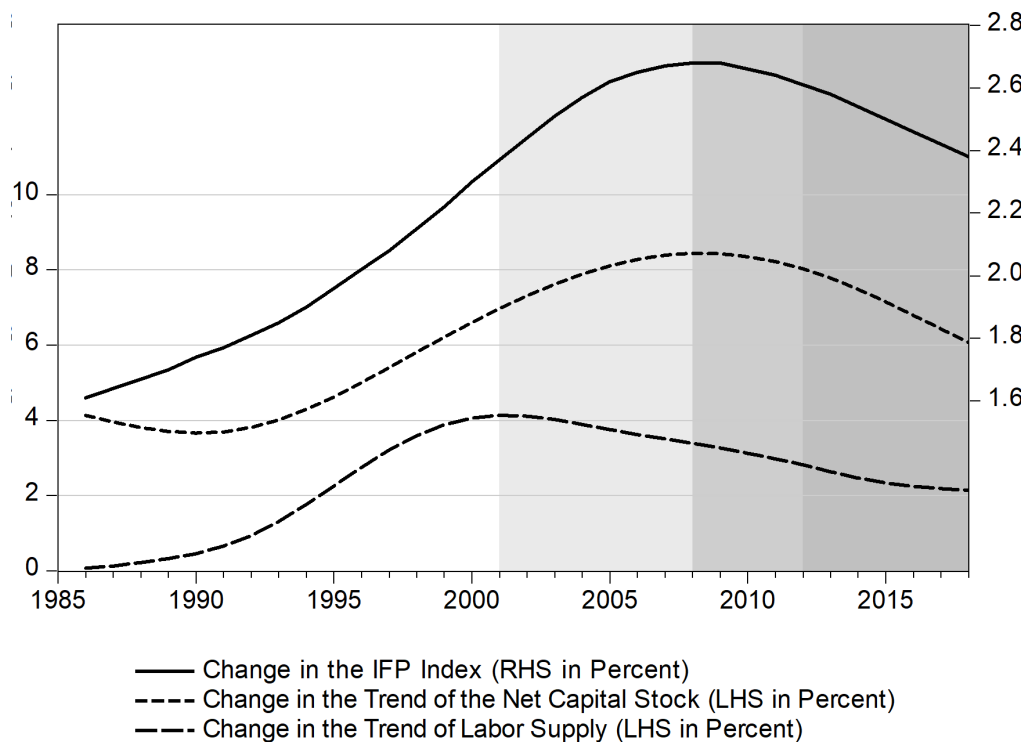


Figure 8: Rates of Change in the Trend Lines of TFP, Net Capital Stock, and Labor Supply

Source: BBS (1986-2017), CB (2017), Penn (2017), Burns et al. (2014), and Authors' Calculation

Total Factor Productivity: Policy efforts should be directed to increase labor productivity by improving the quality of education and healthcare. Increased growth in labor productivity can offset the declining growth of labor supply. Although policymakers have limited maneuverings in controlling labor supply, they can enhance TFP by introducing better technology and improving institutions. Although Bangladesh's TFP growth of 2.4 percent at the end of the sample period is respectable for South Asia, the countries of East Asia and the Pacific have lifted TFP growth as much as 4.5 percent over 2000-2013 (Burns et al., 2014). South Asian countries including Bangladesh should devise strategies to enhance TFP by at least another percentage point. An effective way to attain this goal is to increase the quantity and quality of capital stock, which can be achieved by raising investment and by reducing depreciation, which in turn can be achieved by reducing system losses, upgrading the quality of capital, enhancing skill base, and modernizing infrastructure.

Economic Reforms: The policy lesson is evident that when the regime embarked on liberalization and privatization in the early 1990s, the economy was put on track to achieve higher potential growth. The government undertook a number of reforms that unleashed private investments, contributing to faster growth in capital stock in a country where labor supply was already abundant. The potential growth momentum slowed down after 2000,

suggesting that further acceleration of economic reforms was needed.

Bangladesh's poor performance in the Doing Business Index (DBI) reflects the deceleration in potential growth. The country ranked 177th out of 190 countries in the World Bank's DBI (WB, 2018). Since India started liberalization in the early 1990s, its annual economic growth reached almost 9 percent within 8 years and close to 10 percent within 16 years (Paul, 2009b); in 2010, India's growth reached 10.26 percent (WDI, 2017). Economic openness and higher rate of capital formation are significant reasons for India's faster growth than Bangladesh (Paul, 2013a; 2013b).

China would not have achieved high economic growth if Deng Xiaoping's leadership had not embarked on consistent macro policies and corrected institutions in the late 1970s – the genesis of China's double-digit growth (Vogel, 2011). The two decades of massive policy corrections in the 1980s and 1990s have not only helped China raise its potential output, but also to bring its actual output closer to the potential level. Despite the slow pace of privatization, the pace of liberalization remained high in both India and China in terms of price adjustment and easing business requirements.

Institutions and Foreign Investments: Consistent macro policies, better debt governance, and institutional reforms are warranted not only to attract quality foreign

investment, but also to reduce corruption as well as to minimize illicit capital outflows.

Macro policies in Bangladesh have three broad layers that involve three institutions of the government: the Ministry of Planning (MOP), the Ministry of Finance (MOF), and the central bank or Bangladesh Bank (BB). In the top layer, the MOP carries out medium-term planning for growth and employment for 5 years without accounting for potential growth. Their targets are often charged by political euphoria mingled with bureaucratic conservatism – a non-professional approach that most emerging countries do not follow nowadays.

In the second layer, the MOF attempts to remain consistent with the MOP's targets, and undertakes fiscal policy of budgeting for deficit financing and debt management. The BB falls in the third layer – which is not the case in any emerging country where the central bank takes the upper hand in policymaking and its fiscal authority remains compliant with monetary rules, or both institutions maintain a level-playing field and complement each other in policymaking. In Bangladesh, the MOF outlines major macro targets many of which should belong to BB's decision-making purview. For example, targeting inflation should entirely be the BB's policy parameter, but the MOF determines inflation target in its budget document much in advance the BB announces its monetary policy. Output growth is substantially influenced by the BB's credit whose share in GDP is more than double the share of the fiscal budget in GDP. Thus, the BB's compliant policies to political aspirations of the fiscal authority are often suboptimal and indicative of institutional disorder. This is likely to engender corruption as well as loan defaults that, in turn, may reduce capital formation due to poor banking governance and capital flights. These symptoms, once surfaced, invariably dispel quality foreign investments as reflected in the poor share of FDI in GDP, which has remained around as low as 1 percent for a decade since 2009 (WDI, 2017).

Had the estimates of potential output growth been available to all three institutions, projections on growth, employment, and inflation would have been grounded on solid professionalism without conflicts. Further, if potential growth of a country is higher than its actual growth, it creates an incentive for foreign investors since the country appears capable of debt repayment, and the opposite case discourages FDI and encourages capital flights.

Political Economy of Institutional Debt: The Bangladesh government's institutional debt has three categories: foreign lenders, domestic banks, and domestic savers such as Sanchaypatra buyers. The third category gets income directly from the fiscal authority, which bypasses the banking system and offers an extremely high nonmarket interest rates on the government saving tools.

Among these three categories, foreign loans can be borrowed at a lower interest rate, which can be further lowered if the foreign lenders see a high level of potential growth of the borrowing country. The opposite case will require a higher risk premium.

Given the deceleration in the trend of potential growth, the third category should be considered for cancellation or revision through interest-rate rationalization. Although the government finds raising institutional debt through its direct saving tools politically supportive, the skyrocketing burden of interest through Sanchaypatra is hurting the development budget and contributing to fiscal deficits with an ever-increasing share of Sanchaypatra interest, which may soon become unsustainable. The saving ratio is rising faster than the investment ratio, signaling a challenging future for capital formation. Moreover, since the government is borrowing directly from the public and dampening the growth of the banking sector, the share of public investment is gradually rising in total investment. This trend, in turn, is crowding out private investment and reducing the overall quality of capital formation, which is also contributing to the decelerating trend of potential growth.

In sum, institutional barriers, bureaucratic investment strategies, and suboptimal macro policies arguably have failed to accelerate growth in Bangladesh that other neighboring nations have succeeded in achieving. Hence, the country should expedite or reframe policies to accelerate productivity and capital stock since these two elements can positively impact potential output the most.

8 Conclusion

Deriving potential output growth has remained a challenging area for many developing countries where necessary labor data are often unavailable. In Bangladesh, BBS routinely conducts labor force surveys that generate the data necessary for this purpose. Using time series data from the 1985-2018 period, this study finds that Bangladesh's potential growth has remained around two-percentage points higher than its actual growth. Regime changes have widened the gap between actual and potential growth until the early 2010s because of political disruptions and low investment. The trend of potential growth has also decelerated since the early 2010s due to the declining growth rates of total factor productivity, net capital stock, and labor supply.

While a rising performance gap (difference between the actual growth and potential growth) is undesirable, a dwindling gap may also be a concern depending on how the two lines of potential growth and actual growth progress. It is commendable that Bangladesh's actual output growth has risen during the sample period reducing the performance gap, however, the potential growth has

also begun to sag since the early 2010s, contributing to the gradually narrowing performance gap.

Finally, fiscal and monetary policymaking in Bangladesh appear inadequate to accelerate growth and foster growth promoting strategies. The slowdown of potential growth in recent years poses a number of questions: 1) What potential growth can we expect in coming years at least up to 2025? 2) What policy reforms can be undertaken to promote growth so that output reaches its potential? 3) What roles can the fiscal and monetary policymakers play in promoting both potential and actual growth? These are important questions, which represent avenues of future research.

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Appendix

Table 2: Major Source/Constructed Variables for Calculating Potential Growth.

Year	GDP at 2010	Working Age Population	LFP Rate	Labor Force	Unem. Rate	potential Emp.	work Hours	Labor Supply	LP Index	Net Capital Stock	TFP Index
1985	35,274,979,988	67,200,003	44.21	29,710,422	1.10	28681370	49.54	72,933,296,882	1.00	241,829,546,241	1.00
1986	36,747,139,851	61,930,003	45.04	27,836,694	1.15	29515607	47.83	65,801,362,554	1.02	251,813,972,222	1.02
1987	38,133,389,635	64,907,765	45.87	29,774,057	1.21	30356863	46.04	67,712,475,465	1.04	261,767,230,370	1.03
1988	39,054,790,277	68,171,812	46.70	31,835,418	1.28	31192159	44.36	69,704,290,355	1.06	271,717,375,412	1.05
1989	40,162,611,478	71,600,003	47.53	34,031,445	1.38	31999076	42.87	71,946,580,727	1.08	281,761,447,985	1.07
1990	42,420,657,180	71,281,495	48.37	34,477,034	1.49	32757541	41.66	70,738,097,482	1.10	292,059,981,584	1.09
1991	43,899,113,723	70,964,407	49.21	34,920,606	1.63	33463119	40.75	69,989,126,274	1.12	302,837,407,840	1.11
1992	46,288,404,443	70,648,730	50.05	35,357,278	1.80	34123428	40.17	69,74,215,853	1.14	314,378,563,149	1.13
1993	48,469,311,189	70,334,456	50.87	35,780,099	2.00	34754958	39.93	69,954,334,847	1.16	326,999,560,317	1.15
1994	50,354,222,680	70,021,581	51.67	36,181,084	2.22	35390168	39.93	70,636,969,559	1.19	341,029,373,158	1.17
1995	52,933,639,391	69,710,098	52.43	36,552,457	2.46	36024618	40.24	71,731,691,703	1.21	356,799,896,902	1.19
1996	55,327,7135,139	69,400,003	53.15	36,888,171	2.72	36713854	40.78	73,176,664,097	1.23	374,641,696,309	1.22
1997	57,811,945,427	70,570,075	53.82	37,981,677	2.98	37469703	41.52	76,494,744,316	1.25	394,878,788,070	1.24
1998	60,804,285,377	71,759,877	54.44	39,068,903	3.25	38305708	42.38	80,096,105,293	1.27	417,825,454,072	1.27
1999	63,644,568,604	72,969,740	55.03	40,154,827	3.50	39229199	43.29	83,873,361,500	1.29	443,788,165,914	1.30
2000	67,013,463,193	74,200,003	55.59	41,244,823	3.72	40242448	44.18	87,707,599,723	1.31	473,079,327,839	1.33
2001	70,415,929,567	76,337,815	56.12	42,239,629	3.92	41342937	44.97	92,553,372,673	1.32	506,031,403,332	1.36
2002	73,115,059,421	78,537,223	56.62	44,471,517	4.08	42522806	45.63	97,322,593,843	1.33	543,000,723,016	1.39
2003	76,590,396,942	80,800,003	57.10	46,135,551	4.21	43772374	46.12	101,918,422,222	1.34	584,352,840,203	1.42
2004	93,592,852,042	82,047,313	57.53	47,203,311	4.30	45083307	46.44	104,298,927,726	1.35	630,442,101,657	1.46
2005	85,860,356,478	83,313,893	57.92	48,254,674	4.37	46451499	46.62	107,561,736,630	1.36	621583,581,979	1.50
2006	91,588,846,354	84,600,003	58.26	49,284,838	4.42	47873741	46.69	109,965,411,826	1.38	738,027,729,532	1.54
2007	98,053,769,823	87,225,255	58.54	51,062,596	4.46	49343751	46.70	113,911,165,643	1.40	799,956,629,056	1.58
2008	103,950,517,391	29,931,974	58.77	52,856,214	4.47	50847563	46.68	117,243,448,701	1.42	867,474,199,244	1.62
2009	109,194,950,718	92,722,687	58.96	54,665,103	4.48	52365642	46.66	121,231,447,981	1.45	940,582,598,367	1.67
2010	115,279,077,465	95,600,003	59.09	56,489,866	4.47	53874895	46.68	125,939,653,474	1.48	1,019,165,731,311	1.71
2011	122,731,159,566	99,041,304	59.18	58,613,622	4.45	55350739	46.73	130,853,144,655	1.52	1,102,956,172,552	1.76
2012	130,734,992,459	102,606,484	59.24	60,779,460	4.42	56769484	46.84	136,040,955,851	1.56	1,191,507,112,622	1.80
2013	138,596,866,824	106,300,003	59.26	62,994,489	4.38	58113982	46.99	141,542,545,902	1.60	1,284,191,010,290	1.85
2014	146,997,351,292	106,233,291	59.27	62,960,195	4.33	59393327	47.20	142,165,718,909	1.64	1,380,260,499,788	1.89
2015	156,629,549,345	106,166,625	59.26	62,913,306	4.27	60585848	47.44	142,263,021,854	1.69	1,478,909,693,180	1.94
2016	167,771,375,851	106,103,003	59.25	62,861,703	4.21	61756437	47.69	143,591,706,906	1.74	1,579,367,369,245	1.99
2017	179,985,132,013	110,611,256	59.24	65,521,879	4.15	62914399	47.95	350,553,788,864	1.78	1,680,894,951,783	2.04
2018	193,304,031,782	111,785,938	59.22	66,204,948	4.10	64066619	48.20	153,022,122,158	1.83	1,782,847,365,451	2.09

Notes: All data sources and how some of the series were constructed have been discussed in Section 5; GDP, capital stock at 2010 constant USD;

LFP = labor force participation; LP = labor productivity;

Unem = unemployment; and Work hours are weekly.

Bangladesh's Economic Geography: Some Patterns and Implications

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Abstract

Although largely unrecognized, economic geography – the location of economic activity – has become a critical issue for Bangladesh's development. This paper makes three points: extreme poverty in Bangladesh is highly concentrated in a few districts spread throughout the country, suggesting that spatial development needs attention; excessive concentration of economic activity in Dhaka is impeding overall urban development and manufacturing jobs with adverse implications for long term growth; and the location and dispersion of economic activity have direct consequences for household-level income and welfare at the district level. In making these points, this paper breaks new ground in the limited literature on Bangladesh's regional development literature by introducing concepts such as the role of the primate city, urban development, and economic density; making extensive use of District level economic data that is available; and combining the 2016 household consumption and 2013 labor force survey data after testing for the validity of this data. The conclusion discusses some policy implications and extensions of this work.

1 Objectives, Context, and Contribution

Forty nine years after independence in the aftermath of a devastating war, Bangladesh now stands as an example for many developing countries. Extreme poverty – defined as living below Purchasing Power Parity Rate Dollar 1.90 a day - declined from 44 percent of the people in 1992 to 14 percent of the people at present. In some key indicators such as life expectancy, infant mortality, or maternal mortality, Bangladesh performs more like an average Middle- Income country where per capita income is almost three times higher than lower-middle-income Bangladesh.

While not as well known, Bangladesh's economic growth performance has also been impressive. The economy's growth rate has steadily accelerated over the decades from 4 percent p.a. in the 1980s to 6.6 percent p.a. in the 2010s. In the last three years, gross domestic product (GDP) growth rates have comfortably exceeded 7 percent p.a. and touched 8 percent in fiscal year 2017-18 and 2018-19. This performance puts Bangladesh among the top ten fastest-growing countries globally. Accelerating economic growth combined with a halving of the population growth rate has tripled real per capita incomes since independence. According to the World Bank's estimates, in 2018, per capita income measured by the international comparable Purchasing Power Parity Dollars stood at PPP\$ 4,364 while in nominal dollars per capita income was US\$1,736 or nine times what it was at independence in 1971. Bangladesh has been a lower middle income

country under World Bank classification since 2015.

However, shown in Figure 1 below, Bangladesh is still in the early stages of development and the country still has a long way to grow. The critical challenge for Bangladesh will be to sustain the current high growth, and even accelerate it to 10 percent per annum, if it is to reach its objective of becoming a developed country by 2041. However, even sustaining the 7 to 8 percent rates of growth will be quite a remarkable performance that will require diversifying the economy in terms of its products, services, trading partners, while continuing to diversify agricultural produce into higher value-added crops. Achieving all this will require strong institutions and urban centers that can host manufacturing and service activities and it will require paying attention to the location of economic activity, i.e., economic geography issues.

This paper first makes the case as to why economic geography issues have become critical for Bangladesh. In doing so, it makes three points about patterns in economic geography, the location of economic activity, in Bangladesh and the implications raised by these patterns. First, poverty is highly concentrated in a few districts suggesting that regionally focused economic development strategy has become necessary. Second, the economy of Bangladesh is excessively centralized in one city, and this excessive centralization is adversely affecting urban development in Bangladesh and, thereby, overall growth prospects. Third, economic geography patterns measured by the density of industries and commercial firms - affects the poverty and income of districts through the employment patterns such activity generates.

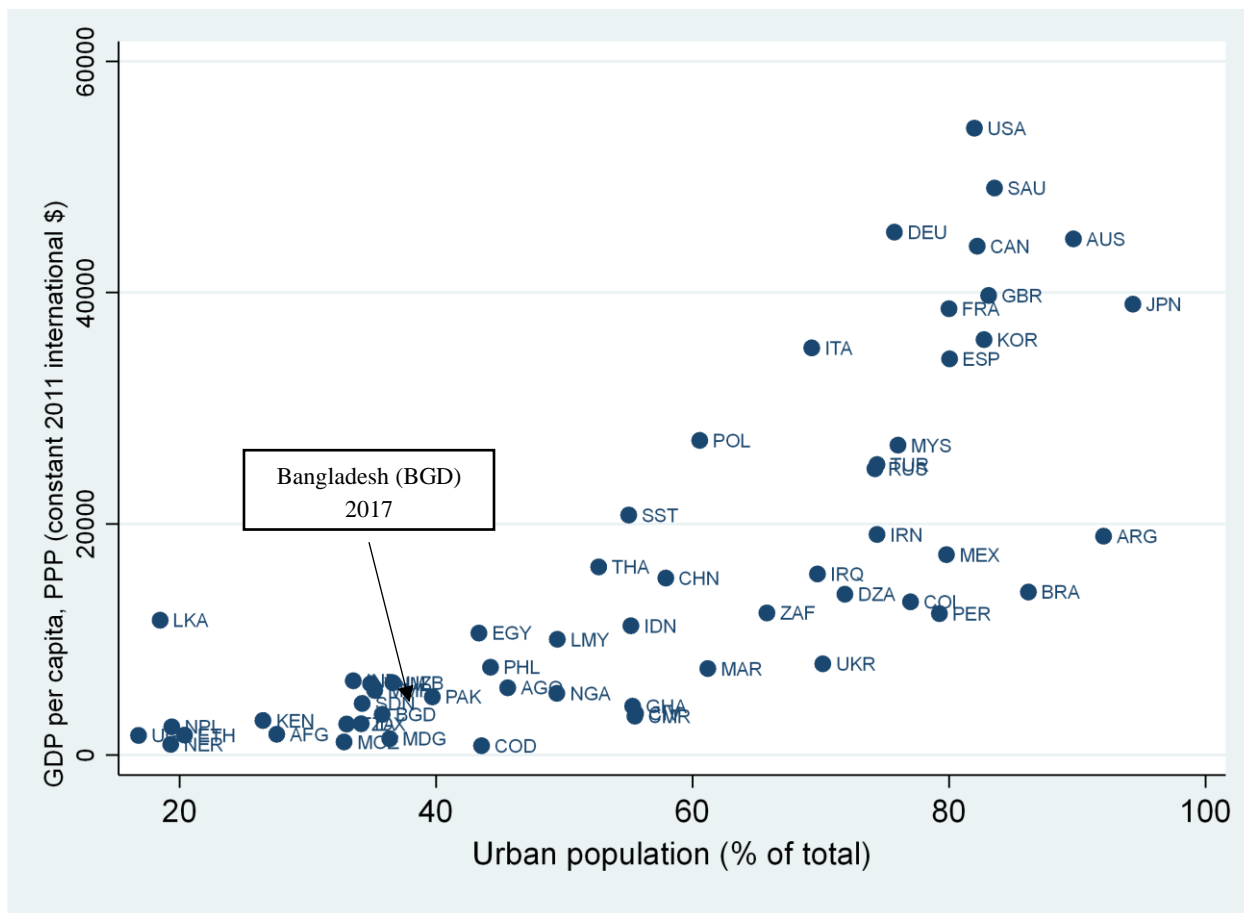


Figure 1: Bangladesh is still in the early stages of Growth and Development: Per Capita Income and Urban Population 2017.

Source: World Development Indicators (WDI) Countries with population of more than 20 million.

This paper's contribution to the literature on regional economic development in Bangladesh is three-fold. First, substantively, it addresses and makes completely new points in analyzing how excessive concentration in Dhaka is adversely affecting overall urban development and its quality. In doing so, it uses the concept of the "Primate City" or the largest city (Henderson et al., 2001 and Henderson 2003). Second, it introduces a measure of economic density measured by non-agricultural firms and shows how these are significant co-variates of patterns of employment, higher consumption and poverty reduction across districts. Third, methodologically, it breaks new ground using the District level data published by BBS in their 64 volume District Statistics series combined with Household Consumption and Labor force survey data at the district level after first testing the validity of such data at the district level. Finally, the analysis also draws on international cross-country data to make the case for Dhaka's overgrowth.

The rest of this paper is organized in the following way: section two discusses the motivation for this paper and some methodological issues. In doing so, it also

touches on some of the relevant literature. Section three looks at the evidence for excessive centralization in Dhaka and some of its implications. Section four presents patterns in the economic geography of Bangladesh by looking at economic density variables and shows how they correspond to household welfare indicators through their impact on employment patterns. Section five concludes by summarizing the findings, discussing some implications and extensions of this paper.

2 Economic Geography - Motivation, Literature and Methodological Notes

Economic geography is already a critical issue for Bangladesh for at least four reasons. First, most observers will agree – and we will provide evidence below – that Bangladesh's economy is exceptionally concentrated in one city – Dhaka. The concentration of economic activity is often the result of efficient market forces, returns to

scale, and agglomeration economies. Firms are drawn to large markets, transportation hubs, locations where labor, technology, and other intermediate inputs – and not least, industry knowledge – are available. Both returns to scale and agglomeration economies (externalities) come into play to create further concentration and increase the size of the market in a cyclical way (Krugman, 1991). These economic forces lead to the growth of cities and towns that host the bulk of economic activity in modern economies. Thus, given Bangladesh's compact geography and Dhaka's central position, a high degree of concentration of economic activity is to be expected.

However, economic theory also suggests there are limits to concentration. There are optimum sizes for cities, beyond which the costs of diseconomies of scale and negative externalities – such as the costs of congestion and pollution – outweigh the benefits of scale and agglomeration. The rising costs of immobile factors of production, such as land or other factors whose supply is inelastic, raise costs prohibitively, limiting city size. Finally, there are natural geographic limits. All these factors work to limit city size. Ultimately when the costs of these diseconomies and supply problems overcome economies of scale and agglomeration, the city should stop growing.

It is found, on the other hand, that, because of market failures and due to political and economic interventions, cities often continue to grow beyond their optimal limits (Henderson et al., 2001). Widespread market failures may arise from lumpy investments, fixed costs and externalities, network effects and circular cumulative caused distortions. While theory suggests that equilibrium or stable city sizes are either efficient or too big, empirical research, however, shows that many cities are too large, and social marginal costs (congestion, commuting, environmental) exceed marginal social benefits (Henderson et al., 2001). Policy corrections to address these market failures thus becomes crucial.

