

SOCIAL ECONOMICS, POLICY AND DEVELOPMENT

Working Paper No. 29

**Economic Globalisation, Liberalisation and
Bangladesh:
Poverty, Labour Norms and the Environment**

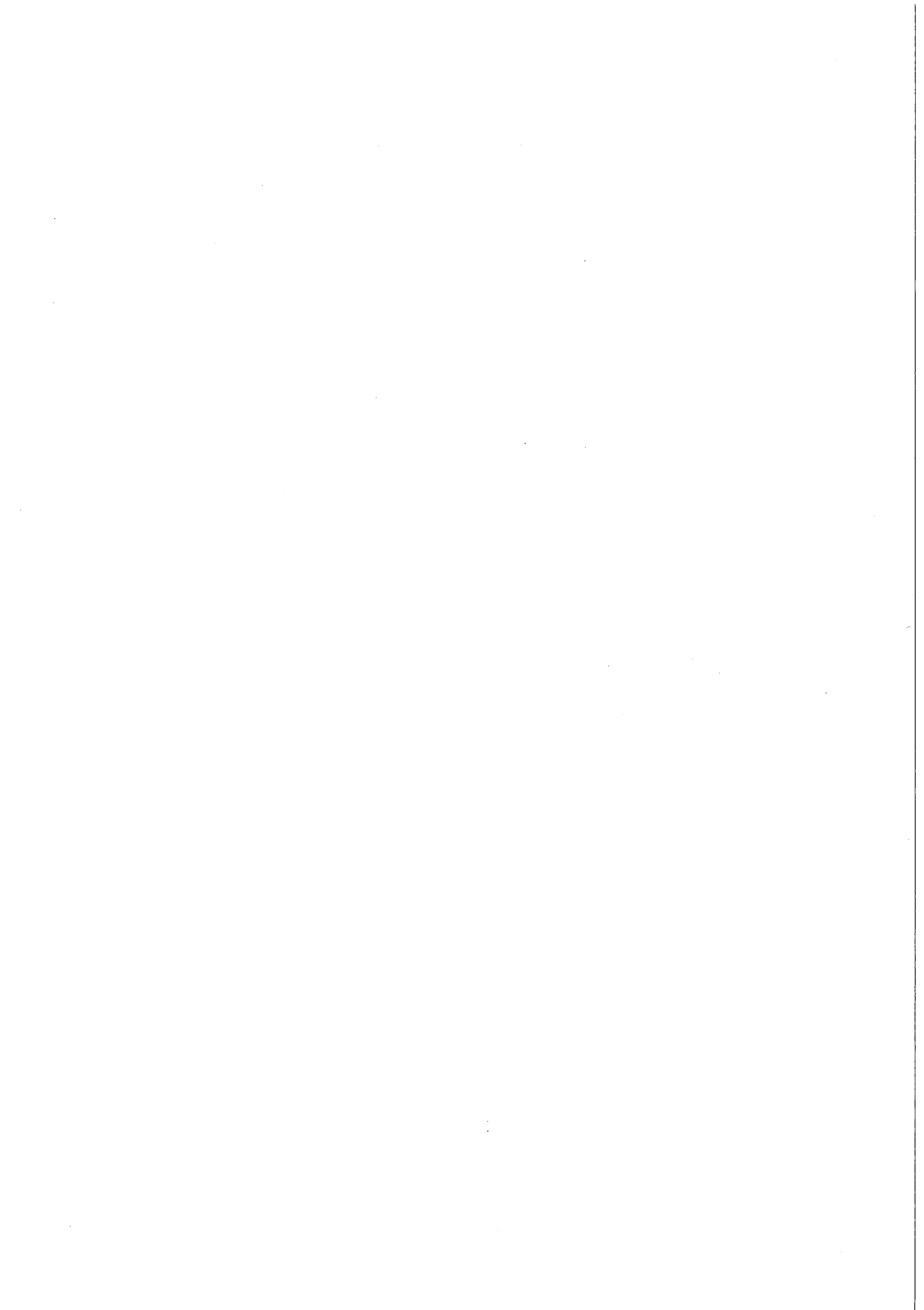
by

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**ECONOMIC GLOBALISATION, LIBERALISATION AND BANGLADESH:
POVERTY, LABOUR NORMS AND THE ENVIRONMENT**