There are signs that Dhaka's size is now crossing these optimal limits of concentration. Traffic congestion in Dhaka, alone, was estimated to cost about 2.9 percent of annual income (GDP) of Bangladesh in 2011 (Khan and Islam, 2013). Add to that the health costs of dangerous levels of fine particulate matter (PM_{2.5}) air pollution that reached 97.1 micrograms per cubic meter in 2018, making Dhaka the second most polluted capital in the world after New Delhi. Further add the strain on groundwater and rivers, utility constraints, and other congestion costs. It seems intuitive that given these trends, i.e. the current growth in Dhaka is not sustainable. There is also previous research that suggests that the urban development in the more densely populated Eastern region is now providing declining returns to household consumption growth (Sen et al., 2014). This paper will also confirm this finding later. More broadly, this paper

provides evidence that excessive concentration in Dhaka is causing overall urban development to be stymied, and reducing the quality of development, thus inadequately supporting growth and poverty reduction. That issue is taken up in detail in section three. It is worth stressing that these results do not imply that investments in Dhaka should stop. Dhaka will continue to grow for a while at least because of sheer momentum, and thus its efficient development will be critical. In this respect, the Purbachal/East Dhaka development project is an important initiative. However, Dhaka's growth needs to slow down, and growth in other cities and towns promoted.

The second reason economic geography needs attention is that extreme poverty (those living below the lower poverty level, which corresponds to PPP\$ 1.90 a day) is significantly concentrated in poorer districts. Nearly half of the extremely poor or about 10 million people in the 2016 household survey, lived in the bottom quartile of districts ranked by the lower poverty level that corresponds to PPP\$ 1.90 consumption per day (Figures 2a and 2b). These 16 most poor districts are spread across the country: four are in Rangpur and one in Rajshahi in the northwest, four are in the southwest in Khulna and Barisal, but seven are in the eastern region in the northern border districts of Mymensingh and Sylhet and the Chittagong region. If we take the bottom half of districts where poverty rates are higher than the national average (see Figure 2b), we find that nearly three-fourths of the extreme poor, some 14 million people live in these areas. Most of these districts are in the north-east and northern border of the country, along with a few in the Chittagong Hill Tracts (Figure 2a). What accounts for this concentration? This paper confirms previous findings that the relative lack of industrial and manufacturing jobs in these areas is the main reason for the concentration of poverty, and this matter is examined in more depth in Section four below.

The migration of the working-age population from these districts will likely be part of the response to this concentration of poverty. However, for several reasons, there will be limits to the opportunities that migration can provide. First, Bangladesh is already one of the most densely populated countries in the world. So, there will be constraints to the amount of interregional migration that can happen. As it happens, Dhaka, the destination of most migrants who originate from Barisal and Rangpur areas (Zohir 2011), currently had a population density of nearly 9000 persons per square kilometer, or eight times the national average. Second, Bangladesh will face significant migration pressures from the southern districts as they become increasingly affected by climate change and rising sea levels. Some 15 million climate affected refugees are expected to migrate (Faruk, 2015) over this century. Finally, even if there is a significant migration of

working-age population, there will be a need to provide health, education, and social services for the family members and population left behind in the poorest districts.

Bangladesh is not alone in facing the challenge of a geographical concentration of the poor and lagging regions. Several large, populous countries such as Brazil, China, India, and Thailand – and the European Union in a regional context – have all faced this challenge of developing lagging regions to varying degrees. There is considerable experience in these countries of addressing these challenges through developing inter-regional transport and communications infrastructure. Bangladesh's own experience with the Jamuna bridge also provides valuable lessons in regional development where research (Zohir and Khondkar, 2003) showed significant returns to increases in wages and earnings in the northwest after the completion of this bridge.

The third reason economic geography research has become essential for Bangladesh is that it will be crucial for long term growth and social stability. Economic geography, the location of economic activity, and economic growth and development are intrinsically related. Decisions about where investments – public and private – take place, and jobs are created, will be centrally important for shaping both economic development and economic geography due to lock-in effects. Once major investment location decisions take place, these can draw in other investments due to scale and agglomeration economies.

Fourth, and finally, political economy plays a role in creating excessively large cities and lagging regions and, in turn, can breed economic and policy instability. The geographical location of the political elite can often bias economic decisions about the location of economic activity. These elites can then take recourse to economic geography arguments to rationalize their decisions. Such an approach leads to social and economic instability. We do not have to look too far back to see examples of this. Bangladesh was born partly because the Pakistan based elite had naive or deliberate misjudgments about economic geography under which they argued that Bangladesh was supposedly not the growth pole. More recently, Thailand is another example where a highly skewed economic geography in favor of the capital city, Bangkok, has led to the political and economic instability that has disrupted growth.

2.1 Literature Review

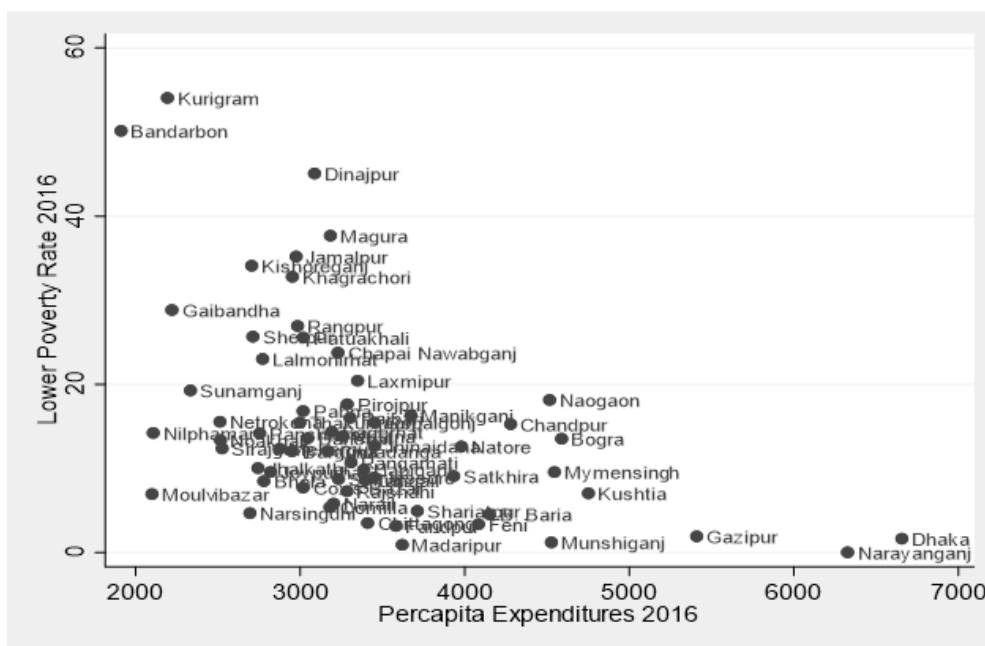
Rashid's book on economic geography (Rashid, 2005) discusses physical geography – topography, water, land, natural resources – and its relationship with the economy. Thereby it falls outside the economics definition of economic geography, where the focus is on the location

of economic activity. Other than this book, the literature on Bangladesh's economic geography and regional development exists mainly as background papers and mimeos written for donor agency reports, and there is no academically published research. There are, however, several informative working papers as well as a discussion of regional development in the World Bank report (2007) and the Seventh Five Year Plan (Government of Bangladesh 2015). The discussions of these papers have centred on the following themes.

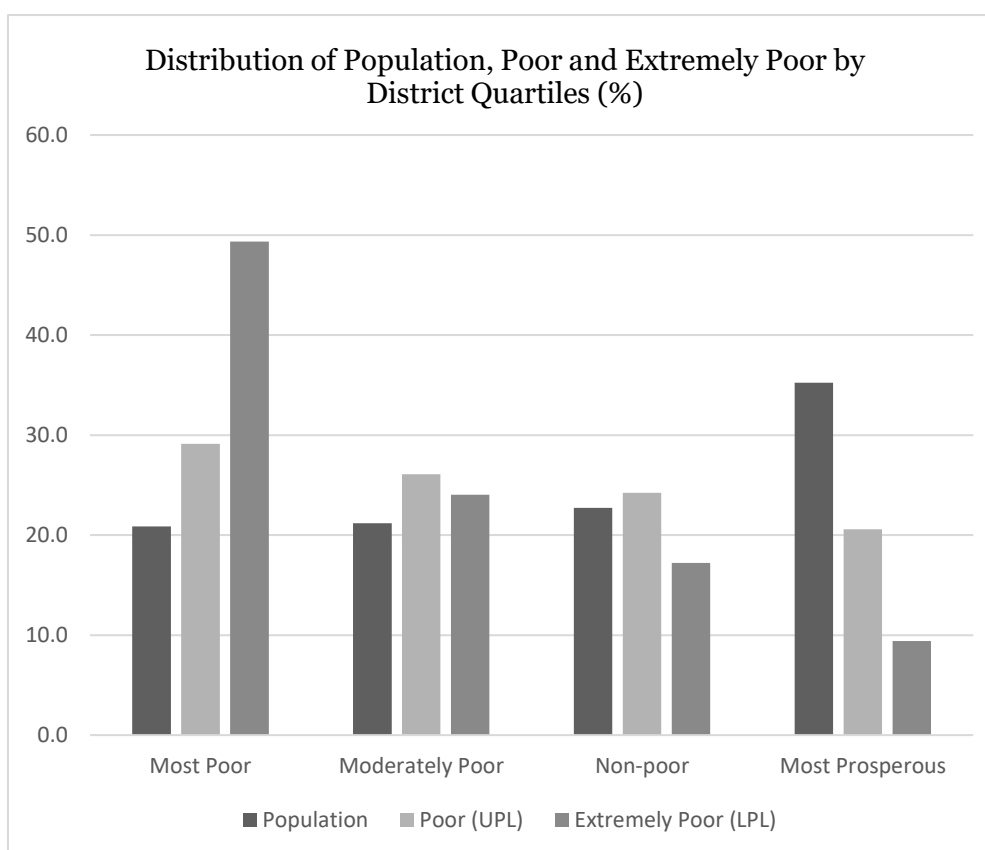
Poverty and Its Determinants: From its beginning, most of the discussion on regional and spatial development in Bangladesh focused on locating poverty-stricken areas with the motivation to target poverty alleviation and social protection programs. The analysis of household consumption expenditures uses the Household Income Expenditure Survey (HIES) from 1995-96 onwards (Bangladesh Bureau of Statistics, HIES 2000, 2005, 2010), and uses further disaggregated 'small area' poverty mapping work. In the earlier stages, the focus was on poverty pockets in Western Bangladesh caused by river erosion of lands and the "Monga" (food shortage) areas of the Rangpur region in the northwest. The poverty of coastal regions in Barisal and Khulna division also came into the picture.

In the next stage, studies turned to determinants and co-variables of poverty. The size of landholdings, lower inequality and gender disparity, urbanization, and access to electricity were all seen as significant co-variables of consumption expenditure growth and lower poverty. A strand of this literature also suggested a mild, but slow degree of convergence in consumption growth across districts. However, district level data was considered unrepresentative and there was some limitation of the data and analysis in that it did not focus on economic activity, but instead focused on poverty and human development aspects. In hindsight, the neglect seems a bit strange considering that the Bangladesh Bureau of statistics published in 2002 a provisional GDP data series for the years 1996 to 2000 for 15 sectors for all 64 districts. Unfortunately, this series was discontinued after the first volume came out.

Regional Analysis and The East-West Divide: Constrained by these data limitations, the initial discussion (World Bank, 2007) on spatial development in Bangladesh took place at the broader regional level, with the country divided into two regions east and west of the Jamuna-Meghna river systems. The Eastern region of Dhaka, Chittagong, Mymensingh, and Sylhet divisions were identified as more developed, mainly thanks to their being integrated into the growth poles of Dhaka and Chittagong (Shilpi, 2007). The Western side of the river system, comprising of Rajshahi, Rangpur, Khulna, and Barisal divisions, were lagging, isolated from growth centers, home to most of the poor.



(a) Lower Poverty Rate of PPP\$ 1.90 daily pc.



(b) Share of Poor by District Quintiles.

Figure 2: Where the Poor Live: (a) Lower Poverty Rate of PPP\$ 1.90 daily pc., and (b) Share of Poor by District Quintiles.

Source: Estimated from Household Income and Expenditure (HIES) 2016 data.

Deepening the Regional Analysis: However, when the literature later turned to a more in-depth discussion of regional development issues, this broad categorization broke down. As Zohir (2011) pointed out, there were significant poor pockets in the Eastern region in the border areas of the north, the Haor regions in the northeast, the “Chars” of Noakhali, and the Chittagong Hill Tract regions. On the other hand, there were pockets of dynamism in the Western region, such as Rajshahi and Khulna. Zohir’s paper then identified the location of strategic factors such as natural gas, access to clean water, emphasis on road-based connectivity, and integration with urban centers to explain the divergence between leading and lagging regions. Zohir’s paper made significant breakthroughs by stressing the importance of developing alternate modes of transport such as railways and waterways, in addition to roads, as a means of reducing disparity. The paper also highlighted the impact of spatial planning and development of growth poles on factor prices, particularly pointing to the gains to immobile factors, such as land, in high growth areas. He argued that such gains should be taxed and reinvested in building assets and alleviating poverty in lagging regions. While Zohir’s paper made critical advances, the lack of disaggregation behind broader “regional” areas limited its contribution to spatial development policies.

The next significant contribution in this literature came from a BIDS research report of 2014 (Sen, Ahmed, Ali, and Yunus, 2014) that provided a more quantitative and dynamic look at the East-West regional divide. Using the household income and expenditure surveys of 2000, 2005, and 2010, the authors identified trends in the East-West gap in Bangladesh and provided explanations for these trends. This report also delved deeper into determinants of regional inequality by trying to attribute the relative contribution of endowments vs. returns to endowments and measuring the impact of neighborhoods.

Using household consumption expenditures as the principal measure, the authors noted that inequality between the two regions had moderately decreased over this period.

They attributed high growth in agricultural production, the catch-up effects of slightly higher human development in the Western region, the greater spread of microfinance, faster urbanization and improvements in connectivity - especially in the road infrastructure, in the Western region - as having led to a marked increase in small and medium-sized business helping to the narrow the gap development gap between the two regions. One of their intriguing findings was that while at the beginning of the 2000-2010 period, the greater urbanization of the Eastern region significantly explained the greater prosperity of the region, the contribution of urbanization had declined significantly in the Eastern region by the end of the period.

Importantly, both these findings will be validated in our paper using an alternative methodology, as we shall see in Section 3.

From Regions to Divisions: In 2008, the General Economics Division of the Bangladesh Planning Commission made a crucial contribution by bringing out a report on the lagging regions. This report went deeper than the East-West divide by bringing administrative division level development explicitly into view. Bangladesh’s eight divisions, with an average population of more than 20 million, are large by international standards. Still, this division level disaggregation, motivated by an interest in understanding the markedly higher rates of poverty in Barisal, Khulna, and Rajshahi divisions, was an important step forward. This report provided a useful set of insights: namely the poor regions were too agriculture dependent and under industrialized. These regions had been underfunded and markedly lagged in infrastructures such as power, gas, transport, and communications, which are critical for industrial and urban development.

The role of urban development in driving regional inequality was also highlighted in another division and, selectively, district-level research by Khondker et al (2010). This background paper for the Sixth Five Year plan focusing on urban management and regional disparity confirmed that the contribution of agricultural production in a division or even districts was inversely related to the incidence of poverty. Conversely, urban development, human capital, access to finance, transport and connectivity, and migration helped to reduce poverty.

From Divisions to Districts: As noted earlier, the analysis of district-level economic development had always been constrained by the lack of economic data. The BBS had stopped publishing the district GDP series after 2000. Thus, it is not surprising that a district-level analysis of economic activity in the early years has centered around those years. One of the first study (Mahmood, 2005) used the BBS data to look at the manufacturing firms’ location. It found industry to be highly concentrated in two areas: the three districts of greater Dhaka (Dhaka, Gazipur, and Narayanganj), accounting for about 50 percent of national manufacturing GDP, and Chittagong, contributing another 15 percent. The bottom 50 of the 64 districts contributed only 17 percent of manufacturing GDP. The author argues that the existing regional disparity in industrialization is far more significant than what would follow from the comparative advantages of various regions, and that Bangladesh’s poverty reduction is being constrained by such regional imbalances. Access to infrastructure, services and markets, and the concentration of regulatory powers in Dhaka explained this highly skewed location according to this paper. The key locations of manufacturing had, for instance, three

times the infrastructure endowment of the least developed 50 districts. The paper then used access to markets, agricultural performance, infrastructure availability to identify five different regions where different sectors of manufacturing could be promoted.

The most comprehensive research on explicitly district level development has been done by Khondker and Mahzab (2015) as a background paper for the Seventh Five Year Plan 2016-2020. This paper analyzed disparity in development among Bangladesh's 64 districts in several dimensions, using both economic and noneconomic indicators to come up with an integrated index of development and ranking of districts. These indicators included poverty rates, household income, consumption, and savings, education and health status, agricultural productivity, access to roads, electricity, and finance. It used these indicators to analyze the factors behind the inequality of district development and examined whether there was convergence or divergence among districts. It finally went on to recommend policy measures to accelerate development in the lagging districts.

While breaking new grounds by explicitly studying district level development, the findings of the paper were consistent with previous results obtained from the earlier divisional and regional level analysis. It confirmed that the majority of the 15 most deprived districts were in the northwest and southwest of the country, but also included districts in the north or northeast regions as well as in the Chittagong Hill Tracts region. It identified access to physical infrastructure, nonagricultural jobs, financial services, and urban development to be the main factors driving district development. Looking at the issue of convergence, it confirmed previous Beta convergence analysis that suggested that the districts were converging at a slow pace. However, using other methodologies such as unit root tests of trends in income and consumption, it concluded that development outcomes in the advanced and the lagging districts displayed nonstationary, i.e., divergent behavior.

2.2 Contribution of This Paper

This paper presents some findings that are consistent with the literature discussed above but updated by more recent data. These include the importance of access to infrastructure and nonagricultural jobs in explaining household consumption growth in districts. The paper advances the previous literature by its focus and findings on two key themes and the introduction of new concepts. First, it focuses on the adverse impact of excessive concentration of economic activity in greater Dhaka on overall urban development and its quality. Second, it introduces a concept of economic density measured by

electricity using non-agricultural firms and shows how these measures of density significantly co-vary with patterns of employment and higher consumption growth across districts. Third, methodologically, it follows previous literature in combining the recent 2016 Household Consumption and 2013 Labor force survey data at the district level with other district-level data.

The paper uses the concept of the role of the "Primate City" (Henderson et al., 2001 and Henderson, 2003) and presents evidence about the poor quality of urban development by showing that wages from urban jobs no longer have any significant premium over rural wages, thereby weakening the Lewis and Harris-Todaro processes of migration and development. The relative lack of decline in urban poverty is also consistent with this paper's thesis of poor quality of urban development in Bangladesh. It contributes methodologically by testing and confirming the validity of data at the district level before using the household survey data at the district level. Finally, the analysis draws on international experience and cross-country data from the WDI to make a case for Dhaka's overgrowth.

2.3 Data and Methodological Notes

The paper's theoretical framework follows the work of Henderson (2003) and Henderson et al. (2001), using the critical role of the primate city in determining the impact of urban development on economic growth. Further, it uses the insight that on the one hand, economies of scale and agglomeration externalities create urban concentration and cities; on the other hand, lumpy investments and network effects can also cause cities to overgrow and exceed optimal limits. The framework also uses a central concept of economic geography: economic density. Typically, density is defined by the gross domestic product in standard area units. Here in the absence of GDP data at the district level, it uses district data on the number of firms in an area as defined just below.

As just noted, the results of this paper have been derived from three sets of data: District Statistics of 2013 Series (2011 data), the Household Income and Expenditure Surveys (HIES) of 2010, and 2016 and Labor Force surveys (LFS) of 2010 and 2016. International data has been sourced from the World Bank's World Development Indicators (WDI), unless noted otherwise. District and Upazila data were downloaded from 64 District Reports of the 2013 District Reports of the BBS. This data was "noisy" and required a fair amount of cleaning. This data has been used to estimate two measures of economic density: (i) the number of electricity-using small and medium industries in 10

square kilometer units; (ii) the number of electricity-using commercial firms also in 10 square kilometers.

We have used HIES and LFS data to construct panels of the variables at the district level. Officially, HIES and LFS data are not representative at the district level. However, we have checked the validity of using disaggregated HIES and LFS District data by reconciling district-level data with National data, which are representative. As shown below in Figures 3 and 4, we find that our estimated disaggregated estimates of both urban and rural poverty rates (Figure 3) at the district level, employment by major sectors and even wages at the district level (Figure 4) to be remarkably close to national estimates when aggregated. We consider this to be an indicator that these data are representative at the district level. We have not used Upazila level disaggregation because that could not be validated in the case of the Labor Force Survey.

3 Excessive Centralization in Dhaka Leading to Slower Urban Development

In the last ten years, the increase in traffic congestion in Dhaka has decreased the average traffic speed in Dhaka from 21 km/hour to less than 6.4 km/hour (World Bank, 2017). This traffic congestion in Dhaka eats up 3.2 million working hours per day and, as noted earlier, costs an estimated 2.9 percent of GDP per annum. In some ways, movement around the city has become so prohibitively time consuming that Dhaka is not entirely functional as a city of dense, inter-connected people working together. Add to this the air pollution eight times higher than World Health Organization safety guidelines and sanitation-related health costs, the negative externalities of Dhaka city's growth are at least close to overcoming the returns from growth and agglomeration if they have not done so already. According to a recent report, about 60 percent of residents live in slums without adequate access to clean water and sanitation and thus are prey to water-borne diseases. Waste disposal is a problem that is reaching crisis proportions with some 1.1m cubic meters of sewage pumped into Dhaka's rivers every day (Economist, September 2019). Further, the unplanned expansion of the city into the wetlands have severely damaged natural wetland systems and made the city more prone to floods.

In this paper, we are, however, do not focus on the direct, internal returns and costs of Dhaka's city. Instead, we use evidence to show why Dhaka's excessive growth is associated with an adverse impact on overall national

growth and urban development. We use the concept of a primate city and its relationship with overall urban development and economic growth. And, we draw on both Household income and expenditure and the labor force surveys to show how urban and rural income, poverty, and wage differentials have narrowed significantly in the past decade.

3.1 Dhaka's Adverse Impact as an Overgrown Primate City

One of the most robust associations in economic growth is between urban development and per capita income levels. That is shown in Figure 1, presented earlier, which presents the case for medium-large countries, i.e., the 93 countries with populations of more than 20 million people. If we take the panel data available for these countries between 1990 and 2007 and control for country fixed effects, the relationship suggests that for each one percentage point increase in the share of the urban population, per capita income (measured by purchasing power parity dollars) is 2.5 percent higher (Ahsan, 2019).

However, while overall urban development is associated with high levels of income, this is not the case with excessive growth and concentration in the primate city. Such excessive concentration can be very costly in terms of productivity growth (Henderson, 2001). A casual look Figure 5 suggests that if the share of the primate city is more than, e.g., between 15 to 20 percent of the urban population, per capita income levels are adversely affected. Interestingly, this appears to happen because an excessive growth of the primate city lowers overall urban development. Figures 5 and 6 show that this may be the case in Bangladesh. Figure 5 clearly shows that countries, where the size of the primate city becomes excessively large, have lower per-capita income levels on average. The most extreme example of this is Egypt, and a prominent exception here is Japan, where despite the large size of Tokyo, per capita income levels are very high. Bangladesh, however, falls clearly on the curve with a primate city population share of around 32 percent of the urban population.

Figure 6 shows the possible channel through which the size of the primate city size affects per capita income levels. The graph suggests that the excessive growth of the primate city lowers overall urban development. This happens because the primate city draws public and private resources away from other cities, creating a misallocation of resources and a lowering of productivity. Once again, Bangladesh, with a primate city having a 32 percent size, ends up with a lower share of overall urban population because of this concentration in Dhaka, which in turn leads to lower per capita income levels.

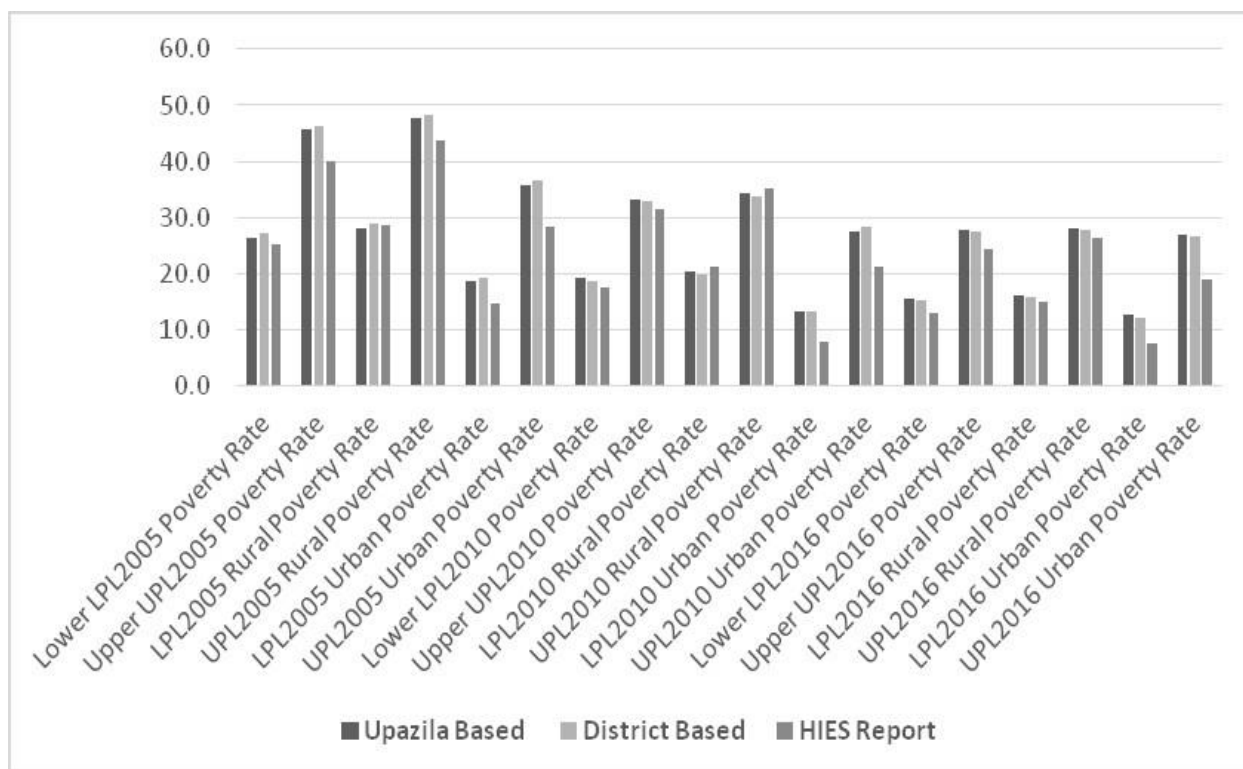


Figure 3: District and Upazila Poverty Rates Track National Estimates.

Source: Derived from HIES 2016.

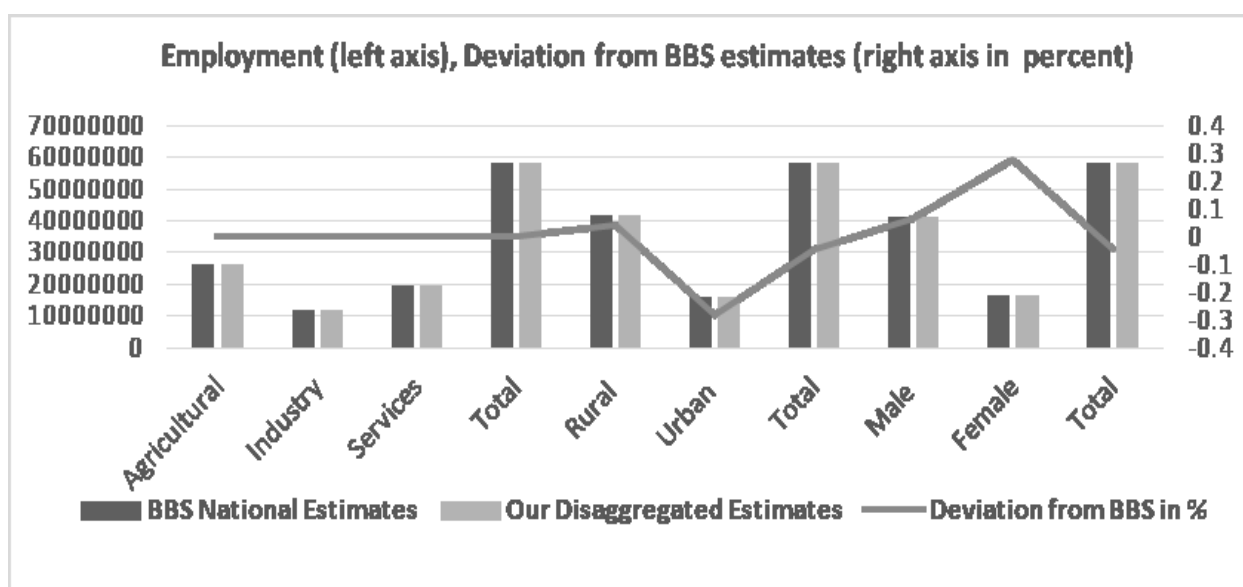


Figure 4: District-based Employment and Wages Estimates Track Official National Estimates.

Source: Labor Force Survey Estimate 2013.

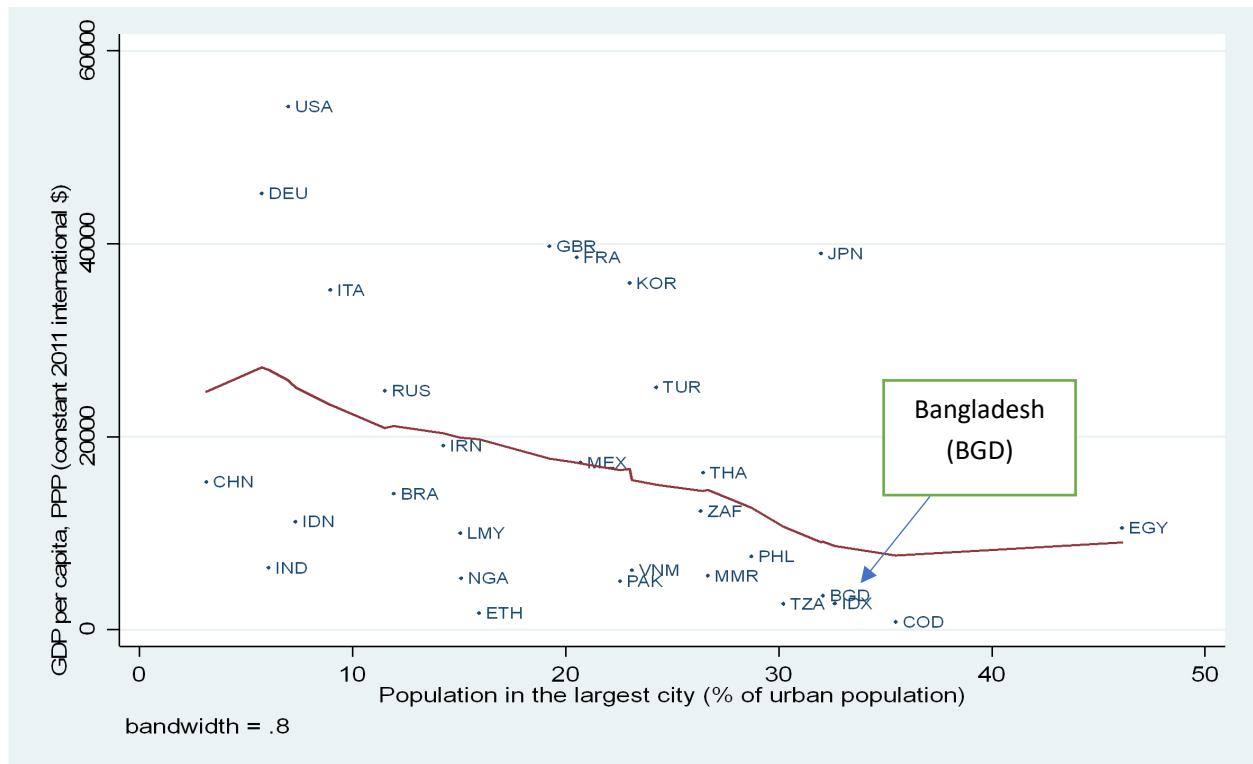


Figure 5: Per-capita Income Level and Size of Primate City (Share of Urban Population).

Source: Drawn from World Developing Indicators Data base for large countries with a population of more than 50 million, 2017, to reduce clutter. This relationship also robust holds with populations greater than 20 million.

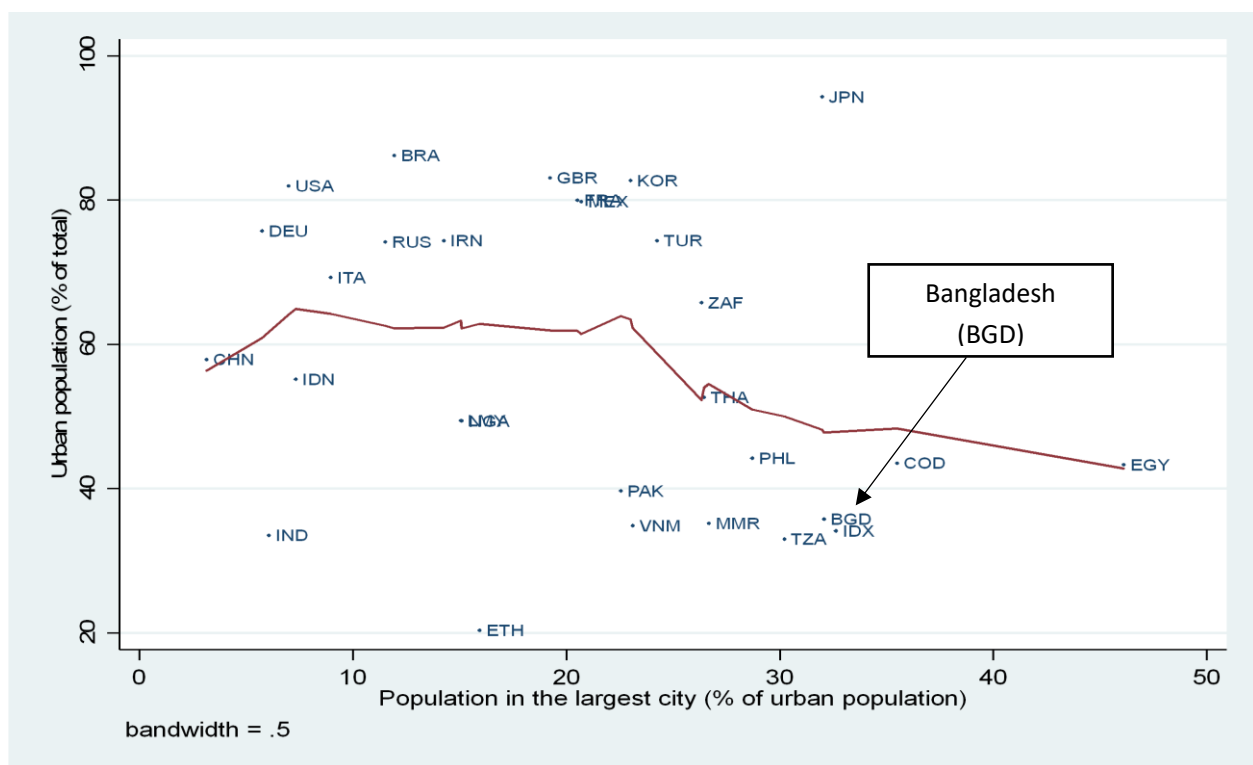


Figure 6: The share of Urban Population and Size of Primate City are Inversely Related.

Source: Drawn from World Developing Indicators Data base for large countries, 2017

The inverse relationship between the size of the primate city and overall urban development is confirmed by statistical testing. Controlling for country fixed effects and time fixed effects for 93 countries with population of more than 20 million, the inverse relationship between the primate city and urban development is found to be significant and tight. If per capita income or labor productivity are controlled, a one percentage point increase in the primate city's share of urban population is associated with a 1.1 percent decline in the share of urban population with a R-square of more than 0.60 (Ahsan, 2019).

It is possible to use these insights about the relationships between per capita income, urban development, the size of the primate city in terms of share of urban population, and the overall share of urban population overall to make heuristic estimates of the excessive growth of greater Dhaka and its costs in terms of adverse impact on urban development. In a previous study (Ahsan, 2019) I take two approaches to measure the excessive growth of Dhaka. First, I estimate the elasticities of these relationships based on panel data for 25 years for 93 middle to large-sized countries with population over 29 million, controlling for country and year fixed effects, time trends, and, where appropriate, labor productivity to proxy for other variables. Using these estimated parameters, greater Dhaka's population is found to have been overgrown by 60 percent compared to what would be predicted from international data. The adverse impact of this overgrowth on urban development is estimated to lower GDP by about 10 percent each year. Second, I use national income accounts and labor force surveys to measure national labor productivity in the three major sectors (agriculture, industry, and services) and district level employment in these sectors to construct estimates of Dhaka's share of Bangladesh's GDP. The estimate comes out with at 28 to 31 percent³. Such a share places Bangladesh among the ten most economically geographically concentrated large countries in the world.

In closing, Table 1 below provides an illustrative but telling indication of the excessive growth of Bangladesh's primate city and its adverse impact on overall urban development and growth of other cities. The table suggests that while Bangladesh has the largest primate city share of the urban population in this group, this has been accompanied by relatively less urban development outside this primate city. Thus, there are only three cities in Bangladesh (Greater Dhaka, Chittagong, and Khulna) with a population of more than 1 million people compared to 10 such cities in Pakistan, 14 in Indonesia, 54 in India, and 102 in China. Similarly, the population living in more than a million plus size cities different from the primate city is relatively far less in Bangladesh.

3.2 Narrowing Urban and Rural Income, Consumption and Wages

The second piece of evidence supporting the picture of a stymied urban development comes from looking at income and wage trends from household surveys and national wage trends estimated by the BBS (Figures 7 and 8). Economic development is usually driven by structural change under which workers and resources move out of less productive agriculture and the rural economy to more productive manufacturing and service jobs that are in urban areas. This process is well known and characterized by Lewis as workers moving from subsistence wages to better paying urban jobs, and Harris-Todaro as workers moving to urban areas in search of higher net expected earnings. In sum, higher incomes and higher wages in urban areas draw workers out of rural areas to work in more productive urban and manufacturing jobs. In a robust development process, such a structural transformation mechanism will work for a long time as the country climbs into the upper-middle-income status. At such a point, enough workers will have moved into urban areas, the rural areas will have also become developed, and productive and urban-rural wages in real terms should converge.

Table 1: Size of Primate City and Urban Development.

	Population (millions)	Urban Population Share of Largest/ Primate City (Primacy) in percentage	Share of Biggest City in Population	Share of Population in other cities with more than 1 million people	Number of Cities with more than a million people
Bangladesh	163.0	31.9	11.2	3.5	3–5
China	1378.7	3.1	1.8	23.4	102
India	1324.2	6.0	2.0	12.9	54
Indonesia	261.1	7.4	4.0	6.6	14
Pakistan	193.2	22.6	8.9	13.2	10
Vietnam	94.5	23.2	7.9	6.6	6

Source: Authors calculation; data source: Data in first four columns from World Development Indicators data, 2016 and derived from there.

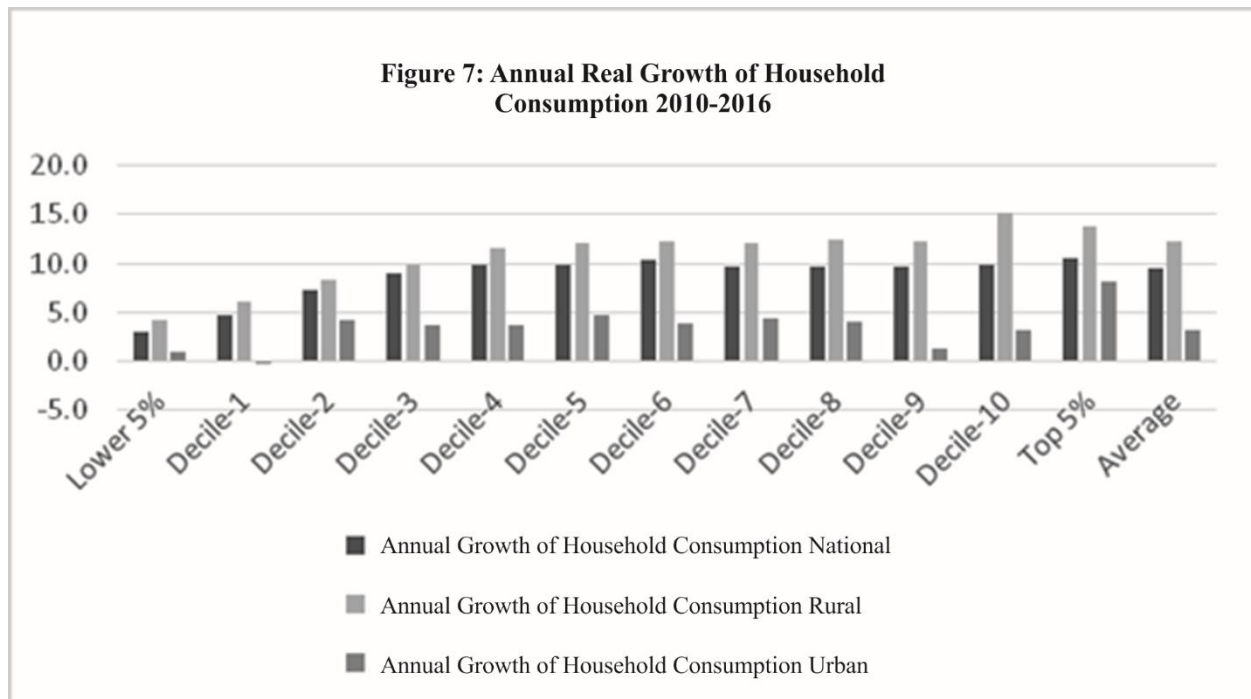
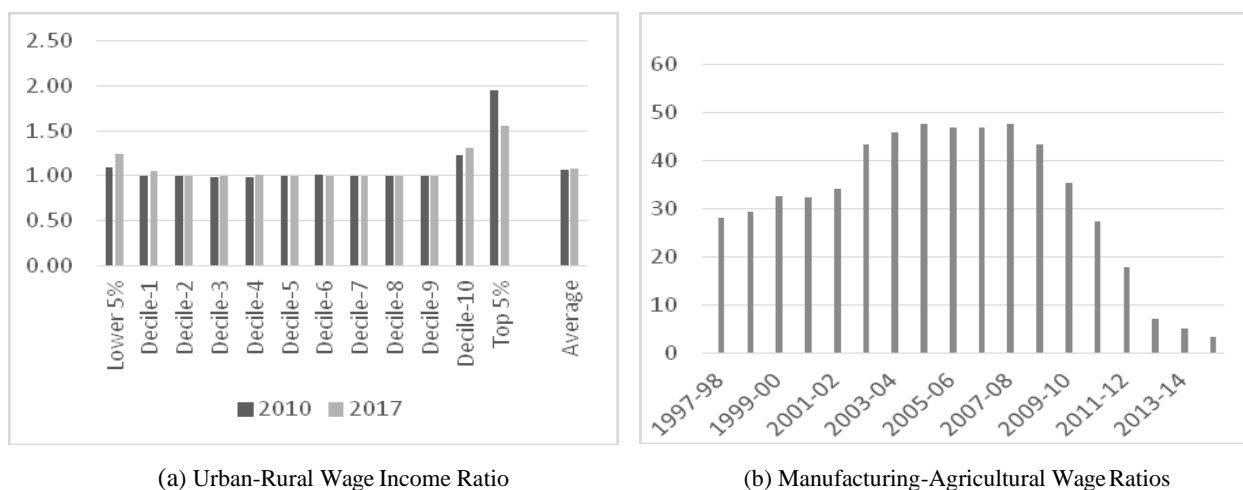


Figure 7: Annual Real Growth of Household Consumption 2010-2016.

Source: HIES 2010 and 2016



(a) Urban-Rural Wage Income Ratio

(b) Manufacturing-Agricultural Wage Ratios

Figure 8: Falling Urban and Manufacturing Relative Income and Wages. (a) Urban-Rural Wage Income Ratio. (b) Manufacturing-Agricultural Wage Ratios.

Source: (a) Estimated from Labor Force Surveys. (b) Estimated from BBS Statistical Yearbook 2016, Table 10.17

In Bangladesh in the last decade, this transformation process appears to have been significantly weakened (Figures 7 and 8). We see this below in the difference between robust increases in rural household consumption and the comparatively more moderate increase in urban consumption. Thus, contrary to expectations, the rural

economy seems to show more dynamism. Looking at income and wages in Figures 8a also confirms this trend: urban-rural wage differentials have narrowed from 12 percent urban premia in 2010 to 8 percent premia in 2017 on average. Internationally, the average nominal wage premia in urban areas in 110 countries were found to be

38 percent (Artza et al., 2016). On the assumption that most manufacturing jobs are in urban areas while agricultural jobs are, by definition, located in the rural areas, the relative manufacturing agricultural wage premia provide a check on the labor force survey data shown in Figures 8a. Here too, in Figures 8b, the evidence of collapsing manufacturing and urban wage premium is striking.

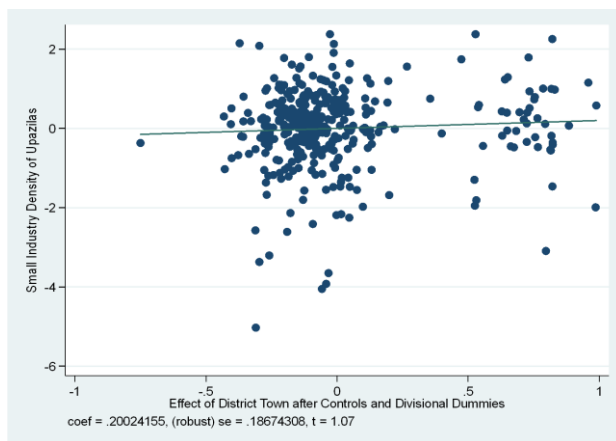
Could it be the case that the narrowing urban wage differential represents rural economic dynamism overtaking an also dynamic urban economy? Unfortunately, two related pieces of evidence do not support a picture of a dynamic urban economy. Figure 7 above has shown that urban consumption growth has been relatively anemic. A look at poverty complements this finding. Consistent with the trends that we have seen in consumption and wage growth, we find that while poverty rates in rural areas declined dramatically, poverty rates in urban areas have declined far less in recent years. While extreme poverty rates in rural areas declined from 21.1 percent in 2010 to 14.9 percent in 2016, extreme urban poverty rates stood at virtually the same point, 7.6 percent in 2016 compared to 7.7 percent in 2010 (BBS 2017a). Thus, 90 percent of extreme poverty reduction between 2010 and 2016 took place in rural areas.

A final point on the poor quality of urban development comes when we look at economic density measured by the presence of non-agricultural firms per 10 square kilometers. The next section discusses this concept more fully. Figure 9 shows conditional regression plots where district headquarters (measured in the horizontal scale by a dummy between zero and one) have no statistically significant effect on either small scale industrial or commercial firm density. These regressions are controlled for roads, electricity, storage, debt, literacy and regional dummies to isolate the effects of the more urbanized district headquarters

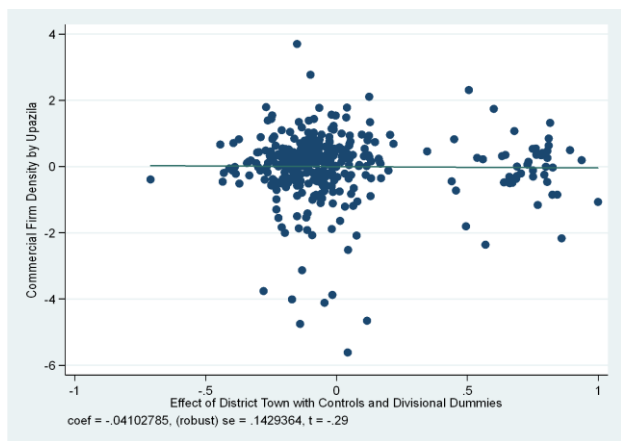
4 Economic Geography Patterns and Their Consequences

In this section, we ask the broader question about what we can say about the pattern of economic geography in Bangladesh and its consequences? The measure we use to study economic geography patterns here is economic density. Economic density is measured by using the number of electricity-using small or medium scale industries or the number of electricity using commercial firms in every 10 square kilometers. We have estimated these two variables for the divisional, district, and subdistrict (upazila) levels. Using upazila level measures of small or medium scale industry density, and commercial firm density and controlling for other significant co-variables such as overall access to electricity and road density, we find that upazilas that house district headquarter towns have no statistically significant effect on either industrial or commercial firm density in comparison to other upazilas.

The variation in these two measures of economic density is considerable, as seen in Figures 10 (a and b) and 11. The first figure, Figure 10, presents these measures of economic density by geographical regions that correspond to administrative divisions in Bangladesh. It is evident from Figure 10 that economic density is significantly higher in regions such as Dhaka in the case of industry, and Dhaka and Chittagong in the case of commercial firms. Northern regions such as Sylhet and Mymensingh, and southern regions such as Barisal and Khulna are laggards where small-scale industry density is concerned. When we turn to commercial firms' density in Figure 10b, Dhaka and Chittagong starkly dominate. Otherwise, commercial firms appear to be more evenly distributed, even though northern Mymensingh is a laggard.



(a) Log of Small Industry Density



(b) Log of Commercial Firm Density

Figure 9: District Headquarters Have No Effect on Firm Density: (a) Log of Small Industry Density, (b) Log of Commercial Firm Density.

Source: Estimated from BBS District Statistics Series.

shown in Figure 12 are statistically significant at the 1 percent level. Agricultural jobs are associated with a significant drop in per capita expenditure levels. On the other hand, nonagricultural and primarily industrial jobs increase with a significant rise in per capita consumption expenditure levels.

Now we go to the next step in Figure 13 to confirm that economic density measures of 2010-11 are a statistically significant covariate of nonagricultural and industrial jobs of 2016-17. This should follow from our definition of density. However, jobs are also affected by other factors than only the presence of firms. Given the

small number of observations, we account for time-invariant variables here by taking regional dummies for Bangladesh's eight divisions. These conditional regression plots on economic density across districts show unambiguous, statistically significant positive effects, as shown in the above diagrams. The R squares are quite respectably high (0.52 and 0.4) and these specifications, even though restricted by the small number of observations, robustly pass Ramsey omitted variable tests. It is worth noting here that reverse causality between these two variables are ruled out by the large time lag between the two variables: It is unlikely that employment patterns of 2017 caused firm density in 2011.