Abstract

Outlines the Washington consensus favouring policies for structural economic adjustment, economic liberalisation and globalisation. Considers claims that such policies will eventually reduce income inequality, lower the incidence of poverty, and bring about environmental improvement. In doing so, it examines the relationship between Bangladesh' economic reforms, its economic growth and the incidence of poverty in Bangladesh. The ability of labour norms and regulation of labour conditions to reduce the incidence of poverty is briefly discussed. Also, some attention is given to environmental issues in Bangladesh and the desirability of Bangladesh adopting environmental norms. It is suggested that a stronger case exists for the adoption of environmental norms by Bangladesh than for imposing labour norms. It is found that, so far, market reforms in Bangladesh have not reduced its incidence of rural poverty and only weak evidence exists to suggest that its market reforms have been associated with a reduction in its incidence of urban poverty. One cannot be confident yet that economic liberalisation in Bangladesh is resulting in a sustainable reduction in its overall incidence of poverty.

Keywords: Bangladesh, economic liberalisation, environment, globalisation, income distribution, poverty, structural reforms

**ECONOMIC GLOBALISATION, LIBERALISATION AND BANGLADESH:
POVERTY, LABOUR NORMS AND THE ENVIRONMENT**

1. Introduction and Background Information

Globalisation is a multi-sided phenomenon and involves increasing interdependence and interaction between people and their activities, worldwide. Such interdependence involves economic, political, cultural and environmental dimensions and has been facilitated by advances in communication and transport. These advances have reduced the cost and extended the range of available options for global communication and transport. This has accelerated international economic exchange and cultural interaction. Furthermore, this acceleration has been associated with a significant increase in the level of global economic production. In turn, this has generated global environmental consequences, such as those arising from increased levels of greenhouse gases. In addition, rapid communication and global media coverage often result in localized environmental and social issues receiving worldwide attention and, increasingly, outside intervention of one kind or other.

Processes making for globalisation have been operating for centuries but the history involved is varied and complex. Such factors as the rise of nation states, the establishment of regional trading blocs, European geographical discoveries, the rise and fall of empires, as well as technological advances, have all played a role. A major influence in recent decades has been international, social, (political) change intended to reduce man-made trading barriers between nations, and consequently facilitate greater freedom of international trade. In the last three decades or so, reduction in international trade barriers such as those posed by tariffs, import quotas and qualitative restrictions have significantly facilitated economic globalisation. GATT and its successor, WTO, have played a major role in this process. So also have the

IMF and the World Bank in terms of advice given to governments and conditions imposed on loans to nations requiring economic assistance. Such international institutions have put pressure on all nations (including Bangladesh) to embrace international free trade and make maximum use of free market mechanisms in organising economic activity within their own countries. The general principles involving small government and free markets are contained in the so-called Washington consensus (World Bank, 2000, p.63).

For many developing countries, such as Bangladesh, the adoption of these policies has required considerable structural adjustment of their economies in recent decades. They have had to transform their economies from inward-looking ones to much more open ones. In addition, they have been under pressure to reduce the size of their public sectors and for their governments to divest themselves of public enterprises.

Benefits claimed by international bodies, such as the World Bank and WTO, for these policies designed to extend the use of free markets globally, that is for global economic liberalisation, include the following:

- greater efficiency in satisfying human wants in relation to resource-use, as predicted by neoclassical economic theory;
- poverty alleviation, particularly in the longer term;
- acceleration of economic growth; and
- if not immediately, then eventually, an improvement in environmental quality, for example, due to improved resource-use and in the longer term, the operation of the relationship suggested by the environmental Kuznets curve (cf. Tisdell, 2001a).

Furthermore, when Bretton Woods' institutions originally suggested the implementation of structural adjustment policies, they seemed to believe that these policies would eventually reduce income inequality as a result of greater economic competition and stimulation of economic growth. The view that income inequality is likely to be reduced as a result of continued economic growth, was given some support by the Kuznets inverted-U hypothesis of the relationship between income levels and the inequality of income, that is, the Kuznets' income distribution curve (Kuznets, 1983, 1973).

The Washington consensus, apart from its support for free market systems, advocated 'responsible' fiscal and monetary policies. Balanced government budgets and non-inflationary policies were favoured, possibly on the grounds that in the longer term these would be most effective in stimulating economic growth and stabilizing employment.

Bangladesh, partially as a consequence of external financial pressures, has since the early 1980s, followed the structural adjustment path. Initially, its reforms were mainly confined to adjustments required to attain macroeconomic stability (Hossain and Chowdhury, 1999). However, in the 1990s, it made significant progress in reducing its international trade barriers and creating a more open and market-driven economy (Khan, 2002).

The question naturally arises of whether Bangladesh has achieved the benefits claimed for such economic reforms by advocates of the Washington consensus. In particular, are there signs that the incidence of poverty has fallen in Bangladesh since its reforms began? Is it desirable to have stricter enforcement of labour norms and higher labour standards in Bangladesh to protect the Bangladeshi poor, and (their) children? A number of labour

organizations (most based in more developed countries, and some international ones) present in Seattle for the millennium meeting of the WTO argued that trade sanctions should be permitted against countries failing to satisfy international labour standards (Tisdell, 2001b). Similarly, other organizations advocated a system of global environmental norms with trade sanctions being allowed against nations that fail to conform with these. Most developing countries opposed these recommendations, and saw these proposals as a 'backdoor' method for protecting economic interests in more developed countries (Tisdell, 2001b). Therefore, apart from considering labour norms in this paper, some attention is given to environmental issues in Bangladesh and norms for Bangladesh in an era of market extension. The article concludes with a general discussion of the poverty and environmental challenges that face Bangladesh as a result of economic globalisation and its economic reforms designed to liberalize its economy.

2. Poverty, Inequality and Market Liberalisation: General Issues

The processes by which economic liberalisation might reduce the incidence of poverty and lower national income inequality are complex, and the time required for these results is also uncertain. Market liberalisation entails a change in the patterns of resource entitlements of individuals in society. In some cases, when combined with sufficient economic growth, this might eventually reduce the occurrence of poverty and promote greater income equality.

On the basis of historical evidence, Kuznets (1955) detected an inverted U-shaped relationship between economic growth (as evidenced by rising per capita incomes) and the extent of income inequality in a nation. Initially his observations were based on US data from the 1920s onward, but were later extended by using cross-sectional data for various nations (Kuznets, 1963). Thus, it seemed to many that the benefits of economic growth would

eventually 'trickle-down' to the poor, even if in the beginning, economic growth might be accompanied by rising income inequality, and possibly a growing incidence of poverty. However, several observations are in order.

First, changes in income inequality and variations in the incidence of poverty can be poorly correlated. It is possible for income inequality to decline, as measured by the Gini coefficient, for example, and for the incidence of poverty, as measured for instance by the head count method, to rise. Secondly, the validity of extrapolating past historical trends and cross-sectional results to the future is open to question. In fact, during the last 30 years or so, economic growth in higher income countries has been accompanied by growing income inequality. During this period also economic liberalisation has increasingly taken hold. Rising income disparity has occurred because of growing income gaps between skilled and unskilled workers, between younger and older workers, and even within skilled groups (Svizzero and Tisdell, 2003).

While before 1970, trends in income inequality in higher income countries were consistent with the Kuznets curve, as indicated by portion ABC of the curve shown in Figure 1, beginning in the 1970s the trend altered so that a relationship like that shown by the portion CDE of the curve in Figure 1 emerged. Why has this occurred?