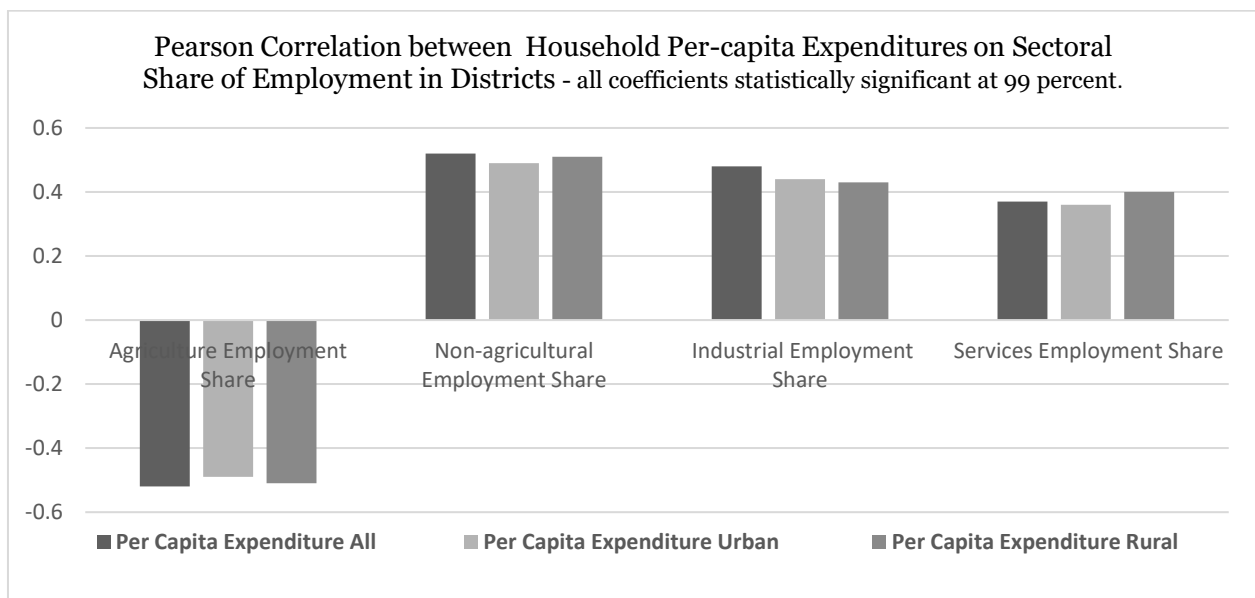
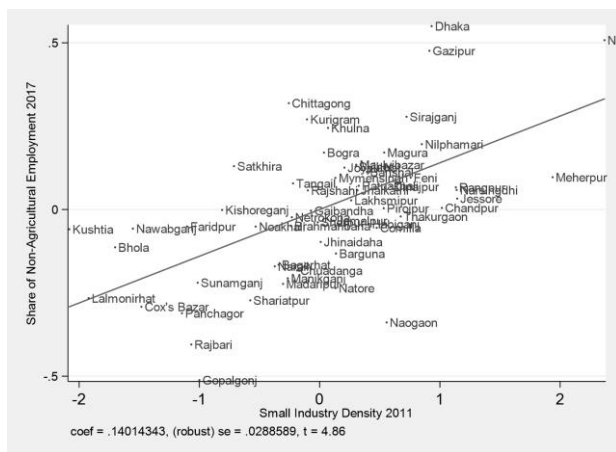
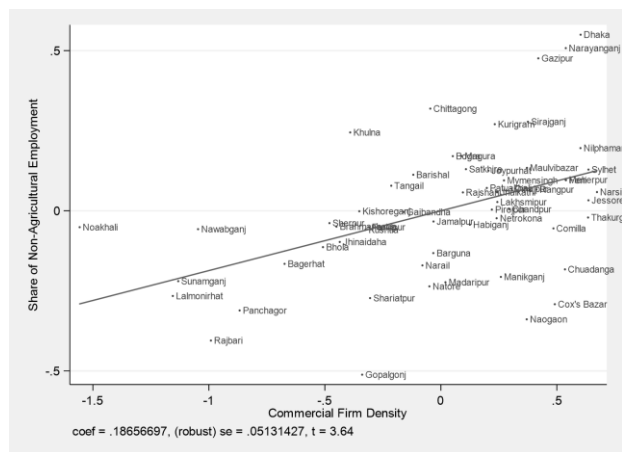


Figure 12: Nonagricultural jobs in 2017 lead to higher per capita expenditures

Source: Estimated from HIES 2016 and LFS 2017 data.



(a) Small Industry Density in 2011



(b) Commercial Density in 2011

Figure 13: Conditional Regression Plot linking Non-Agricultural Jobs in 2017 to (a) Small Industry Density in 2011, (b) Commercial Density in 2011.

Source: Derived from BBS 2011 District Data series and LFS Estimates of 2017.

5 Conclusion: Implications and Extensions

Let us first reiterate the three main points made in this paper. First, extreme poverty in Bangladesh is regionally concentrated in the bottom fourth districts in the north-west and north and then in belts in both Chittagong and the Khulna area. Encouraging out-migration to more affluent districts may be another strategy, but it will quickly face limits due to congestion in the center – where population density is more than seven times the national average – and migration from climate affected coastal regions in the south. An important associated point is that supporting economic activity in those regions through urban and infrastructure development, inter-regional connectivity, and better public services is likely to be necessary for future poverty reduction. Second, by international standards, the urban population is excessively concentrated in Dhaka. That concentration is adversely affecting overall urban development and, thereby, long term growth. Finally, economic density matters as it raises household consumption and reduces poverty by providing non-agricultural jobs. Economic density patterns show that a northern border belt of districts and Upazilas from Dinajpur in the north-west to Sunamganj in the northeast lag in both consumption expenditures and economic activity. There are also pockets of backwardness in the Chittagong Hill Tracts, Barisal islands, and an Upazila cluster in Khulna. However, there are pockets of economic density in all areas of the country.

As noted earlier, this paper is part of a larger ongoing research project where policy issues are being taken up in more detail. Let us make a few points drawing on that work. First, it is necessary to dismiss the unhelpful dichotomy sometimes made between “place-neutral” and “place-based” policies. Sound neutral policies must be the starting point: macroeconomic management, economic competitiveness, friendly investment climate, investment in national and inter-regional infrastructure; investment in human capital: health and education; investment in data and research in local development are all examples of critical neutral policies. However, for reasons discussed in this paper, at some point, place-based policies will need to be addressed.

Fortunately, research suggests that at least some place-based policy issues are tractable. For instance, connectivity and transport corridors between regions, telecommunications, and services that will attract private investment more broadly will help a more spatially balanced development to take place (e.g., Henderson et al., 2001; Lall, 2006). Our research also suggests that within Bangladesh’s district and Upazilas, infrastructure development – power and roads in particular – help promote economic density. Here a pending agenda is to

develop effective targeting rules to direct resources to avoid costly mistakes of place-based policies. We have made some initial approaches to targeting: focusing on places that have displayed growth in density or places where interventions will have the most impact.

A second big policy issue is the need to rehaul the urban development strategy to make it far more decentralized. “De-concentration” of government agencies to locate them out of Dhaka can be a good starting point. However, this will need to go deeper. Urban planning and management are inherently local knowledge and local ownership intensive. Given this, the focus and administration of urban development planning and management will likely need to be devolved with complementary technical support, far more than has been done now.

Thus, a considerable research agenda is pending. Bangladesh’s economic geography work can be extended in several directions. The findings here can be deepened by incorporating the detailed 2013 Economic census data, integrating HIES, LFS, Economic Census, and District and Upazila series data to construct synthetic panels for the purpose of multi-level analysis. Having access to more recent data will be most useful for this purpose. In addition, a whole host of substantive issues can be addressed using these analyses. These can include trends in agricultural productivity and diversification, employment and productivity growth, economic diversification processes, and local government and municipality performance and governance issues as well as approaches to decentralizing and devolution. This will also require studying the role of social sectors, financial, and other investment climate issues. Last but not least, lies the task of identifying growth poles and discriminatory targeting rules to support such growth poles and other less well-performing regions.

Endnotes

1. The author is solely responsible for the materials and views here. He thanks participants for their comments at seminars on this paper at the Policy Research Institute in 2018, Bangladesh and at the BDI Conference at Yale University in 2019. The author can be reached at aa42@caa.columbia.edu.
2. These two models are indistinguishable from this paper’s perspective.
3. This estimate falls between the recent highly conservative World Bank estimate of Dhaka’s share being only 20 percent of national GDP (Bird et al., 2018) and the more widely and popularly held estimate of 35 percent (Economist, September 2019)

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Why is the Relative Preference for Government Jobs on the Rise in Bangladesh? Evidence from Labor Force Surveys

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Abstract

By using the quantile counterfactual wage decomposition method, this article examines why public sector jobs are becoming more attractive in Bangladesh. The article quantifies wage differentials between the public and the private sectors, and examines the changes in earning inequalities between groups (public versus private) and within groups (across the various wage deciles), in response to the pay scale revisions introduced for public sector employees in Bangladesh. The analysis reveals that following successive revisions, and more particularly in view of the revision introduced in 2015, public sector jobs in Bangladesh have become more attractive for job seekers looking for salaried employment. Whilst there has been a shift along the entire range of wage distribution spectrum, this trend is becoming more evident for job seekers with tertiary education, which is clearly revealed by the quantitative exercise carried out for this study. It is also interesting to note that, while the higher-paid private sector employees appear to have been able to adjust their salaries in response to government pay scale revisions, this is not the case for the relatively low-paid employees. Additionally, public sector jobs have the added advantage of non-wage benefits that are not available in equal measure for most private sector jobs. All these factors have combined to produce the recent shift in preference in favor of public sector jobs in Bangladesh. The article argues that the recent “quota movement” in Bangladesh, with the demand to revise the existing quota system for public sector jobs, reflects this shifting preference on the part of new job market entrants in Bangladesh.

1 Introduction

The state of relative preference among salaried job seekers in Bangladesh, between public (government) and private sector jobs, has varied significantly over the past years. At independence, with an underdeveloped private sector, it was the public sector which provided most opportunities for salaried employment in Bangladesh. With the economy starting to open up in the early 1990s, in the backdrop of policies of trade liberalization, privatization and deregulation, and consequent emergence of a vibrant private sector, more job opportunities increasingly started to be created in the private sector. Since the early 1990s, for young educated people, private sector jobs have become more attractive relative to public sector jobs mainly because of better compensation packages. Due to the increasingly large number of educated young people coming out of the education system (at bachelors/masters level), demand for both the public and the private sector jobs has been on the rise in Bangladesh. As is evident from the available information, the first choice of jobs for the majority of educated young people in the country has traditionally been private sector jobs. However, this situation has

begun to gradually change in recent years, particularly following the last two pay scale revisions for public employees in 2009 and 2015. While salary revisions in public sector also induces some adjustments in the private sector, a relative shift in attractiveness in favor of the former is becoming increasingly discernible in recent times. The recent “quota movement” in Bangladesh, spearheaded by students demanding a revision of the current quota system for government jobs, reflects this line of thinking.²

A number of studies has addressed various issues concerning the relative attractiveness of jobs in private and public sectors.³ Studies have focused on a range of issues including demand side analysis, determinants of entry into particular jobs, earning differentials between public- private sectors, cash and in-kind benefits, job satisfaction, efficiency, and productivity. However, studies on these issues in the Bangladeshi context are scarce. Indeed, there is hardly any study that has examined changes in relative attractiveness between public and private sector jobs in Bangladesh in response to government policy changes, such as introduction of new pay scale for public sector employees.

The remainder of this paper is organized as follows: Section 2 presents a review of the literature on public and private sector wages, and wage differentials, Section 3 describes the estimation methodology used in this study, Section 4 presents an overview of the data, Section 5 presents the estimated results, and Section 6 concludes the paper.

2 Literature Review

A number of studies has examined the relative preference between public and private sector jobs, some with particular focus on its determinants (Ehrenbergh and Schwarz, 1986; Blackaby et al., 1999; Birch, 2006; Elliott et al., 2007; Campos and Centeno, 2012; Christopoulou and Monastiriotes, 2013; Lausev, 2014; Nikolic, 2014; Hospido and Moral-Benito, 2016).

Becker (1957) argues that public-sector wage is primarily determined by political motive, and not by profit maximization motive, as compared against the private sector, which has a different set of objectives including profit maximization. Fogel and Lewin (1974) mentions the absence of profit maximization motive for government jobs, while in the competitive labor market, private sector wages are determined by the marginal revenue product of labor. However, governments also tend to offer higher wages to attract better quality cadres (Melly, 2005b).

The more recent studies have used quantile regression (Koenker and Bassett, 1978) and quantile decomposition (Chernozhukov et al., 2013) techniques to study group differences in terms of wages. Quantile decomposition is similar to Oaxaca-Blinder decomposition (Oaxaca, 1973 and Blinder, 1973), but conditional at different quantiles. This method divides the total differential into coefficient effects and characteristics effects at conditional quantile. Public-private wage differentials have been studied by a number of studies using this technique.

Poterba and Rueben (1995) use quantile regression on data from Employer Cost Index 1993 and Population Survey 1992 and find that, in the lower tail of the wage distribution, U.S. state and local government employees enjoy a wage premium, whereas in the upper tail of the wage distribution, they incur a wage penalty. Mueller (1998) studies wage differential between public and private sectors using Canadian data and finds wage premium for public sector male employees in the lower tail of the wage distribution (9.9% wage premium at the 10th percentile and 1.4% wage penalty at the 90th percentile). Melly (2005b) finds that in Germany public sector female employees enjoy 26.9% wage premium at the 10th percentile, with wage premium decreasing to 6.9% at the 90th percentile. In contrast, public sector male employees suffer a wage penalty of 17.4% at the 90th percentile and enjoy a 5.0% wage premium at the 10th

percentile. In France, the raw differential for a public sector male employee is found to be 14.0% in the 10th percentile and 7.2% in the 90th percentile. Mahuteau et al., (2017) uses a quantile panel data regression approach and finds that in Australia average employees in the public sector earned a wage premium of about 13.6% at 10th percentile, but suffer from a wage penalty of 0.9% at 90th percentile. Review of the literature reveals the followings: (a) wage premiums and penalties vary across the gender divide and also across the public and private sectors; (b) wage distribution in the public sector is more compressed; (c) public sector employees tend to enjoy a higher wage premium at the lower end of the wage distribution.

3 Estimation Methodology

This paper applies the Oaxaca-Blinder decomposition and quantile decomposition method to examine the presence of wage differentials between public and private sector jobs in Bangladesh, in relation to policy interventions, i.e. salary scale revisions for public sector employees.

3.1 Oaxaca-Blinder Decomposition

The Oaxaca Blinder decomposition method is widely used to examine the wage gap by specific groups (e.g. public vs private sector jobs) (Oaxaca, 1973; Blinder, 1973). This method divides the wage differential into two parts - the “explained” part that can be accounted for by the group difference in productivity characteristics, such as education and work experience, and the “unexplained” part that measures the wage premium which cannot be accounted for by the wage determinants.

The model consists of two groups - private sector employees (1) and public sector employees (0), an outcome variable wage (W), and a set of predictors. The wage differential can be written as follows: $\text{Difference} = E(W_0) - E(W_1)$, where $E(W)$ denotes the expected value of the outcome variable and is explained by the grouped difference in the predictors. For a linear model, we can write the wage function for both public and private sector employees as: $W_l = X^T \beta_l + \epsilon_l$, $E(\epsilon_l) = 0$, $l \in X$, W where X is a vector containing predictors and a constant, β denotes the slope parameters and intercept, and ϵ is the error term. Based on this equation, the regression equation can be written as a two-fold decomposition of the labor market differential (Jann 2008):

$$\begin{aligned} \text{Difference} &= [E(X_0) - E(X_1)]^T \beta^* \\ &+ [E(X_0)^T (\beta_0 - \beta^*) + E(X_1)^T (\beta^* - \beta_1)] \end{aligned} \quad (1)$$

The first part, $[E(X) - E(X)]^T \beta^*$, is the outcome difference that is explained by productivity characteristics, and the second part, $[E(X_0)^T (\beta_0 -$

$\beta^*) + E(X_1)T(\beta^* - \beta_1)]$, is attributed to sectoral wage premium, which also captures the potential effects of differences in unobserved variables.

3.2 Wage Decomposition in Quantile Counterfactual Distribution

The Oaxaca-Blinder decomposition only provides average differences in wages. However, statistical measures of public-private sector wage gap based on average effects could mask important differences along the distribution chain of wages. Since the seminal work by Koenker and Bassett (1978), quantile regression approach has emerged as a rigorous method to study the effects of a covariate (X) on the entire spectrum of conditional distribution of the dependent variable (Y). Quantile regression estimator of β_τ estimates the effect of the covariates on the τ quantile of the dependent variable.

For example, let log of wages be denoted by Y be a specific value of log wages, p represent public sector employees, r represent private sector employees, and X be a vector of characteristics affecting wages. Then,

$$F_{Y[p,p]}(y) = F_{Y[p|X_p]}(y|x) dF_{X_p}(x) \quad (2)$$

$$F_{Y[r,r]}(y) = F_{Y[r|X_r]}(y|x) dF_{X_r}(x) \quad (3)$$

$$F_{Y[p,r]}(y) = F_{Y[p|X_p]}(y|x) dF_{X_r}(x) \quad (4)$$

where $F_{Y[p,p]}(y)$ and $F_{Y[r,r]}(y)$ refer to the unconditional distribution of log wages for public sector and private sector workers wage function and their characteristics; $F_{Y[p,r]}(y)$ is the hypothetical wage distribution for private sector workers if they were rewarded according to the public sector workers wage function; and F_{X_p} and F_{X_r} respectively refer to the distribution of public and private sector workers characteristics.

To decompose the differences between the unconditional public sector workers and private sector workers wage distributions, we note the following:

$$F_{Y[p,p]}(y) - F_{Y[r,r]}(y) = \frac{F_{Y[p,p]}(y) - F_{Y[p,r]}(y)}{i} + \frac{F_{Y[p,r]}(y) - F_{Y[r,r]}(y)}{ii} \quad (5)$$

To study the wage differential across the distribution, we use the method developed by Chernozhukov et al. (2013), which decomposes unconditional intergroup gaps (in our case, public-private wage gaps) at a given percentile and apportions this on account of distribution of characteristics and different wage functions conditional on characteristics.

The first term in the brackets above shows the effect of differing distributions of personal characteristics, while the second term shows the wage function effect. To

implement the decomposition, as suggested by Chernozhukov et al. (2013), we compute the standard errors using boot-strapping with one hundred repetitions.

4 Data Source and Variables

This study uses the Labor Force Survey (LFS) 2010, 2013, 2015-2016, and 2016-17 data from the Bangladesh Bureau of Statistics (BBS). This is a cross-section dataset. It should be noted that the sample size has been expanded gradually between 2010 and 2016-17 to make this more representative. For the purpose of the present study, we have selected a sub-sample of employed individuals in the age range of 25 and 59 years who have earned wages/salaries during the reference period of the survey. Thus, this sub-sample group includes salaried employees from both public and private sectors. Many public-sector jobs require four years bachelor degree which means $(12 + 4) = 16$ years of formal education. If 6 years is taken as the average age of starting primary education, this will put a prospective job-seeker at 22 years of age. If an additional 2-3 years of effective employment is added to this (as advocated by Melly, 2005b), 25 years of age could be taken as the minimum age. Maximum age is taken to be 59 years which is the retirement age in Bangladesh. In addition, the research considers only *full-time paid individuals*. Sample size extracted from the various LFSs are given in Table 1.⁴

To estimate the wage differentials, we use the log of hourly wage as the dependent variable in calculating the sectoral wage gap. However, the hourly wage is not available in LFSs. BBS reported weekly wage for 2011 and 2013, and monthly wage for 2015-16 and 2016-17. We convert the monthly wage into weekly wage by a factor of 12/52; weekly wage then is converted to hourly wage by dividing it by working hours per week as reported in the LFSs. The logarithmic form allows us to calculate the percentage difference in wage between the public and private sectors. It should be noted that, in contrast to the hourly wage, monthly wage tends to underestimate the wage differentials because working hours tends to be higher for private sector employees compared to their peers in the public sector (see, Ahmed and McGillivray, 2015).

For the wage equation regression model, we use age, age squared, education, education squared, occupation dummy, rural dummy, regional dummy, marital status dummy, and gender dummy. These variables are widely used in the literature for estimating wage equations (for example, see Blinder, 1973; Melly, 2005a; Oaxaca, 1973; and Ahmed and McGillivray, 2015). Summary statistics of some key variables for public employees and private employees are given in Table 2 and Table 3, respectively. 2016-17)

Table 1: Sample Selection

Employees	Year			
	2010	2013	2015–16	2016–17
Public employees	1,575	2,808	4,960	5,368
Private employees	1,792	5,119	10,979	8,985

Source: Authors' calculation; data source: LFS (2010, 2013, 2015–16, and 2016–17)

Table 2: Summary Statistics for Public Employees.

Variable	Year							
	2010		2013		2015–16		2016–17	
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
Log (hourly wage)	3.9	0.5	4.4	0.42	4.6	0.46	7.8	0.51
Education ⁵	5.5	1.8	11.9	2.9	11.1	3.0	11.4	2.72
Age	41.2	9.2	40.5	9.4	41.2	9.5	41.1	9.48
Female ⁶	0.16	0.37	0.26	0.44	0.21	0.41	0.23	0.42
Rural ⁶	0.55	0.49	0.20	0.40	0.27	0.44	0.24	0.43
Ever married ⁶	0.94	0.23	0.94	0.24	0.94	0.24	0.94	0.24

Notes:

⁵In 2010, classification of education used broad categories: 1. did not pass any class, 2. I–V class, 3. VI–VIII class, 4. IX–X class, 5. SSC/equivalent, 6. HSC/equivalent, 7. Degree/equivalent, 8. Post graduate/equivalent, and 9. M.B.B.S./Engineering. However, from 2013 onwards education was classified for each year of education, which explains the significant jump in average education in 2013.

⁶Female = 1 if individual is a female; 0 otherwise; Rural = 1 if individual lives in rural area; 0 otherwise; Ever married = 1 if individual is ever married; 0 otherwise.

Source: Authors calculation; data source: LFS (2010, 2013, 2015–16, and 2016–17)

Table 3: Summary Statistics for Private Employees

Variable	Year							
	2010		2013		2015–16		2016–17	
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
Log (hourly wage)	3.7	0.6	4.1	0.5	4.2	0.58	4.3	0.67
Education	3.5	2.3	9.8	3.7	9.3	4.4	9.5	4.17
Age	36.8	8.9	35.7	8.7	36.6	8.8	36.5	8.63
Female	0.15	0.36	0.25	0.43	0.25	0.43	0.23	0.42
Rural	0.58	0.49	0.29	0.45	0.25	0.43	0.29	0.46
Ever married	0.91	0.28	0.90	0.29	0.90	0.29	0.89	0.30

Source: Authors calculation; data source: LFS (2010, 2013, 2015–16, and 2016–17)

In calculating wage from LFS data, authors have considered wages from both primary and secondary occupations, and also the monetary value of earnings in other forms since a large part of wage/benefit in the public sector comes in various forms of job-related transfers.

5 Results and Discussion

This section starts with a discussion of raw wage differentials and density functions of wages for successive years. In this connection, Oaxaca-Blinder

decomposition and quantile decomposition of wages are presented in Table 4, job facilities in Table 8, and working hours in Table 9. Finally, sub-section 5.2 offers insights from the salary scale revision for public sector employees.

5.1 Wage Differentials between Public and Private Sector Jobs

In 2013, the average monthly wage in the private sector and the public sector in Bangladesh was BDT 14,376 and BDT 15,904, respectively (raw wage differential was 10.6 percent). In 2015–16, the average wage in the private

sector and public sector was BDT 17,969 and BDT 22,040, respectively (raw wage differential increased to 22.7 percent). However, average wage differences do not fully reflect the wage premium due to different attributes of public and private sector jobs. Additionally, these average differentials only capture differences at the mean, but do not capture the differences at the tails of the wage distribution.

We display the density of wages in Figure 1 where the dashed line is for public sector employees and the solid line is for private sector employees. For all the four time points (2010, 2013, 2015–16, and 2016–17), we observe different levels of compression and depression for public and private sector employees - wages are more compressed for public sector employees and dispersed for private sector employee. We find a lower ceiling for public sector wages, which is due to the presence of grading system for the public-sector employees and the salary scale ensures a minimum wage for employees in the lowest grade, which is not the case in the private

sector. This constraint is also true for the high wage earners in the public sector.

In 2010, the average hourly wage differential between public and private sector employees was 29.5 percent. As stated in section 3, quantile regression reveals the dispersion in the public-sector wage premium which cannot be captured by the Oaxaca-Blinder decomposition. Poterba and Rueben (1995) first applied the quantile regression method and found that wage premium tend to decrease as quantiles rise for both males and females. Quantile decomposition shows that at the 10th percentile (bottom of the wage distribution) there is 60 percent wage differential in 2010. At the 50th percentile, the entry point for university graduates, the wage differential was 13.8 percent in 2010 and increased to 61.0 percent in 2016–17. This wage differential tends to narrow down, and is the lowest at the median (about 13.8 percent). This shows that wage differentials are relatively low for mid-level wage earners. The wage differentials are 33.6 percent and 31.6 percent at 8th and 9th deciles, respectively (Table 4).