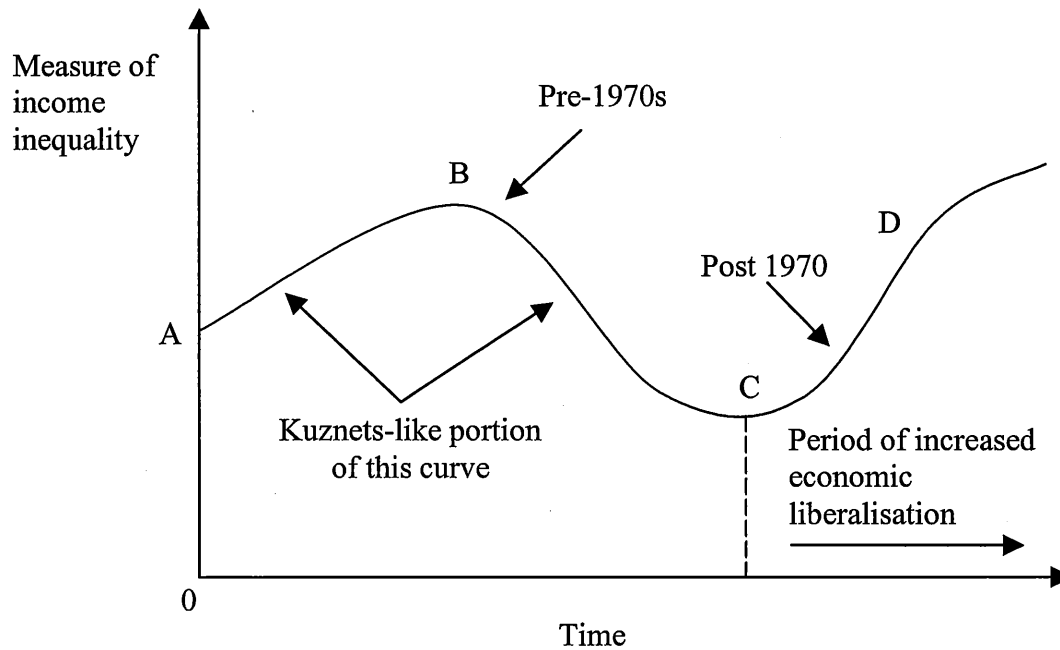


Figure 1 Prior to the 1970s, trends in income distribution in higher income countries seem to accord with the Kuznets' hypothesis but beginning in the 1970s, this trend altered radically.

Different explanations have been given for the growing income inequality in higher income countries in recent decades. One view attributes it mainly to greater global liberalisation of markets (Wood, 1994, 1998). A competing hypothesis is that it is primarily due to rapid technological progress biased against the employment of the unskilled and the semi-skilled (Aghion and Williamson, 1998; Slaughter, 1998). A third view stresses the importance of both factors, and suggests that globalisation may also have stimulated 'biased' technological progress resulting in some displacement of unskilled and semi-skilled labour in higher income countries (Svizzero and Tisdell, 2002).

There is also some evidence that income inequality has started to rise sharply in recent years in developing countries, including Bangladesh (e.g. Khan and Sen, 2001). While a rise in income inequality accompanying economic growth in a developing country is consistent with its being on the left-hand portion of a Kuznets' curve, sharp change suggests that a parametric

alteration of the Kuznets' curve has occurred in many developing countries embarked on economic liberalisation.

If we assume that the Kuznets' curve relationship does hold, then one possible explanation is that the Kuznets' income distribution curve has shifted upwards because economic liberalisation has altered the structure of economies. Thus in Figure 2, when Bangladesh, for instance, was pursuing inward-looking economic policies, its Kuznets curve might have been like curve ABCDE. However, more liberal economic policies might cause a shift in this curve to one like A'B'C'D'. In the absence of reforms, the economy may move in a given period of time from point B to C but with reforms it may move in the same time-period from B to B'. In both cases, economic growth occurs and income inequality increases. However, a larger increase in economic growth and in income inequality occurs in the latter case.

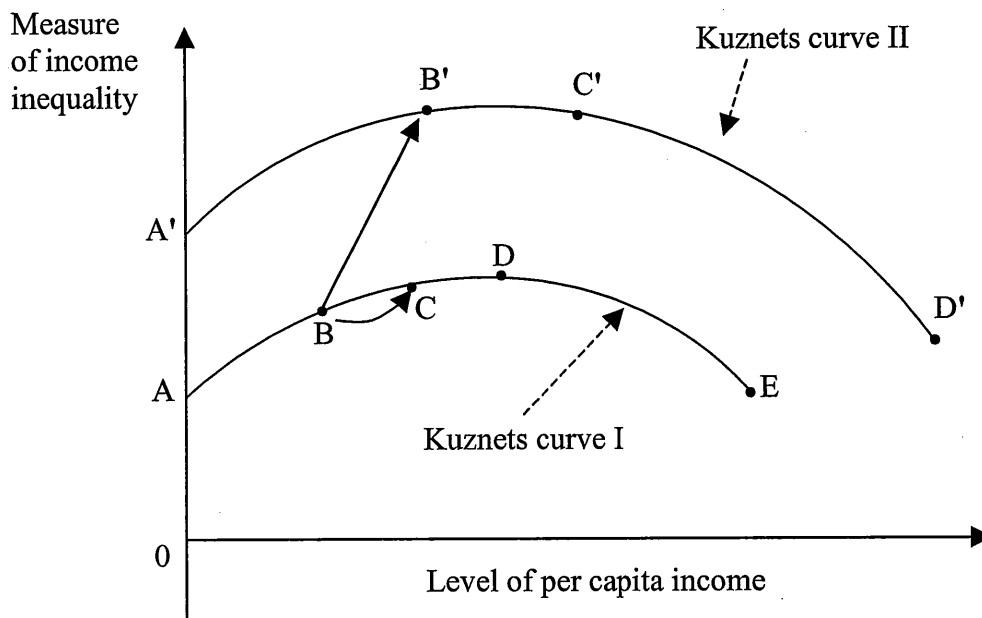


Figure 2 Structural socioeconomic change can shift the Kuznets curve. In the case illustrated, a shift from curve I to curve II may occur as a result of economic liberalisation.

Observe that under the reformed economic system, income inequality might eventually become less than under an inward-looking system if the Kuznets' relationship holds. For instance, if the economic system is reformed, point D' might be eventually reached due to greater economic growth but if the system remains inward-looking, only point D might be reached in the same period of time. But this is hypothetical. It depends on the validity of the Kuznets' hypothesis and the further hypothesis that economic growth will be much greater under a highly competitive market system than under one in which market operations are limited.

To what extent, however, are changes in income inequality indicative of variations in the incidence of poverty? No close relationship exists mathematically between measures of income inequality, such as the Gini coefficient, and the incidence of poverty. For instance, the Gini coefficient may rise and the incidence of poverty may fall and vice versa. Again, rising per capita income is not necessarily associated with a fall in the incidence of poverty. However, some economists believe that it normally is¹ via a trickle-down effect.

Before turning attention specifically to trends in the incidence of poverty and in the distribution of income in Bangladesh, it is worth emphasizing that no unique measures of these attributes exist. Furthermore, up to a point, assessments of social circumstances are liable to be influenced by the measures adopted. In Bangladesh, an individual is officially in poverty if the individual is unable to obtain sufficient food to supply a minimum defined daily intake of calories. The number of individuals falling below this poverty line provides a head count of those in poverty, and the incidence of poverty is measured by the percentage of those in the relevant population falling below the poverty line. It is, however, a rather inadequate measure because it makes not allowance for clothing and shelter, not to mention

access to services such as health care, education, clean water and sanitation. While the human poverty index (HPI) takes some account of the latter factors, its aggregative nature can result in its failure to detect the presence of pockets of destitution. It is likely to do this if income is very unevenly distributed and if access to services such as education, improved water resources, health care and so on are patchy. Therefore, HPI can be an even more misleading measure of the national level of poverty than poverty incidence based on poverty lines and head counts.

The World Bank (2000) stresses that poverty involves multiple dimensions. Those in poverty have limited opportunities and choices. In addition, lack of economic empowerment often results in lack of social and political empowerment. Furthermore, most of those in poverty are caught in a poverty cycle or trap from which they are unable to escape (cf. Liebenstein, 1957)

Moreover, it should be observed that most measures of poverty are based on static single period measurements. This neglects dimensions such as the frequency of movements into and out of the poverty category and the risk of falling into poverty. In some cases, the incidence of poverty may fall at the same time as the risk of falling into poverty rises. The increasing risk of falling into poverty probably has negative welfare and economic consequences in itself. For example, the availability of credit to those above the poverty line but at increasing risk of falling into poverty is likely to be restricted and individuals facing increased risk of poverty may be more reluctant to assume long-term commitments that might eventually enable them to reduce this risk.

Many decisions are required in determining a poverty line. For example, the availability to the individual of what commodities should be taken into account? Should it be based on

physiological needs?² In the hierarchy of wants (Menger, 1871; Maslow, 1968), should only ability to meet basic wants, such as that for food, be considered or should the ability to provide also clothing and shelter be taken into account? In relation to food, should aspects of nutrition (such as availability of protein) be taken into account rather than relying solely on the calorie content of food, as in Bangladesh? In fact, poverty lines are always to some extent arbitrary. Even physiological food requirements for survival of individuals vary according to their availability of clothing, housing and other factors. Despite such difficulties, measures of the inability of individuals to provide for their basic economic requirements are both useful and essential.

3. Bangladesh's Poverty, Economic Growth and Market Related Reforms

Bangladesh has basically been able to manage to sustain its annual rate of growth of GDP broadly in the range of 4-5 percent in the period 1973-2000, with it exceeding 5 percent slightly in the second half of the 1990s. During that time interval, its per capita income rose steadily because the rate of growth of its population level was significantly less than the rate of growth of GDP.