Table 4: Oaxaca-Blinder and Quantile Decomposition of Public-Private Wage Differentials; Dependent Variable: Log Hourly Wages.

Quantile	2010			2013			2015–16			2016–17		
	Total Effect	Char. Effect	Coeff. Effect	Total Effect	Char. Effect	Coeff. Effect	Total Effect	Char. Effect	Coeff. Effect	Total Effect	Char. Effect	Coeff. Effect
$\tau(10)$	0.600	0.228	0.372	0.361	0.118	0.118	0.521	0.182	0.339	0.665	0.319	0.345
	0.053	0.071	0.085	0.025	0.019	0.019	0.009	0.021	0.022	0.016	0.016	0.022
$\tau(20)$	0.470	0.288	0.182	0.336	0.049	0.049	0.539	0.212	0.327	0.747	0.342	0.405
	0.046	0.060	0.075	0.000	0.022	0.022	0.015	0.019	0.019	0.012	0.017	0.015
$\tau(30)$	0.318	0.223	0.095	0.374	0.133	0.133	0.551	0.229	0.322	0.773	0.322	0.451
	0.038	0.066	0.073	0.019	0.017	0.017	0.009	0.016	0.018	0.012	0.014	0.014
$\tau(40)$	0.219	0.219	0.000	0.336	0.049	0.049	0.544	0.208	0.336	0.722	0.300	0.422
	0.038	0.044	0.035	0.003	0.015	0.015	0.010	0.011	0.012	0.014	0.016	0.017
$\tau(50)$	0.138	0.154	-0.016	0.311	0.080	0.080	0.479	0.161	0.319	0.610	0.271	0.338
	0.014	0.037	0.037	0.009	0.006	0.006	0.011	0.012	0.011	0.016	0.014	0.017
$\tau(60)$	0.189	0.189	0.000	0.389	0.127	0.127	0.405	0.142	0.264	0.437	0.226	0.211
	0.029	0.047	0.049	0.029	0.021	0.021	0.013	0.009	0.012	0.015	0.012	0.015
$\tau(70)$	0.187	0.154	0.032	0.336	0.080	0.080	0.323	0.134	0.189	0.330	0.191	0.139
	0.009	0.054	0.055	0.019	0.025	0.025	0.015	0.010	0.013	0.011	0.009	0.010
$\tau(80)$	0.336	0.174	0.162	0.360	0.163	0.163	0.274	0.141	0.134	0.309	0.188	0.121
	0.032	0.029	0.033	0.021	0.024	0.024	0.013	0.012	0.010	0.012	0.009	0.010
$\tau(90)$	0.316	0.133	0.182	0.269	0.081	0.081	0.260	0.134	0.127	0.274	0.141	0.132
	0.051	0.172	0.174	0.030	0.032	0.032	0.017	0.014	0.016	0.017	0.015	0.015
Oaxaca–Blinder	0.295	0.155	0.139	0.331	0.125	0.125	0.419	0.188	0.231	0.520	0.262	0.259
	0.019	0.015	0.023	0.010	0.006	0.006	0.009	0.006	0.008	0.009	0.007	0.008

Note: Probit distribution model has been applied for purposes of estimation. Bootstrap standard errors with 100 repetitions are given in parentheses.

Source: Authors calculation; data source: LFS (2010, 2013, 2015–16, and 2016–17)

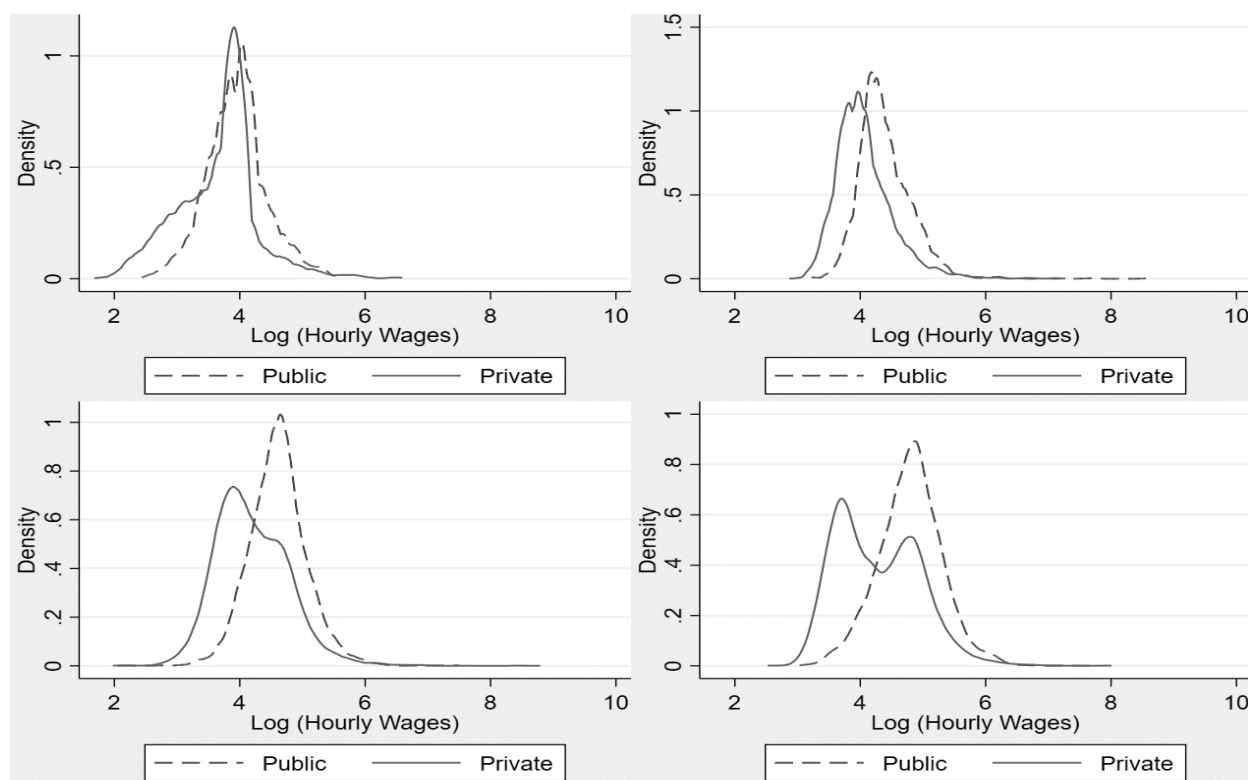


Figure 1: Distribution of Wage Density by Public-Private

Source: Authors' calculation; data source: LFS (2010, 2013, 2015-16, and 2016-17)

The wage gap could be divided into two parts that originate from: (a) characteristics effect and (b) coefficient effect. For 2010 data, the Oaxaca-Blinder decomposition shows that out of the 29.5 percent wage gap, 15.5 percentage point was due to differences in characteristics of public sector employees and 13.9 percentage point was on account of wage premium in public sector employment. These two effects are also present throughout the range of wage distribution. For example, at the first decile (for 2010), there is a 37.2 percent wage premium and the rest is due to characteristic effect.

In 2013, the average wage differentials rose to 33.1 percent with the wage differentials rising for the mid-level wage earners. Table 4 shows that in 2010, at median (50th percentile), wage differential was 13.8 percent, which rose to 31.1 percent in 2013.

In 2015, the Bangladesh government revised the salary scale for public sector employees upward. The last two quarters of the LFS was conducted after this revision came into effect in January 2016. Thus, it was expected that the wage differentials would be higher for 2015-16 than for 2010 and 2013. The average wage differentials in 2015-16 was 41.9 percent (of which 18.8 percent was due to characteristics effect and 23.1 percent was due to wage premium in the public sector). The highest wage

differential was at the 30th percentile of wage distribution (55.1 percent) and the lowest differential was at the top of the distribution (26.0 percent at 90th percentile).

It is important to recall here that one of the key objectives of the new salary scale introduced in 2015 was to attract more qualified employees to the public sector. In 2016-17, the average wage differential, accounting for the annual 5 percent salary rise, was 52.0 percent (10 percent more than 2015-16). As can be seen from Table 4, the wage premium for public sector employees increased by about 12 percentage points between 2010 and 2016-17, while the wage gap due to the characteristics effect increased by 11 percentage points.

Table 4 presents relative differential in wages in 2010 (following salary revision in 2009) and 2015-16 (following salary revision in 2015). The data show that, following the introduction of the new salary scale in 2015, with the added 5 percent annual increment, the differentials between public and private sector have widened for almost all wage distribution. The average differential has increased from 29.5 percent in 2010 to 52.0 percent in 2016-17, a change of 22.5 percentage points. It also appears from the table that the private sector employees belonging to the higher percentile of wage distribution were able to adjust to the changed scenario in response to salary revision when compared to the private

sector employees in the lower percentile of wage distribution.

Graphical presentation of wage differentials between the public and private sectors for 2010, 2013, 2015-16 and 2016-17 is given in Figure 2. For all four periods, the findings are generally consistent with findings cited in the literature (for example, see Ehrenbergh and Schwarz, 1986; Blackaby et al., 1999; Melly, 2005b; Birch, 2006; Elliott et al., 2007; Campos and Centeno, 2012; Christopoulou and Monastiriotis, 2013; Lausev, 2014; Nikolic, 2014; Hospido and Moral-Benito, 2016). We find a similar trend of decreasing wage premium in the public sector (shown by “effect of coefficients” in the figure) in the higher quantile of earnings distribution.

We find from the bootstrap inference on quantile counterfactual decomposition of public-private wage differentials that the functional form of regression model that we specified for the above analysis is correct. The findings⁵ suggest that the null hypothesis of “no effect of observable distributions” should be rejected. As a result, we arrive at the conclusion about the strong presence and stochastic dominance of wage gap in each decile of the wage distribution in Bangladesh. In addition, the findings reject the null hypothesis of “no effects of characteristics” and “no effect of coefficients”. We can, thus, conclude that the public-private wage gap in Bangladesh is a combination of both coefficient effect and characteristics effect. Whilst public-sector salary scale revisions are resulting in wage inequality between the public and private sector employees, there is a concurrent increase in wage inequality between the high and low-end employees in the private sector. The next section analyzes how

government intervention in the labor market has changed the wage dynamics in Bangladesh.

5.2 Government Induced Inequality

This sub-section quantifies the effect of the public-sector salary scale revisions on the wage differentials between the private and public sectors. Due to the 2015 salary scale revision, salaries of all government employees have almost doubled across all salary ranges (scales). We have used data from the third quarter of 2015 (before the salary scale revision) and first quarter of 2016 (after the salary scale revision) to show the density of earnings of public and private sector employees in Figure 3.

The left panel shows the wage density before the salary scale was revised, and the right panel displays the same following the salary scale revision. The density in the left panel shows that the minimum wages are almost the same for both groups, but private sector employees have the highest wage, and the average wage is higher for the public sector employees. The right panel shows a proportional rightward shift in density function for both low- paid and high-paid employees after the salary scale revision. Also, the density for private sector employees shows a double peak, which indicates a shift in wages for higher paid employees but not for the lower paid ones. This suggests that the highly paid employees in the private sector were able to raise their wages in response to the upward change in the salary scale for government employees, but the low-paid private sector employees were unable to do so, perhaps because of lack of adequate bargaining power.

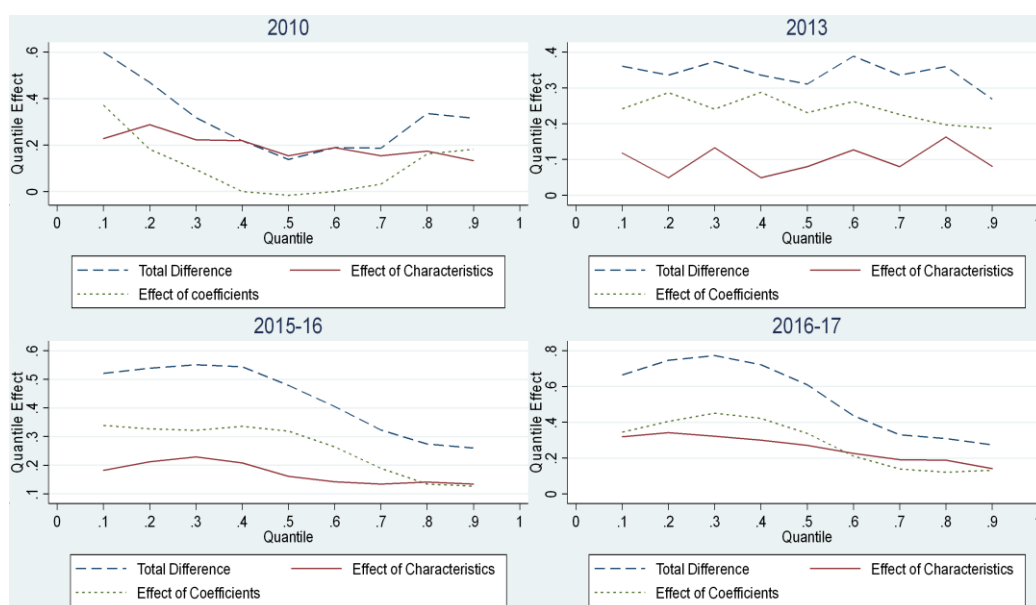


Figure 2: Public and Private Sector Wage Differentials by Years.

Source: Authors' calculation; data source: LFS (2010, 2013, 2015-16, and 2016-17)

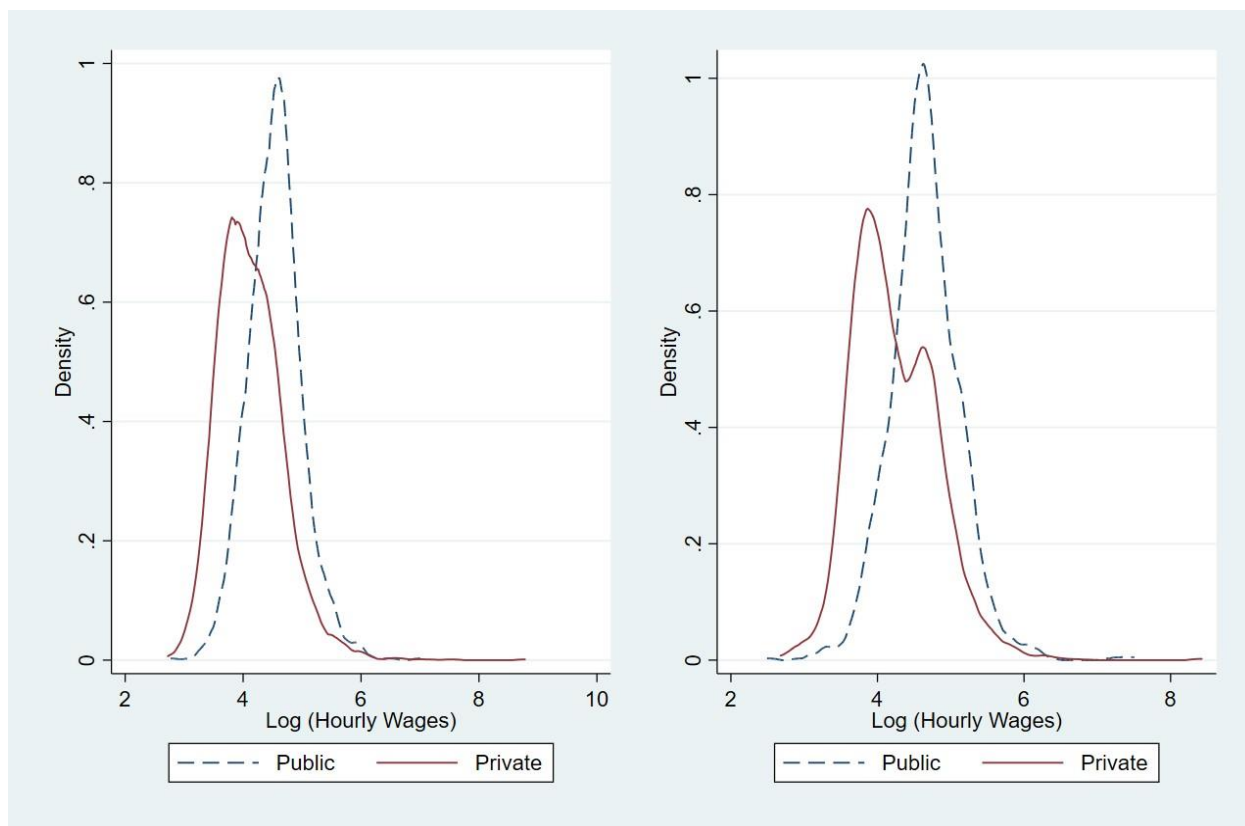


Figure 3: Distribution of Log Monthly Wages.

Source: Authors' calculation using QLFS 2015-16

The Oaxaca-Blinder decomposition shows that even before the salary scale was revised in 2015, there was a 41.7 percent wage differential between the public and private sectors, of which 20.6 percentage points was due to the wage premium in the public sector. The quantile decomposition shows that the wage differential is the highest in the 20th percentile (53.8 percent, of which 36.3 percent is wage premium), and the lowest in the 90th percentile (28.5 percent, of which 21.3 percent is wage premium). The insignificant characteristics effect at the top of the distribution indicates that public sector employees do not have any significant wage advantage from their various productivity characteristics. It can be seen from Table 5 that the wage differential is higher at the bottom of the wage distribution and tends to be narrower at the top of the distribution.

As it was discussed earlier, the salary scale revision in the public sector had shifted the entire wage distribution spectrum for the public sector, but only partially for the private sector (only at the top of the wage distribution). Accordingly, we expect that the change in the wage gap will be higher at the bottom of the wage distribution, but relatively lower at the top. Table 6 shows that the change in the wage premium is the highest in the 30th percentile (compared to the pre-revision scenario).

Table 7 shows the changes in wage differentials due to the salary scale revision. The salary revision increased the wage differentials between the public and private sectors by 13.8 percent for the third decile. This increased wage gap tends to decline in the higher deciles of the wage distribution. For instance, wage differentials increased by less than 1 percent at the eighth decile, and barely at the ninth decile. As we had hypothesized earlier, greater bargaining power of relatively highly paid employees in the private sector may have enabled them to negotiate with their employers and make salary adjustments accordingly. However, this may not have been the case for the low- paid private sector employees. As a result, the public sector salary revision may have contributed to higher wage inequality among the private sector employees.

5.3 Assessment of Non-Wage Benefits in Public vs Private Sector Jobs

Table 8 shows that coverage of public sector employees under pension/retirement funds is very high and stable (at about 96.0 percent or more), but the coverage is significantly lower in the private sector and also not stable (reaching a maximum of only 25.0 percent in 2015-16).

Public sector employees also have greater coverage under maternity leave, paid sick leave, and food subsidy. In 2016-17, the maternity leave coverage in the public sector was 90.0 percent and in the private sector only 47.9 percent; more than 94 percent of public sector employees and only 70% of private sector employees were covered under paid sick leave; and coverage of food subsidy was rather low for both sectors (only 30.2 percent in public sector and 16.7 percent in the private sector).

Table 9 shows that the weekly average working hours in the public sector is consistently lower than in the private sector. For example, in 2016-17 the weekly average working hours in the public and private sector was 48.6 hours and 54.8 hours, respectively. Thus, the weekly working hours for private-sector employees was in general 12.7 percent higher than the public-sector employees.

Table 5: Public-Private Wage Differentials in Third Quarter, 2015 Dependent Variable: Log of Hourly Wage

Quantile	$\tau(10)$	$\tau(20)$	$\tau(30)$	$\tau(40)$	$\tau(50)$	$\tau(60)$	$\tau(70)$	$\tau(80)$	$\tau(90)$	Oaxaca-Blinder
Total	0.481	0.538	0.486	0.507	0.482	0.401	0.345	0.312	0.285	0.417
effect	0.039	0.027	0.301	0.017	0.019	0.025	0.021	0.027	0.042	0.014
Char.	0.122	0.174	0.182	0.223	0.256	0.241	0.163	0.139	0.071	0.212
effect	0.097	0.045	0.048	0.034	0.033	0.055	0.051	0.064	0.085	0.016
Coeff.	0.359	0.363	0.303	0.284	0.226	0.159	0.182	0.172	0.213	0.206
effect	0.101	0.046	0.043	0.036	0.035	0.054	0.048	0.069	0.091	0.019

Note: Results presented in Table 5 above and Table 6 below are estimated with the Probit distribution model. Bootstrap standard errors with 100 repetitions are given in parenthesis. For the Oaxaca-Blinder decomposition, robust standard errors are presented in parentheses. The following explanatory variables are included in each group: age, age squared, education, education squared, occupation dummy, rural dummy, regional dummy, marital status dummy, and gender dummy.

Source: Authors' calculation using QLFS 2015-16.

Table 6: Public-Private Wage Differentials in First Quarter, 2016 Dependent Variable: Log of Hourly Wage

Quantile	$\tau(10)$	$\tau(20)$	$\tau(30)$	$\tau(40)$	$\tau(50)$	$\tau(60)$	$\tau(70)$	$\tau(80)$	$\tau(90)$	Oaxaca-Blinder
Total	0.557	0.588	0.624	0.579	0.501	0.428	0.321	0.319	0.287	0.453
effect	0.025	0.021	0.022	0.019	0.023	0.029	0.025	0.028	0.028	0.018
Char.	0.454	0.416	0.467	0.182	0.061	0.057	-0.015	-0.079	0.000	0.349
effect	0.081	0.079	0.073	0.087	0.058	0.056	0.063	0.127	0.142	0.017
Coeff.	0.104	0.172	0.157	0.397	0.440	0.372	0.336	0.399	0.287	0.103
effect	0.084	0.075	0.071	0.083	0.058	0.061	0.067	0.132	0.144	0.017

Source: Authors calculation using QLFS 2015-16

Table 7: Summary Effects of Salary Scale Revision on Wage Differentials

Quantile	$\tau(10)$	$\tau(20)$	$\tau(30)$	$\tau(40)$	$\tau(50)$	$\tau(60)$	$\tau(70)$	$\tau(80)$	$\tau(90)$	O-B
After	0.557	0.588	0.624	0.579	0.501	0.428	0.321	0.319	0.287	0.453
Before	0.481	0.538	0.486	0.507	0.482	0.401	0.345	0.312	0.285	0.417
Change	0.076	0.050	0.138	0.072	0.019	0.027	-0.024	0.007	0.002	0.036

Source: Authors calculation

Table 8: Comparison of Non-Wage Benefits in Public vs Private Jobs (% Covered)

Indicator	Year					
	2013		2015-16		2016-17	
	Public	Private	Public	Private	Public	Private
Pension/Retirement funds ⁸	99.9	14.4	96.3	25.0	95.9	21.8
Maternity Leave	64.5	28.3	95.8	46.6	90.0	47.9
Paid Sick Leave	98.6	40.6	97.0	65.3	94.1	69.8
Food Subsidy ⁹	35.5	18.4	29.1	13.1	30.2	16.7

Note: ⁸Public sector employees are entitled to compulsory pension/retirement benefits, but for the private sector pension/retirement benefits are not mandatory as per the Labor Law 2013 (amended). It is rather surprising that coverage of public sector pension/retirement fund has somewhat decreased since 2013 (from 99.9%).

⁹Includes free transportation in 2015-16 and 2016-17.

Source: Authors calculation; data source: LFS (2013, 2015-16, and 2016-17)

Table 9: Weekly Average Working Hours by Sector

	2010	2015–16	2016–17
Public Sector	46.5	47.1	48.6
Private Sector	53.6	54.6	54.8

Source: Authors calculation; data source: LFS (2010, 2015–16, and 2016–17)

6 Concluding Remarks

This paper has examined the possible underlying factors contributing to the relative attractiveness of public sector jobs in Bangladesh in recent times. The quantitative analysis reveals that following the successive salary scale revisions, particularly the one in 2015, public sector jobs have become relatively more lucrative in Bangladesh compared to private sector jobs. While there has been a marked shift in relative attractiveness of public sector jobs across the entire range of wage/salary distribution spectrum, it is more evident at the entry level jobs. Although higher-paid private sector employees appear to have been able to adjust their salaries in response to the 2015 salary scale revision, this is not the case for the relatively low-paid private sector employees. This has led to a rise in earnings inequalities within the private sector. Additionally, public sector jobs have the added advantage of greater coverage of non-wage benefits (pension/retirement funds, sick/maternity leave, etc.) compared to the private sector jobs. This is also likely to have contributed to the shift in preference.

This study used the Oaxaca-Blinder decomposition method to assess the attractiveness of public sector employment in Bangladesh. However, further in-depth analysis can be undertaken to assess the change in relative preference between public and private sector jobs in Bangladesh. For this purpose, future research may be undertaken by deploying such tools as choice experiment and frame experiment. A non-linear decomposition of determinants of public-sector employment may provide additional insights into the shift in public sector job preference in Bangladesh in recent years. Analyzing other factors that may have contributed to this shifting trend in preference also remains an area of further research. Rigorous analysis is needed to capture how public sector salaries impact the salary structure in the private sector in Bangladesh.

The findings of this paper have significant policy relevance. It shows that public sector jobs are becoming increasingly lucrative to jobseekers in Bangladesh. The shift in job preference has important implications and significance from the perspective of policymaking. Policymakers should take advantage of this change in preference favoring public sector jobs and take initiatives to recruit talented young cadres for public service. Indeed, this could be an opportunity to raise human resource endowment in the public sector in Bangladesh towards better and more efficient public service delivery.⁶ The

results also show that private-sector workers in the lower deciles of wage distribution have not been able to adjust their wages to the rising wages of public-sector workers, which has resulted in rising inequality both within and across wage groups. Policymakers should look into this emerging trend more closely. Perhaps, the option of introducing a minimum wage could be considered to address this disquieting scenario.