It is difficult to say what amount of Bangladesh' economic growth can be attributed to its economic reforms. Its average GDP growth rate in the period 1973-80, the pre-reform period, was 4.9 percent per annum. In the period 1980 to the early 1990s, the earlier phase of the reform period, its growth rate of GDP fell, even though, on average, it exceeded 4 percent per annum. Only in the second half of the 1990s, the latter part of the reform phase, did Bangladesh's growth rate of GDP rise slightly above 5 percent on average. It is clear that Bangladesh' economic reforms did not result in a spectacular rise in its economic growth

rate. However, it is quite possible that without its economic reforms its economic growth rate would have slowed significantly. Unfortunately, there is not way to know this for sure.

From out point of view, it is enough to know that Bangladesh has sustained economic growth during its reform period and that per capita incomes in Bangladesh have risen significantly.

These changes, however, have not been associated with a fall in income inequality. In fact, the available evidence suggests that income inequality in Bangladesh has risen during the reform period (Khan and Sen, 2001; Rahman and Haque, 1988). One possible explanation is that this is consistent with the Kuznets hypothesis since Bangladesh might be expected to be on its lower branch. That, however, would imply that income inequality should be increasing but at a decreasing rate. But there is some evidence that it may be increasing at an accelerated rate. This would be consistent with the type of shift occurring in the Kuznets curve illustrated in Figure 2. Or alternatively, it may have switched to the right-hand upward path such as that illustrated in Figure 1 as it has become more integrated with the world economy. Both these hypotheses are worthy of further investigation because it seems that other South Asian countries, e.g. India, have had a similar experience.

As mentioned before, income inequality may rise and the incidence of poverty may fall. What has happened in Bangladesh? As can be seen from Table 1, the incidence of rural poverty in Bangladesh (based on official statistics) remained virtually unchanged during the reform period, and on average it was slightly higher than in 1973-74. We can conclude that in the period studied, there was a failure of the benefits of economic growth in Bangladesh to trickle down to its rural poor. Trends in the incidence of urban poverty are more difficult to interpret and depend on how much weight is given to the figure of the incidence of urban poverty for

1995-96 specified in Table 1. If considerable weight is placed on it, it suggests a downward trend in urban poverty. But if it is not regarded as representative then one can conclude also that slight, if any, reduction in the incidence of urban poverty has occurred in Bangladesh with its economic growth. In fact, it has been suggested Rahman Sobhan (pers. comm. Feb 2002) that the figure for the incidence of urban poverty in Bangladesh in 1995-96 is not representative and the occurrence of urban poverty in Bangladesh is on the rise again. In any case, Bangladesh's economic growth and economic reforms have failed so far to bring about a dramatic reduction in its incidence of urban poverty. It is highly likely that as a result of Bangladesh's reforms, its proportion of rural residents vulnerable to poverty has risen.

Table 1
Percentage of Rural and Urban Population in Poverty in Bangladesh According to Official Statistics for Available Years Compared with Openness

Year	Rural	Urban	Openness^a
1973-74	47.7	32.3	4.26
1976-77	62.3	37.4	5.96
1983-84	53.8	40.9	6.74
1985-86	45.9	30.8	5.52
1988-89	49.7	35.9	6.69
1991-92	52.9	33.6	8.94
1995-96	51.1	26.3	8.69

^a Openness of Bangladesh's economy is measured by the value of its exports as a percentage of its GDP.

In the last column of Table 1, the degree of openness of Bangladesh's economy is indicated by using its exports as a percentage of its GDP as a measure. When the incidence of its rural poverty is regressed linearly against openness using the figures in Table 1, it is found that for every one percent increase in openness of Bangladesh's economy, the incidence of its rural poverty rose by 0.6 percent. On the other hand, urban poverty is indicated as falling by 0.6 percent for a one percent rise in its openness. However, openness does little to predict the

occurrence of poverty. These relationships between the incidence of poverty in Bangladesh and the openness of its economy are not statistically significant. Furthermore, the adjusted R^2 values for both these relationship is less than 0.16. Therefore, their regression relationships leave more than 84 percent of the total variation in poverty in Bangladesh 'unexplained'. These relationships are discussed further in Tisdell and Alauddin (2003).

From the above, it can be concluded that Bangladesh's economic growth, its economic reforms and the increased openness of Bangladesh's economy have not been very effective so far in reducing its incidence of poverty. Particularly in rural areas, the poverty-reduction benefits of Bangladesh's economic growth, its economic reforms and increasing openness are slow in coming. Nevertheless, supporters of economic liberalisation may argue that in the absence of economic liberalisation by Bangladesh, its incidence of poverty would have been greater and/or may claim that a longer period of time is required to obtain the complete benefits of economic liberalisation. Nevertheless, it is clear that economic liberalisation does not provide a 'quick economic fix' for reducing the presence of poverty.

4. Labour Norms and Regulations

Developing countries periodically come under pressure from labour organizations in higher income countries and others to adopt and/or enforce 'appropriate' labour norms (Tisdell, 2001b). Those norms include bans on the use of child labour and may extend to required minimum conditions for work. The reasons for such concerns are varied. For example, some labourers in higher income countries feel that they are increasingly faced by 'unfair' competition as economic globalisation proceeds because workers in developing countries work under sub-standard conditions. They believe that imposition of higher labour norms in developing countries would reduce 'unfair' competition, help save their jobs and/or maintain

their conditions of work. Others often seek the enforcement of labour norms on compassionate grounds. For instance, they believe that a ban on child labour will protect children, or that enforcement of minimum work conditions will assist workers as a whole.

However, international extension of systems of labour norms are opposed by most developing countries. Developing countries are particularly opposed to the proposal that failure by a country to comply with internationally recognized labour norms should be legitimate grounds for international trade restrictions being imposed on that country. For example, most developing countries would not accept as legitimate the imposition of tariffs on the import of goods produced by labour not employed in accordance with international labour norms.

Opponents of such a policy argue that it is a backdoor method of trying to re-introduce trade discrimination against developing countries. Secondly, it may actually damage the poor in developing countries. Furthermore, it has the potential to slow economic growth in developing countries. By undermining economic growth, it would weaken the main factor making for improvement in conditions of work in the long-term. According to this viewpoint, the only effective means for improving labour conditions in developing countries is by means of their sustained economic growth.

At present, it is probably true to say that it is only in the formal sector (primarily located in urban areas) that a developing country, such as Bangladesh, would have some ability to enforce minimum working conditions. An increase in the level of these conditions is likely to raise the number of those seeking employment in the informal and less organized sector. The incidence of poverty may already be very high in this sector, and increasing the numbers in

this sector could add to the incidence of poverty. This is not to say that there is no scope for beneficial protection of labour in developing countries. However, such protection is not likely to be effective in reducing the incidence of poverty and may increase it.

5. Environmental Norms and Environmental Issues

During the Seattle Millennium Meeting of the WTO, a number of environmental organizations expressed their support for a global system of environmental norms (Tisdell, 2001b). This view had support from some trade union organizations as well as governments of some developed countries. It was envisaged by proponents of these norms that countries failing to abide by these norms could be subjected to international trade discrimination. For example, where a country fails to enforce environmental norms in the production of exportables, it is proposed that overseas countries be allowed to impose extra import duties on such goods. Once again motives for supporting this policy are mixed. Many environmentalists possibly believe that such policies would have favourable environmental consequences. Other supporters in higher income countries see it as a way of gaining protection against 'unfair' competition made possible by environmental abuse. Once again developing countries, particularly India, protested about this proposal and branded it as another backdoor method of allowing for protection of production in higher income countries (Tisdell, 2001b).

Nevertheless, even if the statement just made is true, there are economic reasons why developing countries should maintain some environmental standards, even though (as a rule) their appropriate environmental standards would be lower than in higher income countries. First, even when adverse environmental effects are confined within the borders of a developing country, environmental spillovers from economic activity can be such that

government regulation is required to protect the public interest; to avoid a Kaldor-Hicks economic loss. Secondly, adverse environmental spillovers may be imposed on other nations, some or all of which may be developing ones. From a global efficiency point of view such spillovers need to be taken into account. Proper account may require 'appropriate' environmental standards to be imposed in the country generating these spillovers. A case exists for the allowable use of international trade sanctions to penalize a country that ignores its environmental spillovers on other nations. At the present time, most international agreements on environmental and labour standards lack 'teeth'. Enforcement mechanisms remain weak.