Endnotes

1. The authors are grateful to the two anonymous referees for their very insightful comments on an earlier draft of the paper. The authors would also like to express their deep appreciation for the very helpful comments provided by discussants at the Bangladesh Development Initiative (BDI) Conference held on March 22nd–24th, 2019 at Yale University, USA. Authors are responsible for all remaining shortcomings.
2. 56 percent of government jobs in Bangladesh are covered by quotas of various types (for children and grandchildren of freedom fighters, women, marginalised groups, backward regions, etc.). Under pressure from the students, the government has now decided to do away with the quota system in government jobs altogether.
3. Some of these studies are Fogel and Lewin (1974); Ehrenbergh and Schwarz (1986); Poterba and Rueben (1995); Blackaby et al. (1999); Melly (2005b); Birch (2006); Lucifora and Meurs (2006); Elliott et al. (2007); Campos and Centeno (2012); Christopoulou and Monastiriotis (2013); Lausev (2014); Nikolic (2014); Hospido and Moral-Benito (2016); Mahuteau et al. (2017); Smith (1976, 1977).
4. Ahmed and McGillivray (2015) provide justification for selecting full-time paid individuals for estimating wage equations.
5. The detailed econometric results are not reported in this paper, but are available upon request.
6. The Public Service Act, an important reform initiative of the Bangladesh government, has been lying at the draft stage for several years now. The shifting preference for public sector jobs should incentivize policymakers to finalize the Act with a view to raising quality of public service in Bangladesh.

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The Changing Face of Political Islam in Bangladesh: From Compromise to Confrontation? (1991-2016)

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Abstract

Islamic political engagement in a quasi-democracy is often marked by ambivalence. Needing to play second fiddle to bigger and so-called democratic counterparts, Islamic parties waver between religious and democratic ideals and struggle to find a middle path. How do Islamic parties handle this challenge in Bangladesh? In a post-Cold War political environment, when emancipatory ideals appeal strongly to popular minds compared to the overtly religious, how do Islamic parties advocate a stronger role for the latter? How can Islamic politics sustain – or even manipulate – Bangladesh’s governance system that treats ideological struggles with caution, and lately, repression? On an urgent note, do Bangladesh’s latest spurts of violence stem from the governments’ retrograde stances against Islamic politics, from whose absence reactionary forces benefit? In addressing these points, this paper forwards the argument that the true power of Bangladesh’s Islamic politics calls for anticipation beyond electoral feats; and that, past a period of democratic transition, political Islam may have reached a status in the country whereby governments can choose to dispense with it only at the cost of political stability and social cohesion.

1 Introduction

“I do not know if they [militants] went to heaven, but they ruined our lives.”

— Shishir Boiragi, former chef at the Holey Artisan restaurant at Gulshan, Dhaka, after suspected Islamic State (IS) members killed 28 people at a hostage-taking incident in July 2016.¹

Between January and June 2016, Bangladesh experienced a notable low in its security situation. Various law implementing agencies engaged in extra-judicial killing of opposition activists across the country at the behest of an increasingly authoritarian government, while a series of terrorism incidents brought Bangladesh to international headlines (Economist, 2016; Human Right Watch, 2016; Macdonald, 2016; Odhikar, 2016). The month of July brought even more shock. Seven extremists suspected to have links to the so-called Islamic State (IS) stormed into a restaurant at the capital Dhaka to stage a spectacular hostage-taking that left twenty-eight people including twenty foreigners dead (AlJazeera, 2016; Hammadi, Scammell and Yuhas, 2016; Manik and Ananad, 2016). In a second incident only days after, a massive Eid congregation was targeted in which four people including security officers were killed (The Daily Star, 2016; The Dawn, 2016).

These were unique events and, in many ways, trendsetting – foreign nationals were never taken hostage in Bangladesh by Islamic militants in the past, nor was

there a wholesale lethal attack on an Eid congregation. However, the regular observers of Bangladesh politics might have seen this coming (Anam, 2016; Venkatachalam, 2016). Apart from global Jihad, two aspects of the local situation could have contributed to this sudden spurt in violence.

The first was the government’s blatant closure of opposition politics that left no window open for voicing protests, even on legitimate social or religious grounds. From 2009, the Awami League (AL) government resorted to an essentially authoritarian rule (Hussain, 2009), and muzzled the press through arrests of intellectuals critical of its policies.² “Bangladesh headed in an authoritarian direction” – was exactly how the Human Rights Watch began their 2016 annual report on the country, registering that the Sheikh Hasina-led government was “cracking down on free expression and civil society” (see also Nayar, 2016).

The second could be linked to the government’s efforts to embolden the few secularist political unions in the country as opposed to Islamic ones. The latter faced political extinction by the middle of 2016. To be sure, in between December 2013 and June 2016, six opposition leaders were executed through the International Crimes Tribunal (ICT). Of these, five were from the Jamaat-e-Islami (JI), the country’s largest Islamic party (Stratfor, 2016). The same court sent three other Islamic leaders to the death row, and sentenced several others for life. The legal procedures drew criticism: during the trial, for instance, the defense was allowed only a limited number of witnesses, and in one case a key witness was whisked

away by police from the court gates – to be only discovered in an Indian prison later (Khan, 2013). In another reported transgression, the court retroactively announced a death penalty and allowed the government to carry out the execution without hearing an appeal (ICTJ, 2013). These prompted the International Commission of Jurists (2013) to comment that sentences thus handed down were “incompatible” with international principles of fair trial. In the lead up to the 2014 general elections, the government also revoked the JI’s registration, which, alongside other issues, triggered an election boycott by the opposition (Ahmed and Ahmed, 2013).

If Prime Minister Sheikh Hasina used these trials to purge the country of her political rivals, the circumstances deserve scrutiny. Her government was still reeling from a mishandling of the 2009 mutiny at the Border Guards headquarters in Pikhana, Dhaka, in which 57 army officers and 17 others were killed without visible rescue attempts by the state. Later, toward the end of her mandate, in May 2013, she ordered the quashing of a religious uprising organized under a madrasah-based political movement called Hefazat-e-Islam – henceforth HI, or simply Hefazat. A specially formed task force of police and border guards was sent to conduct night assaults against unarmed protesters to remove them off the street.³ The operation resulted in huge casualties whose estimates of fatalities range from an official figure of 27 to several hundred (BBC, 2013; Desh Rights, 2013; Human Rights Watch, 2013).

At a time when Bangladesh faces an unprecedented wave of terrorism, the institutionalized practice of Islamic politics could be vital. Despite inconsistent performances in elections, Islamic political parties kept themselves remarkably relevant in Bangladesh’s domestic politics. With a cumulated voter penetration between 5 and 15%,⁴ these parties often turned the tables of political power in Bangladesh (the JI, for instance, coalesced regularly with the BNP, and occasionally the AL, to form governments). While the onus for transition towards a fuller democracy lay mostly with the larger parties, by operating alongside the bigger ones, the Islamic parties created the necessary effect that helped the country’s fledgling democracy to stay on track (Jahan, 2014).

This paper will study this abrupt turn toward authoritarianism for Bangladesh as an academic effort to understand the country and to reflect on its future, especially with regard to Islamic politics. Why, for example, did Sheikh Hasina resort to extreme actions against most of her Islamic counterparts, including the JI and the HI, after 2009?⁵ What were the responses, or their lack, from the Islamic parties and under what rationales? Perhaps more importantly, did the aforesaid violence that followed Bangladesh into the second decade of the new century occur as a response to the government’s retrograde stances against Islamic politics in the country?

1.1 Scope and Methodology

Two major Islamic movements – the JI and the HI – are analyzed as case studies representing two political blocks with different degrees of democratic participation. The JI remains the major Islamic party by size and electoral success, symbolizing the first group. With a leadership largely dominated by the ulama and grassroots religious students, the HI represents the second. Movements that do not seek to engage with the democratic process, e.g. the Hizb-ut-Tahrir, or those that fundamentally oppose the system, e.g. the Jama’at-ul Mujahideen Bangladesh, are not included.

Although Islamic politics during the post-authoritarian period is discussed, I have focused on the more recent period: 2009-16. The year 2009 was notably a time when, following from a two-year rule by a military-backed caretaker government, the AL returned to power. The ICT was also set up in that year with a pledge to bring 1971 genocide suspects to trial, although eventually this resulted in the obliteration of the JI leadership. The Hefazat incidents happened in 2013, and the next year was marked by the opposition’s boycott of general elections. The years 2015 and 2016 witnessed a visible rise in domestic terrorism, ending with the IS-inspired seizure of the Gulshan cafe’. Thus, this seven-year period (2009-16) can be identified in Bangladesh’s recent history as being one of extraordinary confrontation and political violence that Islamic political parties in particular were forced to grapple with. It is therefore of attention in this paper. Among the major political parties, the AL and the BNP are investigated for their interactions with Islamic parties, as evident in various electoral coalitions, pre-election deals, and post-electoral power sharing.

The methodology used in this paper is qualitative. I draw from three main types of evidence, namely, interviews, published information including statements from key individuals, and secondary readings. Such evidence is drawn from monographs, policy papers, think tank commentaries, online newspapers, and influential blogs on Bangladesh. Secondary readings also include relevant external situations, thus supporting a larger analysis. Between April and July 2016, I travelled to and met with Bangladeshi immigrant communities in Edinburgh, London, Birmingham, Liverpool, Oxford, Cardiff, and Belfast. Discussion with people in these places, who had firsthand experiences of Islamic politics in Bangladesh, also enriched the interpretive framework of this study.

1.2 Paper Organization

The discussion in this paper is spread into two sections. The first, Section 2, offers a review of literature and contextualizes Bangladesh’s Islamic politics within a

morphing religio-political landscape. The topical debate between the secular and the religious in the country is also introduced. Broadly, the section covers the time period from 1991 up until the general elections of 2008, that is, prior to the AL's latest assumption of power. The second, Section 3, analyzes the more conflictual period (2009-16). Commentaries of two seminal events from Bangladesh's political history – Pikhana killings of 2009 (involving rebel at the Border Guards) and the 2013 crackdown in Motijheel (involving the uprising led by the Hefazat-e-Islam) – are offered and their effects on the Islamic political performance gauged. Crucially, this section also explains how the absence of the traditional Islamic politics may have been responsible for the recent security downturn for Bangladesh. The conclusion narrates why, in view of this paper's contents, empowering and mainstreaming Islamic politics may be a way out for Bangladesh in the foreseeable future.

2 Contextualizing Islamic Politics in Bangladesh (1991-2008)

"I do politics for the people, not for me ... People are enjoying democracy now. . . All the democratic institutions are working and people are satisfied and people are enjoying it. So the way you say I am dominating, I am not dominating. I am serving people."

— Sheikh Hasina Wazed, Prime Minister of Bangladesh, in an interview with *The Guardian*, September 2015 (Tisdall and Ridout, 2015).

Any analysis willing to impress upon Bangladesh's Islamic politics needs to grapple with two important realities. First, Islamic parties in Bangladesh are visibly different from their Middle Eastern counterparts (Kuru, 2014). Geographically, the country sits at the eastern end of the South Asian region, separated from the Middle East by at least two larger countries; this keeps the Bangladeshi people and politics at least physically detached from some of the direct effects stemming from the Middle East. With the exception of the Jamaat-e-Islami (JI), which maintains ideological links to cross-border Islamic movements (Ahmed, 2005), most other Islamic movements in Bangladesh are homegrown and domestically operated. There are also differences in these parties' organizational structures and member traits. Unlike some of the Islamic parties in the Middle East, those in Bangladesh do not maintain armed wings or martial affiliates, nor do they have members with experience with war.

The values and ideals practiced in the Bangladeshi polity are also at times different from comparable western

standards (Khan, 2011, p.108-110). Many in Bangladesh would view politics as much more than a way of rule, but rather an essential part of their daily lives, similar to religion. Secularism traditionally has a limited market, and issues such as separation of state from religion are usually not considered important (Rahman, 2008, p.2). Although Bangladesh's first constitution, adopted in 1972, had secularism enshrined, it was removed five years later and reinstated only recently, in 2010. Ali Riaz (2013, p.3) makes a case for the greater South Asian region by saying that religion-based political parties here enjoy historical prominence and receive support from a significant chunk of the community, even if such support does not always translate into electoral endorsements. Thus, in Bangladesh, as in India or Pakistan, religion-based parties have always made deep political inroads, operating from as early as the country's independence. Following the democratic restoration in the 1990s, however, when a "duopolised system" emerged whereby two major parties had alternated coming into power, the Islamic parties learned to adjust to that reality rather than challenge the status quo – thus ushering an era of compromise and cooperation that spanned about a decade (Jahan, 2014; Khan, 2011; Banyan, 2015).

2.1 Approaching Bangladesh's Islamic Politics in the Literature

It is important to consider Bangladesh's demographic and locational importance before delving into the literature on its Islamic politics. The country has a Muslim population second only to Indonesia, Pakistan and India.⁶ Its location is at a geographical wedge between the South and Southeast Asia – regions that are together home to over 60% of the world Muslim population (Pew Forum on Religion and Public Life, 2009).⁷ Accordingly, Bangladesh offers an excellent model for a wider inspection of Islam's political journey in South Asia (see Ahmed and Nazneen, 1990). The map in Figure 1 shows Bangladesh's geographical and demographic placement within Asia.

The literature dealing with Bangladesh's Islamic politics has examined it from various issue-specific concerns – namely, electoral (Riaz, 2004; 2010); party political (Jahan, 2014); women rights (Shehabuddin, 2008); or security (Venkatachalam, 2016; Ullah, 2014). Some authors viewed Islamic politics as also a tool to understand Bangladesh's international relations (Mohsin, 2004) or that of the Islamist public sphere dynamics (Rahman, 2019), or simply as an alternative answer to neoliberal capitalism (Islam, 2015). Using a historical lens, Mushtaq Khan studies the political coalitions in Bangladesh within a clientelist platform and pits the Islamic against the secular in order to show that at times they hold merely symbolic differences and in fact do work



Figure 1: Map of comparative Muslim Populace in Asia showing Bangladesh among others.⁸

together according to interests. For the Awami League and other clientelist parties taking positions for or against secularism, the practice of Islam or secularism did not have a direct material significance for their organizations or constituents. Reaching out to Muslim political organizations was consequently simply an act of restructuring the ruling coalition. (Khan, 2011 p.110)

There is still a visible emphasis among some scholars on the role of the secular in claiming the history of Bangladesh. Ali Riaz (2004; 2008; 2010), for instance, introduces Bangladesh as a state secular in its heart, but apparently in distress due to empowerment of the Islamic. His later works (2016; 2018), however, recognize a more complex picture drawn from popular Islamic nationalist movements starting from the British colonial era – the Faraizis, Dudu Miyan and others – including those that followed into the Pakistan period. Notably, he does not view the Bengali language movement in the 1950's as a defiance to Islam, nor as a disavowal of people's religious identities. Even when the lower caste Hindus joined a movement against the British Raj, shows Riaz (2016, p.197), they would stay within the accepted peripheries of religion, often forwarding demands that they deemed religious yet emancipatory (see also Islam and Islam, 2018, p.2). In the independent Bangladesh, religious leaders found popularity to some extent as well, especially when they led emancipatory movements. This occurred most famously in 1976, when under the

leadership of Maulana Abdul Hamid Khan Bhasani, thousands of people marched toward the Farakka Barrage in India (Haq, 2012). The Farraka project had denied Bangladesh its fair share of the Ganges waters, eventually causing the river Padma to dry up and triggering desertification of a broad swath of inland territory.

Taj Hashmi (2010) demonstrates another scholarly trend by pointing toward external forces. He sees Bangladesh as vulnerable from exploitation by its larger neighbors, especially India. A number of pacts signed between Bangladesh and India during the AL regime, believes Hashmi, can be deemed as detrimental to Bangladesh's national interests. He also holds that a pursuit of "India Doctrine" by Hasina would have fired up nationalist fervor that favors the opposition and hands over additional firepower to the Islamic. Two other studies (Jahan, 2014; Ullah, 2014), dealing with the Bangladesh and Pakistan situations respectively, flesh out another possibility concerning Islamic politics that this study also recognizes as important. Facing repressive governments, the madrasah-based ulama, or religious scholars, exhibit a continued struggle to keep themselves relevant in their predominantly Muslim societies – often through alternative practices that learn to sidestep the traditional. Although enacted in a far-off scenario, the experiences with the Syrian ulama that Thomas Pierret (2013) describes would bear good parallels to the above. This also explains how the orthodox find its due place in

the contemporary Islamic struggles in Bangladesh. As we discuss the case of the Hefazet-e-Islam in Section 3, this phenomenon will be highlighted further.

2.2 The Religio-Political Landscape

With an overwhelming following, approximated at about 90% of the total population, Islam remains the dominant religion in Bangladeshi society. A plethora of Islamic political parties operate in the country, albeit without proportionate electoral success. In between 1979 and 2001, a total of 35 political parties bearing names suggestive of an Islamic agenda participated in the national elections (Riaz, 2008). No Islamic party, however, formed a government or became the dominant party within a governing coalition in the country. Instead, two center-leaning and quasi-democratic parties (the AL and the BNP) dominate Bangladesh's political playfield. Founded in 1949, the AL is one of the oldest political parties in the subcontinent. Its practiced ideals, however, have varied over time: from pro-Islamic (the party was styled as the Awami Muslim League in the 1940s) to religiously neutral (the word "Muslim" got discarded from title in the 1960s) to secular-leaning in the more recent years (Hussain, 2015). The AL came to power for the first time in Bangladesh in 1996 and has been in power since 2009.

The BNP, on the other hand, is a party with a right-of-center orientation. Unlike the Awami League, whose centrist politics may have been informed at times by a need-based departure from the left, the BNP was able to bolster its centrism from a rapport with the right. Since its establishment under General Zia in 1978, the party advocated for the presence of Islam in public sphere. It also enjoyed a deep-rooted support base in the Army, which tacitly approved accommodation of religious ideologies in mainstream politics; however, the extent of support may have waned in the recent years (Sofuglu, 2018). The ideology of Bangladeshi nationalism, which differentiates Bangladeshi citizens from those of India's West Bengal province, has remained the BNP's core political concept. The BNP formed government for two full mandates starting 1991 and 2001 respectively.

Islamic political parties, on their part, have seen a varied representation in Bangladesh. Although two articles of the Bangladesh constitution specifically prohibit the formation of religion-based political parties, this was later altered. In the aftermath of independence, the remnants Islamic parties formed during the East Pakistan years (the Muslim League, Jamaat-e-Islami and Nizam-e-Islam, among others) were viewed as collaborators with the Pakistani army and state, with some of their leaders arrested under the Bangladesh Collaborators Order in 1972 (Jahan 2014, p.38). Thanks to later amendments, the Jamaat-e-Islami was able to

establish itself in Bangladesh politics by the end of the 70's (International Crisis Group, 2015, p.3). Ideologically influenced by Abul Ala Moududi since the 1940s, the Jamaat has been a major transnational movement in South Asia. It operates in India, Pakistan, and Bangladesh and espouses a modern Islamic political vision that encourages forging political paths independent of traditional ulama or nationalist leaders (Ahmed, 2005). In the 1980s, the party made notable impacts in the anti-Ershad uprising in Bangladesh by agitating alongside two major parties, and with the assumption of electoral democracy in 1991, helped the BNP to install the first democratic government.

A few other parties also color the broader canvas of religious activism in Bangladesh. Some of the ulama – mainly madrasa teachers and students – operate under a common platform called the Islami Oikkya Jote (IOJ) since the 1990s, while a relatively new such coalition by the name of Hefazat-e-Islam (meaning, "the protection of Islam") formed later. Starting in 2006, the Hefazat (HI) maintained a status of non-alignment respective to the two major power blocks in the country and announced an unwillingness to participate in elections. Following the downslide of opposition politics after 2009, however, the party thrived (I discuss it further in Section 3). Both the HI and the IOJ draw heavily from traditional Islamic schools for their political activism. However, in the case of the IOJ, despite having participated in all four general elections in between 1991 and 2008, such support did not translate into electoral success (Riaz, 2010, p.3), as shown in Figure 2.

A non-party and mostly apolitical Islamic movement completes this picture for Bangladesh. In the post-independence years when older Islamic parties struggled for survival, an alternative Islamic revival grew in the name of Tabligh Jama'at (TJ) and has continued till date. Brought about in India in 1927 by Maolana Muhammad Ilyas as an offshoot of the Deobandi movement, this largely mosque-based association enjoyed greater support in Bangladesh among both the government and general population. The TJ's declared aversion to politics and their lack of direct involvement in economic-political-social debates may have allowed them to maintain a working (or at least conflict-free) relationship with the ruling governments (Sikand, 2013, p.338). In the recent years, however, such non-confrontational trends may be changing. In a telephone interview in May 2016, a madrasah teacher based in Dhaka confided to me that he had been sitting at the center-stage of the Hefazat protests in Motijheel on May 5, 2013. Trained in Deoband, India, the gentleman was an avid participant of the TJ for many years; according to him, however, 'the trends were changing' and that 'a high number' of TJ members may have participated in the May gathering alongside the HI and met with police brutalities.⁹

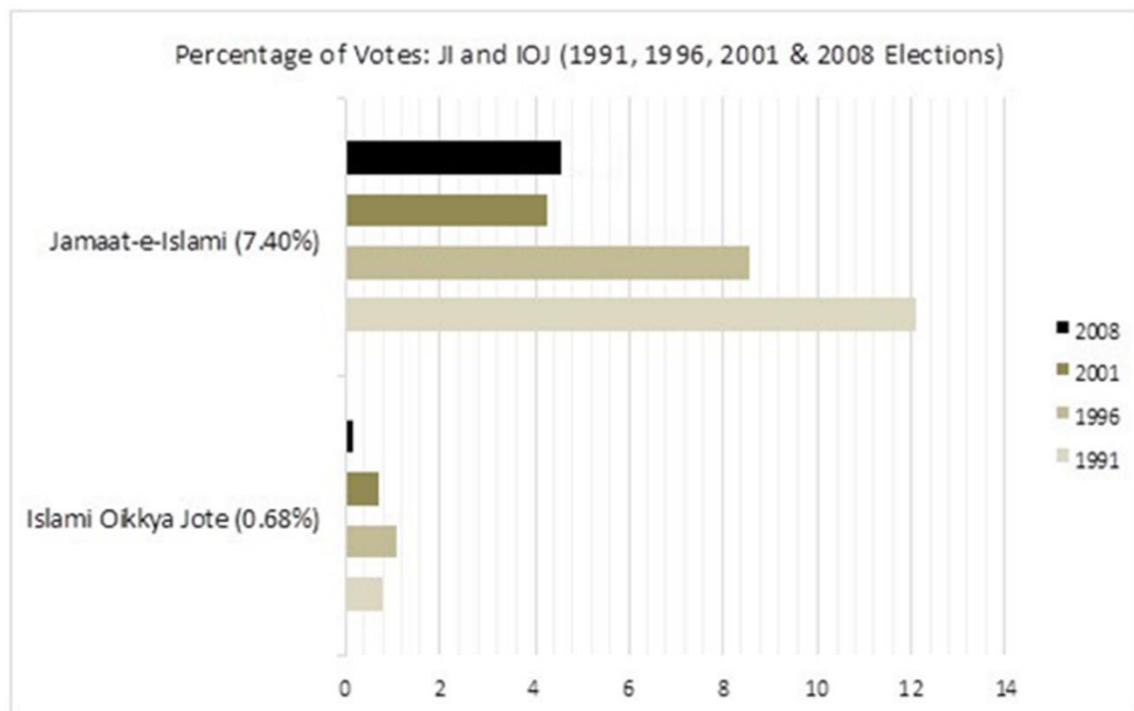


Figure 2: Voter Penetration for two major Islamic political blocks in Bangladesh (JI and IOJ).

Data Source: Election Commission Bangladesh website (www.ecs.gov.bd)

2.3 Islam and the State: The Secular Versus the Religious in Bangladesh

The topical debate between the secular and the religious in the country (see Islam and Islam, 2018; Rahman, 2019) can be viewed as a guiding force behind several recent events affecting the performance of Islamic groups. One of these, involving the HI, will be discussed in Section 3. This debate has its root engrained in the colonial legacies as well as in the changing ideas of religion, secularity and nationalism in Bangladesh. According to Craig Baxter (1997, p.62) the Bengali people recovered from a religion-based divide from the British India in the 1940s and a culture- and language-based further divide from Pakistan in the 1970s, both of which have influenced the shaping of their political thoughts in accordance with ideas of democracy, equal rights, and social justice. Thus, while the numerical superiority for Muslims does not seem to translate into ruling power for the religious in Bangladesh, Islam as a religion also does not impose any overbearing force in citizens' social lives. Since its independence, politics in Bangladesh has mostly been dominated by parties and people carrying democratic placards, rather than the overtly Islamic. At home and internationally, Bangladeshis were typically branded as religious and yet moderate and freedom loving (von Schendel, 2013). While David Lewis (2011) does acknowledge a 'long- standing tension' between religious

and secular identities in Bangladesh, he also locates an important antidote to Samuel Huntington's civilizational clash theory in the moderate face of the Bangladeshi Muslim.

One then wonders – wherein lie the roots of this “tension”? Once again, Baxter's (1997) narration of Bangladesh's political history provides some possible answers. The Bangladeshi citizenry may have held their ideals of democracy high, but that may not have always prevented their rulers from resorting to religion as a window to greater power, even if that meant resorting to the secular on occasion. According to Baxter, for a country that was a spinoff from Pakistan, which was created along religious fault lines in the 1940s, it took a major shift for Bangladesh's first leader Sheikh Mujibur Rahman to enact a constitution with its core values set as socialism and secularism. Baxter calls this as an idealistic swing a “second Two Nation Theory” (1997, p.142). In other words, rather than declaring a popular departure away from religion, this points to an embracement of the politics of culture and language by the leadership. Coming to power after Mujib, General Ziaur Rahman seemingly located in that same constitution the seeds for an identity crisis for Bangladesh. In its mitigation, then, he swivelled back to religion. The word *bismillah* (meaning, “I start in the name of Allah”) would be incorporated into the constitution's preamble and the

ideals of “absolute trust and faith in Almighty Allah” would come to replace the Mujib-installed “socialism” and ‘secularism’. Among other changes, Zia would also legalize religion-based politics in Bangladesh, paving the way for a stronger role of Islam in the country’s governance. Later, President Ershad, in power from 1982, would also follow this legacy and promote Islam to the level of the state religion.¹⁰

If there was an early strife between religion and secularity in Bangladesh, how intense or significant was it? Ali Riaz (2004, p.45) is of the opinion that secular ideals were historically present in Bangladesh and may have been instrumental in Bangladesh’s secession from Pakistan. Such a view, however, is seriously challenged by Mohammed Yunus (2003, p.244), who says that all accounts of Bangladesh’s independence are “‘agreed upon to the point that the reason for the split had nothing to do with religion”. In tracing Bangladesh’s major motivation for independence, Willem van Schendel lists language as a key reason for the division between the two wings of former Pakistan. “The language issue stood for a more general cultural and political divide within the fledgling state” – writes van Schendel (2013, p.179); see also Hossain (2010, p.139). Rehman Sobhan blames their economic divergence for the mass discontent in the East (2013, p.187; 2015). Thus, a number of issues can be associated with Bangladesh’s independence – language, economy, or culture. None of them, however, indicate that the people veered away from the religious identity that they or their ancestors subscribed to in the 1940s, and then transformed fundamentally to break away from Pakistan.

2.4 Noting the early trends

Two distinct trends characterize Bangladesh’s Islamic political journey during its post-autocratic period, and they span about a decade each. Starting in the 1990s, the first displays largely cooperative trends among various parties across the political divide. The second runs between 2001 and 2008, and is featured by a general rise of power for Islamic political parties. In many ways, this

period stands as an example of what Islamic politics can achieve in Bangladesh. I shall inspect here these two largely peaceful trends, albeit briefly, before introducing the later conflictual trends in Section 3.

A decade of mutual coexistence (1991-2000): The 1990’s in general showed prospects for Bangladesh’s fledgling democracy (Baxter, 1997, p.121). The BNP-led government came to power with a strong mandate in 1991, securing 140 seats in a 300-member parliament. And yet Khaleda Zia, the BNP chairperson, chose to form her government in coalition with the JI and IOJ, two Islamic parties that had together captured 12.13% votes and a total of 19 seats in parliament. On its own, the BNP never attempted to establish Shariah laws in the country; however, it allowed Islamic scholars and political leaders to voice opinions on such matters. Trends of such cooperation were observed during the AL’s first mandate (1996-2001) as well. The party seemed to maintain a workable, if not always cordial, relations with Islamic leaders. In 1994, when the JI broke away from the BNP-led government, the AL took them into their fold and succeeded in their demand for a caretaker government who would oversee elections. AL eventually assumed power. Although both the AL and BNP-led governments were accused of rampant corruption (Mahmood, 2010, p.103-11), the religious parties enjoyed wider freedom by participating in the democratization process and by forging important electoral coalitions. The JI in particular worked alternatively with both major parties, eventually rising to ministerial powers with the BNP in 2001.

Rise of Islamic power and newer political trends (2001-8): Although the BNP emerged as a strong political force coalescing with the JI and the IOJ against the incumbent AL and won elections in 2001, the performance of the Islamic parties was not strong. Against a record 193 seats for the BNP, the JI won 17 and the IOJ 2 seats. Table 1 shows that their numbers were not much different compared to 1991; however, the voter share reduced significantly, to below 5% and 1% respectively. Perhaps more significant was how the Islamic contribution made a difference in the election: the

Table 1: Electoral Performances by Major Political Parties in Bangladesh, 1991-2008.
(Out of 300 Parliamentary Seats)

Year	Bangladesh Nationalist Party (BNP)		Bangladesh Awami League (AL)		Jamat-e-Islami (JI)		Jatiya Party (JP)		Islami Oikkya Jote (IOJ)	
	Seats	Votes (%)	Seats	Votes (%)	Seats	Votes (%)	Seats	Votes (%)	Seats	Votes (%)
1991	140	30.81	88	30.08	18	12.13	35	11.92	1	0.79
1996	116	33.61	146	37.46	3	8.60	32	16.40	1	1.09
2001	193	40.97	62	40.13	17	4.28	14	7.25	2	0.68
2008	230	49.0	30	33.2	2	4.6	27	7.0	0	0.16

Source: Election Commission Bangladesh website (www.ecs.gov.bd)

leadership of both Islamic parties showed an enhanced ability to read their politics well, and in fact won important seats for the coalition. Observing the JI's electoral performance, Riaz (2004, p.53-54) calls it "the kingmaker" of Bangladesh politics. Indeed, in between 1991 and 2006, the JI quite deftly switched side at opportune political moments: in 1991 it lent support to the BNP to form government; in 1994, it joined the opposition to unseat the BNP; and in 1998 it re-joined the BNP-led alliance to become a partner of the government following the 2001 election. Although the party suffered a setback in 2008, winning only two seats, the popular share of votes received by JI did not wane significantly even in that instance. Overall, in Bangladesh, the Islamic parties may have secured a voter penetration between 13% to 5% (averaged at about 10%) – a number that the major parties could ignore only at the risk of significant damage to their prospects of coming to power.

The manner in which the major political parties handled their Islamic counterparts in Bangladesh also reveals this precarity. In January 2006, for instance, Sheikh Hasina had signed a memorandum of understanding with the Khelafat Majlis – a political party styled to establish an Islamic state in Bangladesh – presumably to gain a share of the religious vote bank for her party, the AL. It was later disclosed that, in return, Hasina apparently agreed to enact the Majlish agenda of declaring the Ahmadiyya community as non-Muslim, pass a blasphemy law, and make fatwas legally binding (Schmidle, 2010, p.100-117). That political antic, however, did not last, as both parties later decided to disown the association (Datta, 2009, p.11-12).

3 The Interplay: From Compromise to Conflict and Confrontation (2009-16)

"We took shelter in the Baitul Mokarram Mosque. The police called us to come out. When we did, they fired at us. Bullets hit my face, and when I fell down, they came and shot at me in my knee and abdomen and shoulder. . . I was not armed. I did not have a stick. I was hit 19 times. I said to them, "Why are you shooting at me? I'm a volunteer."

—Hefazat-e-Islam activist (25), speaking to Human Rights Watch following police actions in Motijheel, Dhaka, 5 May 2013.

As of early 2016, the international community perceived Bangladesh as a dysfunctional democracy that faced reduction to authoritarianism (Stratfor, 2016; Landry, 2016; Kumaraswamy and Datta, 2007). The

Economist Intelligence Unit listed Bangladesh in their Democracy Index of 2015 as a case of a "hybrid regime" (Adeney, 2015), pointing to the fact that the government was no longer a credibly elected one. Having finished her mandate in 2014, Sheikh Hasina went ahead with an election in which the major opposition party did not participate, thus ending the "tradition" of swapping chairs through participatory elections every five years. Arguably, this had been the primary arrangement that kept Bangladesh's democracy alive (Kabir, 2015; Human Right Watch, 2014). The remaining discussion will be devoted to inspecting what led to this breakdown and what, as an aftermath, Bangladesh must face as of 2016 and beyond.

3.1 The Buildup: Fallout from the 2009 Pilkhana Killings

Two major incidents of violence can be recognized for their profound impact on Bangladesh's politics prior to 2016, and they both left tangible effects on the Islamic influence in politics. Of these, the incident at the border guards headquarters in Pilkhana, Dhaka, was particularly important. The deaths of army officers, border guards and civilians within the confines of secured premises captured popular imagination and, quite remarkably, created ripple effects that may have hit hard the Islamic parties, particularly the JI. In February 2009, a few rogue members of the border guards (then Bangladesh Rifles, later renamed Border Guards Bangladesh) took up arms and killed 57 Army officers, including the director general of the force, the deputy director general, and all of the border sector commanders. They also killed 17 others - including the family members of some officers, border guard troops, and other civilians - and attacked residences, vandalized property and looted valuables (Ahmed, 2009; Manik and Khan, 2009; Orgeret and Sobhan, 2012, p.1; Wikia.org, 2013). Sheikh Hasina's one-month-old government failed to initiate effective measures to tackle the incident, except to have hasty meetings with advisors and extend a general amnesty for the mutineers during their siege (Lawson, 2009; Orgeret and Sobhan, 2012, p.2). Both the Army as well as the Rapid Action Battalion (elite police force) were readied for rescue operation – the trapped officers and families had initiated contacts and were promised help – but their launch was prevented "fearing wider loss of lives" (Ahmed, 2010).

It is remarkable how the Pilkhana incidents may have come to haunt the Bangladesh government and opposition politics – including the Islamic – for years to come. For a country that prides itself of its army (Bangladesh has been one of the leading contributors to UN peacekeeping force since many years), the killings in Pilkhana had an enormous affect on the national psyche. The fact that so

many officers died without effective rescue attempts by the state left far-reaching consequences for the relationship between the army and the AL government (Aziz, 2013; Chowdhury, 2009; International South Asia Forum, 2015). It perpetuated fear in the mind of the government regarding possible repercussion from the army and may have created confusion in the opposition ranks, rather than encouraging a recovery from their electoral loss (Ahmed, 2009; Lawson, 2009). Finding the major opposition (BNP) toothless, it was at this time that she decided to target its Islamic coalition component, the JI. As mentioned in the introduction, a unilateral trial was declared under the ICT with a mandate of trying the war criminals from Bangladesh's war of independence. In effect, however, the opposition leaders, mostly from the JI, were imprisoned (Dutton, 2014). Smaller Islamic movements were already quashed: the Hizb-ut Tahrir, for instance, was banned by October 2009, despite not having been implicated in any terrorist activity up until that point (BBC, 2009). Extrajudicial killings by the security forces also instilled further fear in the citizens (Human Rights Watch, 2012, p.5).

The post-Pilkhana rule by Sheikh Hasina shows a distinguishable trend: it is intolerant to any movement (or demands) Islamic. It also shows how, following that decision fiasco in 2009, Hasina may have resorted to the tactic of silencing critics, including Islamic political leadership across the divide (Siddiqui, 2014). Could this arbitrary shift of policy be reasoned also to external politics? Taj Hashmi (2010) believes so, pointing to the rapidly increasing Indian business and investment interests inside Bangladesh. A section of the Indian media commentators also reportedly broad-brushed Bangladesh's Islamic political parties as a "root to all evils" (Behera, 2011, 138-46; Nayar, 2016). During a visit to Bangladesh prior to the 2014 general elections, Sujata Singh, the Indian foreign secretary, declared:

"If Ershad's party [the JP] does not join the upcoming election, Jamaat-e-Islami may rise" (Hassan, 2013).¹¹

Prior to this, in 2013, Hasina had passed an amendment in the parliament that would exclude the army from the definition of law-enforcing agencies during general elections.¹² In January 2014, a trial court unprecedentedly handed out death penalties to several former high-ranking officials involving a ten-year-old arms haul case, in which weapons allegedly travelled through Bangladesh into India. The defendants included the JI chief (Industries Minister at the time of the incident), a former state minister for the BNP, two senior intelligence officers from Bangladesh Army, and two leaders of ULFA, an Indian separatist outfit (International Business Times, 2014). These developments may have forced Khaleda Zia, the leader of the opposition, to pursue drastic changes in the party's operation. Councils were delayed for the BNP, and the party command apparently

failed to launch concerted campaigns even when Sheikh Hasina was pursuing significant constitutional amendments favoring her coalition. For example, the clause "Faith in the Almighty Allah" was removed from the body of the constitution, apparently to appease some leftists within the AL government (Banyan, 2015). Overall, a neo-secular trend was observed in governance during the second decade of the new century, provoking a reactionary Islamic movement led by the HI and, with that, a newer confrontation.

3.2 The Finale: The Hefazat-e-Islam Incidents of 2013

On the night between the 5th and 6th of May 2013, a "mass murder" took place in Motijheel, in the commercial hub of Bangladesh's capital.¹³ A group of protesters were demonstrating against, among other things, an education policy that they found to be in clashing with their Islamic ideals (BBC, 2013; The Desh Rights, 2013). Led by the Hefazat-e-Islam, the movement also called for measures against a visible secularization of Bangladesh's politics and for reinstatement of the phrase "Absolute trust and faith in the Almighty Allah" in the constitution. The leaders of the protest managed to garner a huge crowd, estimated to be one million in strength, which converged at the capital from all over the country (The Desh Rights, 2013; The Brethren of Black Lotus, 2013; a BBC report [6 May 2013] from Dhaka puts the number gathered to "tens of thousands"). During the day hours on May 5, there were sporadic clashes in the capital – between the protesters on one side and the police and ruling party activists on the other. A crackdown followed at night. At about 2:30 am, with most of the protesters asleep on the streets in Motijheel, electricity was cut off and, in the cover of darkness, a combined force of police, border guards, and Rapid Action Battalion units moved in to disperse the crowd. Hot water were splashed on the protesters, sound grenades hurled, and live bullets fired from armored vehicles. By the time dawn broke on May 6, streets were empty, and a few dead bodies lay scattered around the corners, some reportedly removed during night (The Desh Rights, 2013; Human Rights Watch, 2013).

The Bangladesh government branded the protests as destructive and anti-state, attempting to justify the crackdown. A massive media campaign was orchestrated to vilify the protesters; two broadcasters reporting from the venue were taken off air overnight (Bdnews.com, 2013); also, the newspaper Amar Desh that provided maximum coverage of the protests earlier was already shut down in April and its editor imprisoned (Habib, 2013). Despite efforts to regulate fallout from the assault, the word "massacre" echoed in the international media following the incident. "What happened in Dhaka and beyond in the early hours of May 6th looks like a

massacre,” wrote *The Economist* (11 May 2013). Amnesty International (2013) called for a fair investigation (see also, Khan, 2013). The Bangladesh government continued with their denial: the country’s security forces conducted “a well-planned and disciplined operation,” was how the Foreign Minister put it to the journalists (Ganguly, 2013).

Media reports indicate that it was largely the ulama, under the banner of the HI, who called for popular protests against government policies but not the government itself (Mustafa, 2013).¹⁴ Led by Mufti Ahmed Shafi, the HI chairman and former government-approved chair of a Madrasah education board, the conveners found an audience with people across the political spectrum. Some of them were disenchanted with policies such as Hasina’s appeasement of the Left and the fifteenth amendment made to the constitution, restoring secularism as a fundamental principle. By the start of 2013, some of Hasina’s cabinet members reportedly encouraged a secular student movement in the name of “Shahbag Andolon,” in which members of the Bangladesh Chatra League, the student wing of the AL also participated. (Amra 24, 2013; Ganguly, 2013; Mustafa, 2013).

It is in this context that the Hefazat thrived. It found new opposition from people without direct political affiliations, while it also managed to receive tacit support from the BNP and the JI. Notably, during their processions, Hefazat leaders often mentioned similar attempts to undermine Islamic values in education and society that they observed during the BNP’s rule, perhaps further indication that their protests were against government policies, and not any specific regime. What, then, were the reasons for Sheikh Hasina’s ruthless handling of those protests? After all, her reactions to the HI and to the people gathered in Motijheel on May 5, 2013, were at stark contrast to how her security echelons had dealt with the Shahbag protesters. Happening also in that year, the Shahbag protest was a left-inspired movement that was led initially by several atheist bloggers who advocated for a secular Bangladesh using new media; the movement, however, garnered support in some sections of the society before waning again amid the Hefazat developments (Al-Jazeera, 2013; Lewis, 2013).

The significance of the timing of this confrontation should also not be missed. Right at a period when several JI and a few BNP leaders were under trial for war crimes that they may or may not have committed, the Shahbag protesters launched their movement demanding capital punishment for Bangladesh’s war criminals. Also, while their effort at “righting historical wrong” (Lewis, 2013) may have appealed to a section of citizens, some of the movement’s leaders’ attacks on the country’s Islamic intelligentsia would have backfired. A substantial portion of people in the country may have found the Shahbag

protests, simply, “anti-Islamic” (Al-Mahmood, 2013). Politically, this was a significant time. With the general elections of 2014 nearing, Hasina needed to recover from the Pilkhana fallouts, whereas her lack of ease with the Islamic entities was increasingly evident. The Hizb-ut Tahrir, which had organized protests and distributed leaflets in the capital blaming Hasina for the Pilkhana failures in 2009, was already banned. Also, with the war crimes launched, the JI was in complete disarray. In fact, with the BNP inactive, the overall opposition was lacking leadership. At that point, when the Hefazat organized protests surrounding several demands during April and May 2013, Hasina could have treated them as an ideological counterpunch: something she must face off against rather than allowing to grow. That she chose the hardest physical confrontation against a largely non-confrontational movement will remain inexplicable to many.

3.3 The Islamic Downturn and the Fear of Extremism in Bangladesh

The lure of political power and the devotion of serving the cause of Allah provide a volatile mix in many Islamic polities (Yunus, 2003, p. 245). In their study of Bangladesh’s Islamic politics, Emajuddin Ahmed and D.R.J.A. Nazneen (1990, p.795) hold that where there was a free flow of political activity, Islamic politics generally stayed separated from the mainstream politics; however, where this flow was thin or truncated, or political institutions less developed (as in Bangladesh), religious politics would mix with other varieties and tend to flood the societal terrain. And yet, as of early 2016, Bangladesh’s politics stood far from any pluralist dispensation. Past a seven-year crackdown, the opposition remained mostly disheveled and the country’s Islamic politics under existential threat. Lacking overhaul in the BNP’s command structure, the opposition did not manage to stage larger agitations or organize processions against the incumbent. After a long hiatus, the HI did execute a rally in the capital in July 2016, but not before an undisclosed number of meetings were conducted between the party and the government, and unknown concessions were made (Dhaka Tribune, 2016).

With their senior leadership obliterated through either execution or imprisonment, the JI was not expecting a quick recovery either.¹⁵ In fact, with the fall of the Hefazat movement in 2013, the last vestige of traditional Islamic opposition may have been removed from Bangladesh’s political scene. It is under such precarious state of affairs that extremism may have surfaced in the country. Following from Pilkhana (2009) and Motijheel (2013) incidents, a lack of trust between various political parties would have created a political vacuum that violent extremism rushed to fill in. To be sure, in the ten months

leading to the Gulshan incidents of 2016, a total of 42 terrorist incidents were reported in Bangladesh, where suspected IS or its local affiliates may have participated (Rahman and Islam, 2016; Hossain, 2016). Extrajudicial killings of opposition activists were also reported during and after the January 2014 elections (Human Rights Watch, 2014). Amid a pervasive fear in the citizenry, an editorial at *The Daily Star* (3 July 2016) expressed genuine concerns regarding Bangladesh's future and called for "new thinking" in the country's political decision making.

4 Conclusion

Two trends will shape the future of Islamic politics in Bangladesh. The first is its relation to, and dependency on, bi-party authoritarianism; and the second, the increasing insecurity brought about by recent extremist attacks in the country. Keeping in view these possibilities, this study discussed contemporary Islamic politics in Bangladesh and discerned a few trends of operations in the context of the new century.¹⁶ Two lessons of hope surfaced from this. First, despite their being "minority" groups, Islamic political parties manage to garner tacit support from their Muslim-dominated polities and achieve a degree of indispensability. Disregarding them can lead to electoral injury, while attempting to dislodge them can lead to bloodshed.

The other concerns the relevance of Islamic parties to democratic transition. In a polity where self-styled democratic parties are traditionally underperformers, Islamic parties seem to consolidate democracy by forming crucial alliances and/or by working together with counterparts. This was the case in Bangladesh, especially in the 1990's. These parties also provide a standard mix for voters; any presence of secularism, at least in the case of Bangladesh, did not come to impede this cohabitation. The secularist streams in Bangladesh were found to be short-lived, however. Despite any degree of areligious liberalism expected of them, the people seem to pursue religiosity in their characters, if not in social and political structures. They, however, remain divided in that religiosity just as they are divided in politics, and hence it is the religio-political fault lines that require further examination.

Crucially, this study finds Bangladesh's latest spurts in terrorism to be a likely product of successive governments' retrograde stances against Islamic politics, although any direct relationality regarding this will await further study. While reactionary forces have benefited from the absence of traditional, religion-based parties in domestic politics in recent years, and events that have occurred bear testimony to this, it is also probable that a section of Bangladeshi citizens may have experienced a

rise in their religio-political consciousness. Lacking formal entry into politics and facing social marginalization, they may have resorted to violence.

Endnotes

1. Islam, 2016.
2. In an interview in September 2015, Sheikh Hasina, however, rejected such allegation (Tisdall and Ridout, 2015).
3. The operation was codenamed "Operation Secure Shapla"; Hasina herself held the home ministry portfolio at that time; Section 3.2 has more.
4. See Table 1 for details.
5. This situation may have changed post-2016, where Hasina's AL and the remnants of HI may have come to terms. Investigation of this latter period, however, was not included in this essay.
6. A 2011 census holds Bangladesh's official Muslim population at 148.6 million; it is by far the fourth largest Muslim population, and third largest Muslim majority, in the world (Bangladesh Bureau of Statistics, 2011).
7. It was 62.1% in 2011, according to Pew Research Centre.
8. Prepared from Pew Center's map on global Muslim population (Pew Forum on Religion and Public Life, 2009).
9. Speaking with several people with knowledge of the 2016 incidents, I suspect that such involvement would have happened during the later period of the HI movement, and especially in the capital.
10. According to Emajuddin Ahamed (2012), General Ershad may have done this in order to ensure smoother trade and other interactions with the Middle Eastern countries.
11. Singh was referring to the Jatiya Party – led by Hussain Muhammad Ershad – which was until that time being courted by the AL for a face-saving presence during the 2014 general elections that the major opposition (the BNP-Jamaat alliance) boycotted.
12. Read an interesting response to this at the Readers' Comments section to "Mutiny and Revenge", by Estragon Adam in *The Economist* (2013). Accessible at <https://econ.st/2Jw9pyq>.
13. Various expressions have been used by the media and rights organizations in their description of the May 2013 killings; they range from "massacre" (The

Economist) to “state-sponsored killing” (Odhikar) to simply “killings” (BBC). In this paper I have mostly used the term “mass murder” – defined by the Federal Bureau of Investigation (2005) as an incident of “murdering four or more persons during an event with no “cooling-off period” between the murders.”

14. In a number of rallies the Hefazat leaders, including Ahmed Shafi himself, called upon Sheikh Hasina for taking care of the “wrong policies” and the “rogue elements” of her government, instead of putting blames on her directly (Mustafa, 2013). Also, in a separate article I have discussed the dynamics of the dialectic pedagogy involving 21st century protests (Khan, 2018) but in this study I have kept focus on the party-political perspective of the events of May, 2013.
15. During conversations with a number of ex-JI members/supporters in the UK, I found such an apprehension to be common. Apparently, a few mid-level JI leaders found refuge in the UK and were not willing to return soon.
16. I would like to emphasize here that although I have not turned to defining “political Islam” in this paper – mostly for the sake of space – there are interesting discussion and controversies surrounding this term (see Stanley, 2005; Denoeux, 2002).

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Digital Media and Violent Extremism in Bangladesh: Profiles and Narratives

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Abstract

Despite the visible presence of violent extremist groups, and evidence of their connection with transnational groups such as Islamic State and Al-Qaeda, the number of empirical studies on this topic is limited in Bangladesh. There have been over 50 violent extremist attacks in Bangladesh in recent years (2013-2017) and digital media was used in different ways in most of these attacks. There appear to be no scholarly articles addressing this phenomenon in Bangladesh. To fill this gap, this project sheds light on the subject by analyzing life stories of Bangladeshi violent extremists. The data for this project was collected from content analysis of newspaper reports, Jihadi online magazines, and videos. Besides presenting current trends on how extremists are using digital media, this paper identifies challenges for counter-terrorism efforts in Bangladesh and provides suggestions to mitigate these challenges.

1 Introduction

Violent extremist organizations in Bangladesh, Islamist militant groups in particular, became visible beginning in the early 1990s, and increased exponentially in the first half of the 2000s. From 1999 to February 2005, at least thirty-four attacks killed 164 people and injured another 1,735 (Islam, 2011). After 2006, Bangladesh witnessed a lull in violent attacks, only to see a reemergence of extremist groups from 2013. The first generation of Islamist militants were the products of the Afghan war (1979- 1992) and their organization, Harkat-ul-Jihad-al-Islami Bangladesh (Movement of Islamic Holy War, or HuJIB), is the fountainhead of Islamist militancy in Bangladesh. Later, violent extremists belonging to Jamaatul Mujahedeen Bangladesh (Party of the Mujahedeen, or JMB) and Jagrata Muslim Janata Bangladesh (Awake the Muslim People of Bangladesh, or JMJB) unleashed a reign of terror, and became infamous for their killings in north- western part of Bangladesh. In early 2000s, they conducted a number of suicide attacks, and 450 simultaneous bombings using homemade explosive devices. After the arrests and quick trials of JMB and HuJIB leaders, this wave of fanatical violence was somewhat diminished, and most of their activities went underground.

In recent years, Bangladesh has experienced a new wave of violent extremism. Some believe that the availability of new communication technologies, providing and cheap and easy access to digital media, has resulted in an increase in the frequency and lethality of violent extremist incidents in Bangladesh. In fact, law enforcement agencies claim that nearly 82% of extremists are radicalized through digital media in Bangladesh (Khan and Islam, 2017). In a research study conducted by

Bangladesh police involving arrested militant suspects, it has been found that a large number of individuals were radicalized through social media platforms (Khan and Islam, 2017). Although the study was conducted on suspected militants, and the percentage of the suspected militants radicalized “solely” through social media seems to be too high to be credible, the findings nonetheless point to the significance of digital media in contemporary extremism. In this new wave of violent extremism, induced and facilitated by digital media, extremist groups have reorganized and regrouped themselves, thereby reemerging as a crucial threat to the country since 2013.

According to an estimate, at least 40 pro-secular writers and activists, foreign nationals, and members of minority religious groups have been murdered by the violent extremists between 2013 and 2017 (Khan, 2017). Among the victims of these brutal, and increasingly brazen, killings were self-proclaimed atheist bloggers and publishers. Several of these attacks have been reportedly carried out by the followers of the Islamic State (IS) and Al-Qaeda in the Indian Subcontinent (AQIS). They include the murder of foreign nationals, shootings and bomb blasts at Shiite gatherings, and attacks on shrines, churches, and other minority religious personalities.

Perhaps the most gruesome and well-known of these attacks was the Holey Artisan incident. On July 1, 2016, extremists stormed into Holey Artisan Bakery, a restaurant that was popular among expatriate residents in an upscale neighborhood in Dhaka. They stabbed to death 20 hostages, including Indian, Italian, Japanese, and US citizens. A twelve-hour siege ended with an operation by security forces, and two law enforcers and four militants were killed in the gunfight. Between 2001 and 2017, a steady increase in the number of violent incidents in

Bangladesh has been observed. These have led to 4,809 deaths and 197,018 injuries (Parvez, 2018). Domestic political turmoil, coupled with international developments, notably the rise of IS and AQIS, have made Bangladesh a target for violent extremist groups. In most of the recent attacks, extremists used digital media in several ways.

Notwithstanding the importance of digital media in the perpetration of violent extremism in Bangladesh, there is a lacuna in the existing literature on this matter. To fill this gap, this study examines what role digital media may have in breeding or nurturing extremism by analyzing the life stories of several Bangladeshi violent extremists involved in violent attacks. I argue that this type of extremism is a complex and multi-variable process, and can be understood by investigating three stages – involvement, engagement and disengagement – present in the lives of violent extremists. The objectives of this study are to examine whether digital media creates more opportunities in radicalization and attack phases, re-strengthens radical ideas, substitutes physical contact in the recruitment process of new members, and/or contributes to self- radicalization of an individual. Besides portraying current trends regarding how violent extremists are using digital media, this paper also addresses counterterrorism efforts in Bangladesh. Although this study acknowledges the role of the political parties, law enforcement agencies, Islamists and leftist groups in political violence, it restricts its scope to only Jihadist violent extremist groups.

2 Literature Review

Although studies on the role of digital media in violent extremism largely agree on the impact of new communication technologies in recruitment and propaganda, the extent of the influence is debated. Various scholars argue that digital media is an accelerator and driver of radicalization (Stenersen, 2008; Briggs and Strugnell, 2011). Some go even further and propose that face-to-face interactions have been replaced by digital media in the recruitment process (Sageman, 2008). Skepticism regarding the influence of digital media is also not uncommon. Proponents of this view contend that the role of digital media is overstated, and cannot be a replacement for person- to-person interactions (Bartlett, 2015; Rogan, 2006). A number of studies take a middle ground and argue that the internet plays an important facilitating role but does not entirely replace the physical world in recruiting and radicalizing terrorists (Von Behr, 2013 and Gill, 2015).

Scholars believe that radical narratives are well-designed and tailored to attract specific targets to justify their positions and increase the number of recruits (Pape,

2018). Hafez and Ingram's studies identify arguments that extremist groups employ to construct their narratives (Hafez, 2007 and Ingram, 2016). Hafez's study, in particular, describes three themes. The first theme depicts a crisis: "the unmerciful humiliation and suffering inflicted on Muslims in Iraq and throughout the world, suggesting that there is a conspiracy by the Western 'crusaders' to target Muslims and single them out for punishment" (Hafez, 2007, p. 96). The second theme underscores the limitations and unwillingness of current regimes in Muslim countries to act against the West. This theme claims that the existing regimes are simply puppets of their Western masters. The third and final theme draws a picture of optimism where Muslim saviors win against their enemies and establish a true and just society based on strict interpretations of Islam. Similarly, Ingram also argues that extremists construct their messages by fabricating crises and solutions. An example he gives is the message that "we are the champions and protectors of (appropriately aligned) Sunni Muslims..., everyone outside of this narrow category are enemies... responsible for the ummah's crises, so support us and our solutions..." (Ingram, 2016: p. 14).

3 Data and Method

The analysis begins by developing a profile dataset containing in-depth data on 15 Bangladeshi Jihadists. This dataset contains information on how digital media has delivered easier communication technologies, restrengthened radical Islamic ideologies, and provided opportunities for armed attacks. Jihadi online content and documents related to the life stories of the violent extremists were examined. The documents include local newspaper reports, confession statements, martyr biographies, online Jihadi magazines, and videos.

These 15 profiles were selected on the basis of the availability of information regarding their digital media usage. The first two extremists were killed in a gunfight with law enforcers during the Holey Artisan attack in 2016. The third one was also killed by elite forces in an anti-terrorism operation near Dhaka. The next nine captured extremists gave their confession statements before police after their arrests. Junnun Sikder, the extremist who is either dead or alive in Syria, last contacted his family in 2015. All of these 13 extremists were either killed or captured in the last two years, and most of them are affiliated with Islamic State or Ansar al-Islam. The last two violent extremists, who were top leaders of JMB, were executed in 2007 for their involvement in terrorist attacks that killed several government officials and civilians between 2001 and 2005. Newspapers have published short life histories and part of the confession statements of these extremists. Also, data has been gathered from the online Jihadi

magazines, such as *Dabiq*, *Inspire*, and *Rumiyah*. These magazines published short martyr biographies and reports on the strategies, goals and targets of the transnational armed radical groups in Bangladesh.

4 Findings

After analyzing the profiles of the aforementioned people, four important findings were observed. First, digital media creates more opportunities for extremists in their process of radicalization. Second, digital media works as an ‘echo-chamber’ by strengthening radical beliefs of these fanatics. Third, although digital media plays an important role, in-person contact is still essential in the recruitment and radicalization phase. In most of the cases, interaction through physical contact and digital media complement each other during the process of radicalization. Finally, this study has found that cases where only digital media contributes to radicalization, widely known as ‘self-radicalization’, are very rare in Bangladesh.

4.1 Digital Media Creates More Opportunities in the Radicalization and Attack Phases

This study finds that the Internet, in particular, creates opportunities for radicalization, because of the ease of access to this platform. It also increases the prospects for radicalization by enabling connection with like-minded individuals from across the world. For all the 15 profiles that have been analyzed, digital media was found to be a key source of communication, information, and propaganda to spread radical beliefs. It was noted as being useful for enthusiasts, aspirants, recruiters, and ideologues in the involvement phase to reach and influence their targets. For example, in the cases of Gazi Kamrus Salam Sohan and Suman Hossain Patwary, the use of social media plays a major role in their path towards radicalization. Sohan, as an enthusiast, joined a Facebook group to know more about Islamic laws. Later, through that group, he met Aminul, who was a key member of that Facebook group. Later, Aminul introduced Sohan to Ozaki, a Japanese-Bangladeshi militant. Ozaki sent Sohan a friend request on Facebook. Sohan accepted the request and was connected with Ozaki. According to Sohan’s confession statement, Ozaki and Aminul both strengthened his radical beliefs through their communication on social media. Thus, Facebook, in particular, made it easier for both the recruiters and aspirant violent extremists to communicate with each other.

Nibras Islam and Rohan Imtiaz, the two extremists who were killed in a gunfight with law enforcement

during the Holey Artisan attack in 2016 in Dhaka, were also believed to have become involved in violent extremism through social media (The Daily Star, 2016; Majumder, 2016). The case of Nibras Islam, one of the key assailants of the Holey Artisan Attack, is a good example. His tweets give an indication about his life before he became involved in extremism. They give us a peek into his life of parties, his fondness for Bollywood actresses, as well as his stomping grounds (Bhuiyan, 2018). Later, he starts to follow two conservative Islamist preachers and their tweets. He stops tweeting at the same time that he stops contacting his friends and family members. The father of another Jihadist, Rohan Imtiaz, claimed that his son was radicalized by online content. His Facebook profile was filled with posts that can be perceived as radical in nature. On the other hand, two others violent extremists, both members of JMB, were radicalized through only physical interactions with others. These leaders were executed in 2007 for their involvement in terrorist attacks in Bangladesh. Their reliance on in person interaction can be attributed to the fact that social media technology was not widely available in Bangladesh at the time they were radicalized.

4.2 Digital Media Strengthens Radical Ideas

The profiles studied also reveals that digital media acts as an ‘echo chamber’ for extremist beliefs. As it provides more opportunities to build a network with fellow Jihadists, it easily confirms and exacerbates existing radical views. Digital media reinforces radical beliefs by providing the opportunity for constant correspondence and by constructing a group identity. For example, after the initial phase of involvement as an enthusiast, Sohan became an aspirant violent extremist as a result of constant communication with his recruiters Aminul and Ozaki (Ahsan, 2017). In another instance, it has been observed that one Bangladeshi violent extremist developed radical beliefs because of online propagandists, which were later strengthened because of the creation of an in-group identity among his friends in Malaysia (The Daily Star, 2016). Similarly, social media created an echo-chamber in the process of radicalization of Suman Hossain Patwary when it allowed him to interact with like-minded people (Ahsan, 2016).

4.3 Digital Media and Physical Contact Complement Each Other

An analysis of the profiles examined shows that digital media does not replace the need for aspirant extremists to meet in person during their radicalization process. Rather, social media and physical contact often complement each other. The radicalization process of Suman Hossain Patwary shows how both in-person contact and digital

media play roles in the involvement phase of an individual's journey towards violent extremism. Suman Hossain Patwary first met a man named Kawsar at a mosque. They spent time together discussing religious scriptures. Later, Patwary met Yusuf, and through Yusuf he met Mahbub. Mahbub introduced him to Mehrnaz. Mehrnaz suggested that he open an ID on the website called *protectedtext.com*. After opening an account, Mehrnaz gradually started having online chats about Jihad with Patwary. Patwary also met Ashraf via Yusuf. Ashraf made Patwary open another ID named 'solo runner' and Patwary chatted with Ashraf using this nickname. Through these series of offline and online interactions with fellow extremists, Patwary turned into a Jihadist.

The case of Aslam Hossain Rashed¹ also shows how digital media can facilitate involvement in violent extremism. As an enthusiast, Rashed started watching online militant videos. He was especially interested in Ansarullah Bangla Team's spiritual leader Rahmani and Al-Qaeda leader Anwar al-Awlaki's sermons. According to his confession statement, Rashed was radicalized and became an aspirant armed fanatic after watching these specific online militant content. Later, Rashed contacted a fellow student at Rajshahi University and expressed his interest in joining Jihad. In some cases, violent extremists are first exposed to digital media contents and then they interact with a person following the cue they get from digital media. Exposure to online militant contents and interaction with a person can also occur separately and simultaneously. This is different from the case of Patwary, where he first interacted with someone in-person, and that person then directed him toward online interactions.

Although social media provides an important platform, the contribution of a person's social relations should not be ignored. Violent extremists have a tendency to expand their organization by recruiting relatives and family members. Also, friends, teachers and influential religious leaders are significant recruiters. For example, Ahmed Azwad Imtiaz Talukder aka Omi² was radicalized by his private tutor, Zilani, whom he met at a mosque. Also, evidence shows that Junnun Sikder was radicalized by a radical religious leader (Hasan, 2016).

4.4 Case of Self-Radicalization is Very Rare in Bangladesh

The evidence shows that cases of self-radicalization in Bangladesh are almost nonexistent. Although in some instances, it has been argued that digital media has contributed to the development of self-radicalization, a careful analysis reveals otherwise. In all the cases that have been reviewed in this study, violent extremists had contact with other individuals, whether virtually or physically. Faizul Hasan Shafiqur, who attacked Prof.

Muhammed Zafar Iqbal at the Shahjalal University of Science and Technology (SUST), is often mentioned as a case of selfradicalization, as evidence shows that he does not belong to any group (Bdnews24, 2018). However, this claim does not consider the fact that Faizul Hasan had an accomplice named Sohag who motivated him to watch online videos which contributed to his process of radicalization (The Daily Star, 2018a). Thus, a seemingly self-radicalization case could also involve in-person contact with other fellow extremists or likeminded individuals.

5 Violent Extremist Narratives in Bangladesh

There is a plethora of online violent extremist content available on social media, websites, online videos, and online magazines. However, in this paper, only selective online content that specifically contains information regarding violent extremists' profiles have been examined. Among the online content, video statements and online magazine reports deserve more attention, as these materials are often directly attempt to breed or enhance extremism. For example, in three different cases, prominent violent extremists justified their actions in video statements (SITE, 2016). In a video statement from Raqqa, Syria, three Bangladeshi IS fighters called for Jihad. In the second video, machete-yielding attackers of Holey Artisan Bakery recorded a statement that was released after the attack. Finally, just before the Kallyanpur shootout with the security officials, the armed radicals streamed a recorded statement online. Online magazines such as *Dabiq*, *Rumiyah*, and *Inspire*, published several reports praising the acts of Bangladeshi terrorists. The second issue of *Rumiyah*³ published a report on five assailants who participated in the Holey Artisan Attack. Two issues of *Dabiq*⁴ published reports praising a young Bangladeshi IS fighter in Syria and attackers who targeted Bangladeshi secular bloggers. In all these cases, video statements and online magazine reports can be helpful in understanding their justification narrative of Jihad, use of violent methods, and how their use of electronic media enabled them to reach their audience, re-strengthen their beliefs, and increase the opportunities to attack their targets.

Upon examining the online militant content, it was found that primarily three types of logic are used to motivate aspirant extremists. The grand narrative presented points to problems, offers solutions and justifies violence as the only way to reach these solutions.⁵ In an IS propaganda video shot in Syria, Tawsif Hossain, identified as a Bangladeshi, praised the Holey Artisan Bakery attack in Bangladesh. In his statement, he first blamed democracy, or "man-made laws", as the problem

and presented “Jihad” or armed struggle as the solution. In his words:

“If we look at the context/situation of Bangladesh today, [then we see how] in this territory, governments have replaced Allah’s [divine] diktats with men-made laws. That is why they have become taghut, they have become kafirs. And, Jihad as in armed/violent qital against them has become fard-e-ain.”⁶

He further justifies the Holey Artisan attack as revenge for the death of his Muslim brothers by “crusaders”:

“Why did the soldiers of the caliphate attack the Artisan restaurant in Dhaka? Because we have learnt from [our] prophet SW that the ummah is like a body – if one part of this body gets hurt, the pain is felt all over the body. That is why when the international crusader coalition attacks Sham [Syria], Iraq and Libya [with fighter jets], killing hundreds of Muslim women, men and children, that terrible imagery agitates and hurts our mujahidin brothers. And that is why, to avenge the blood of their Muslim brothers and sisters, they will kill the crusaders wherever they find them.” (SITE, 2016)

Such justification of violent Jihad is commonly found in online militant content. In an article published in online magazine *Rumaiya*, titled “The Shuhada of the Gulshan Attack”, one of the Holey Artisan Bakery attackers (Nibras Islam) was extolled for his bravery. The article mainly targeted the young, affluent Bangladeshi youth with similar background. Nibras himself came from an affluent family. It urges the Bangladeshi youths to reject the insignificant earthly life and join the path of martyrdom:

“Abu Muharib al-Bengali (Nibras Islam) was a young muwahhid who came from an affluent Bengali family and had the dunya at his feet. Although he was known for his lavish lifestyle among his peers before his return to his religion, he came to realize by the mercy of Allah that faith and guidance from Allah are the most important treasures for a believer in this world and not appearance, wealth, educational background, and other material criteria that people who are attached to this lowly world compete over, as the Prophet said, ‘Indeed Allah looks not at your appearances or wealth, but rather He looks at your hearts and deeds’”⁷

The above article also states that Nibras chose his Kunya (nom de guerre) to be “Abu Muharib” because of “his love and admiration” for the infamous Abu Muharib al-Muhajir, also known as “Jihadi John”. This also

indicates how Jihadi John’s gruesome online videos of slaughter inspired Nibras to idolize him. Also, throughout these online sources, rewards play an important role to motivate the violence. These rewards come in various forms: the glory of martyrdom, respect of fellow terrorists, achievement of fame and significance, and, finally, the securing of a place in heaven.

6 Counterterrorism (CT) Efforts and Challenges in Bangladesh⁸

With the retreat of IS forces from Syria and Iraq, and the relative dormancy of al-Qaeda, the number of terrorist attacks has decreased globally in the last two years. In 2018, the Government of Bangladesh took several important steps to curb terrorism in the country. The government has formed a new anti-terrorism unit and two special tribunals, and established a new system to ensure more control over religious institutions. Bangladesh’s recent CT efforts have been initiated mainly in response to the Holey Artisan attack, after which security officials conducted several raids and arrested a large number of violent extremists. Two high-profile committees—the 17-member National Committee on Militancy, Resistance and Prevention and the eight-member National Committee for Intelligence Coordination—oversee CT measures and coordinate the country’s law enforcement agencies.⁹

The Government of Bangladesh also formed a new anti-terrorism unit within the Dhaka Metropolitan Police in 2017. This specialized unit has a nationwide mandate and around 600 officials, headed by an additional Inspector General of Police (Bdnews24, 2017). Previously, in February 2016, Bangladesh established the Counter Terrorism and Transnational Crime Unit, which has since been carrying out operations outside the capital, Dhaka, under special arrangements (The Daily Star, 2017). The government set up two anti-terrorism special tribunals on April 5, 2018 through a statutory regulatory order. The tribunals are stationed in Dhaka and Chittagong and are intended to speed up trials of militancy and terrorism offences (Islam and Khan, 2018).

CT programs in Bangladesh are mainly based on hard power, including arresting, prosecuting or killing violent extremists. The Rapid Action Battalion and the Counter Terrorism and Transnational Crime Unit have played an important role in fighting terrorism, but they have been severely criticized by human rights organizations for their trigger-happy methods, illegal detentions, and extrajudicial killings.¹⁰ Recently, the government has introduced some “soft” measures to create awareness and build social resilience against terrorism. One important measure includes the participation of religious leaders in CT programs. In 2017, around 100,000 clerics issued a

fatwa condemning all types of terrorist attacks, declaring that terrorist attacks are haram (forbidden) in Islam (Kabir and Banik, 2018). The government has also taken steps to counter extremist narratives by broadcasting anti-terror messages via posters, leaflets, television commercials, short films, documentaries, radio programs and newspaper advertisements. The main feature of this counter-narrative is that Islam promotes tolerance and peaceful coexistence and does not allow terrorism. In an effort to regulate the curricula of madrasahs, in 2018, the government introduced a new education system called Darul Arqum. The Islamic Foundation is expected to monitor this stream of religious education, in which a total of 1,010 madrasahs will be included (Mamun and Shaon, 2018). Currently, the government's education boards do not regulate Qawmi madrasahs, their curricula and their governing bodies. For years, some Qawmi madrasahs have been blamed for promoting radical and extremely conservative ideologies.

It is well known in Bangladesh that Islamic radicals have been using the cyber-sphere for psychological warfare, publicity, propaganda, data mining, recruitment, mobilization, networking, information sharing, planning, coordination and training. To monitor terrorist activity on social media, the government has established a National Telecommunication Monitoring Centre. In 2016, the Dhaka Metropolitan Police launched an app called Hello CT to seek information about violent extremists from the public. Similarly, the Bangladesh Police and Rapid Action Battalion launched two apps, BD Police Help Line and Report 2 RAB (Hasan, 2018).

Most recently, the government passed a Digital Security Act in October 2018. Under this Act, anyone who commits any crime or assists anyone else in committing crimes through cyberspace or any other electronic media will face a maximum of 14 years in jail, a fine of 2.5 million taka (US\$30,000), or both (The Daily Star, 2018b). The Act includes several controversial provisions, including allowing police officials to search or arrest anyone without any warrant. It was passed despite concerns of journalists, media owners and human rights activists that it may restrict freedom of thought, speech, and expression. Although the hard-power approach taken by the government has been effective at the operational and tactical levels in the short term, several reports suggest that a comprehensive counter-radicalization policy using a combination of soft and hard power can help ensure a sustainable long-term solution to radicalization.

The Bangladesh Government has also been criticized for the way it has been tackling the murders of bloggers, and for its continuous appeasement of the extremely conservative Islamist group Hefajat-e-Islam ("Safeguard of Islam"). The Section 57 of Bangladesh's Information and Communications Technology (ICT) act 2006 is

particularly criticized as people can face several years in jail for "hurting religious sentiments" and "publishing fake, obscene or defaming information in electronic form" or publishing information that 'prejudices the image of the State or person' (Hussain, 2017). These controversial pieces of legislation reduce the space for freedom of expression and create favorable ground for radicals to thrive underground and gain traction in society.

7 Concluding Remarks

Most CT initiatives in Bangladesh are being carried out on an ad hoc basis, without a long-term national strategy that would ensure effective coordination and information sharing. The home ministry drafted a national strategy on CT in 2012 but did not release it for further refinement allegedly due to the lack of a consensus among the security agencies. In addition, Bangladesh's CT measures are often centered in and around Dhaka, the capital city, without proper focus on more vulnerable regions, such as the northern and southeastern districts. Despite the active presence of terrorists in cyberspace, online radicalization is almost unexplored as a research area in Bangladesh. A lack of research, regulation and monitoring has made cyberspace an effective tool for extremists (Bashar, 2013). In addition, spaces that are vulnerable to radicalization, such as prisons and educational institutions, should be taken into particular consideration in deradicalization programs. Imprisoned violent extremists exploit the system to recruit and radicalize new operatives and strengthen the radical beliefs of fellow inmates. Without effective deradicalization programs during and after prison time, in-prison radicalization could turn into a major threat to CT efforts in Bangladesh. A crucial factor in ensuring long-term CT success will be the establishment of a consensus among Bangladeshi political parties to refrain from using CT efforts as a tool to oppress their political opposition.

The government should explore and utilize inherited practices prevalent among local communities to mitigate counter terrorism. Fortunately, this particular region has some factors that make it difficult for violent extremist groups to gain traction in the community. Islam came to the region with different variations and interpretations, most of which have a long history of tolerance and blending with existing pre-Islamic local traditions. Most people in the Muslim community vehemently oppose terrorism and the radical ideologies associated with it. The strong position of major religious institutions and scholars against terrorism, the presence of a vibrant civil society

and development sector (NGOs and INGOs), and the rigorous scrutiny of the law enforcement agencies have

made it difficult for violent extremist groups, such as AQIS and IS, to build a strong foothold in the region. Upholding a democratic political system and ensuring credible and fair national elections could encourage political stability, and, in turn, help to counter violent extremism in Bangladesh.

Endnotes

1. Aslam Hossain Rashed gave his confession statement to law-enforcement agencies regarding his involvement in violent extremism (Labu, 2017).
2. According to Ahmed Azwad Imtiaz Talukder aka Omi's confession statement, he was radicalized by his private tutor and friend (Labu, 2017).
3. For more on this, see Rumiya, Issue 2, Muharram 1438. Available at <http://clarionproject.org/wp-content/uploads/Rumiya-ISIS-Magazine-2nd-issue.pdf>
4. Two issues are: Dabiq, "Just terror," Issue 12, 1437 Safar and "The Murtadd Brotherhood," Issue 14, 1437 Rajab.
5. For more on Bangladeshi violent extremist groups' narratives, see Parvez (2019a).
6. IS propaganda video shot in Syria (SITE, 2016).
7. See "The Shuhada of the Gulshan Attack". Rumiya, Issue 2, Muharram 1438, page-8-11. Available at <http://clarionproject.org/wp-content/uploads/Rumiya-ISIS-Magazine-2nd-issue.pdf>
8. An earlier version of this section has been published in ASPI Counterterrorism Yearbook 2019. See Parvez, S.(2019b, p. 41-49)
9. These two committees are headed by the Home Affairs Minister, the committee comprises the ministries of Home Affairs, Education, Information, Youth and Sports, and Culture, and security agencies such as the Directorate General of Forces Intelligence, National Security Intelligence, Police Headquarters, Rapid Action Battalion, Special Branch, and Border Guards Bangladesh.
10. Brad Adams, as quoted in Human Rights Watch, *Bangladesh: elite force tortures, kills detainees*, 14 December 2006, and Amnesty International, *Bangladesh: human rights under threat as election tensions intensify*, 9 January 2007.

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