It may also be that environmental protection in developing countries could help their poor. However, it is difficult to generalise. There is definite evidence that access to environmental and natural resources in rural areas of developing countries such as Bangladesh (Alauddin and Tisdell, 1998, Ch. 7) and India (Tisdell et al., 2002) is highly valuable in assisting the poor. In some cases the extension of markets and property rights in rural areas and the intensification of agriculture impacts negatively on the poor because they often lose access to free natural resources such as water in public tanks, wayside collection of fodder for their animals and so on. Commercial use of forest for timber can adversely affect the availability of non-timber resources to the poor (Tisdell et al., 2002). On the other hand, intensification of agriculture driven by technological progress and market forces may provide increased employment opportunities for the rural poor. Nevertheless, such developments have not as yet reduced the incidence of poverty in rural Bangladesh.

The present plan of the Government of Bangladesh (2001) is to integrate rural Bangladesh even more closely into the market economy by a substantial investment in rural infrastructure

e.g. better roads and wharves. This could result in even greater intensification of agriculture, although the government of Bangladesh believes that it will diversify agriculture thereby making for greater agricultural sustainability. The Government also expects this policy to reduce the occurrence of rural poverty. However, it is by no means certain that either of these results will be achieved. Even if diversity of agricultural production increases, it may be by the spread of monoculture rather than polyculture. Furthermore, agricultural production may change to more closely meet needs of the urban rich at the expense of the poor. Production of some of these luxuries, such as beef, may require less labour than needed for supplying agricultural staples. Thus, employment opportunities for the poor could actually fall and they may find that they are increasingly deprived of the use of 'the commons'. In any case, it is not obvious that both rural environments and the rural poor will be advantaged by these policies.

It might also be observed that with the spread of economic liberalisation, Bangladesh has dismantled some of its institutional controls over use of its natural resources. An example is deregulation of the use and installation of shallow tube-wells. But since aquifers are an open-access resource, market failure occurs in such cases. In such cases, free choice does not result in a social economic optimum and is likely to result in agricultural production not being sustained. While market mechanisms are helpful in solving some resource allocation problems, they have limited capacity to address several environmental and resource issues. Market systems should not be accepted lock, stock and barrel by developing countries.^{3,4}

6. Concluding Discussion

Economic reforms in Bangladesh have not yet brought about a substantial reduction in its incidence of poverty. Despite increasing per capita incomes in Bangladesh in recent decades,

this has not been accompanied by a major reduction in the incidence of poverty in Bangladesh. There is strong evidence to support both of these statements as far as Bangladesh's rural sector is concerned. While there is some evidence to suggest that the occurrence of urban poverty has declined in Bangladesh, the evidence is far from compelling given the short time series involved. Furthermore, the incidence of poverty in Bangladesh's urban areas may now be more volatile than in the past because urban economic activity in Bangladesh has become more specialized and more dependent on global market conditions.

Bangladesh's exports have, during its reform, period, become more heavily specialised in clothing and textiles. The global markets for these products can be volatile and face an uncertain future because global institutional marketing arrangements for these are changing.

The capacity of governments in Bangladesh to enforce labour and environmental norms is limited. Furthermore, in the Bangladeshi context, it is difficult to see how labour norms would assist the poor, even though norms for environmental conservation could do so. There is an economic case for Bangladesh to adopt environmental standards but appropriate standards are likely to be lower than in more developed countries. However, because market failure is often the source of much environmental deterioration, achievement of desired environmental standards will require market intervention. How well that intervention will work depends on the competency of those in government. If competency is not well developed, then political and administrative failure will be considerable. In such cases, government intervention to sustain environmental (and labour norms) could be counterproductive.

In these circumstances, it is little wonder that many liberal economists pin their hope on the long-term effectiveness of continuing economic growth to bring about structural transformation of developing economies and the ability of free markets to sustain and stimulate this economic growth. If significant economic growth can only be achieved by adopting a liberal economic regime and if the initial costs of such a system are greater income inequality and poverty and worse environmental conditions than need be, these are costs that must be borne in order to eventually achieve a lower incidence of poverty and superior environmental conditions. But whether all developing nations will reach the promised land as a result of adopting free market systems, and when, is hard to say. Bangladesh has not reached this promised land yet, and it is not clear whether and when it will do so. Some scepticism about optimistic predictions based on the promises of economic liberalism are called for.

Nevertheless, proponents of Bangladesh's economic liberalisation might argue that if Bangladesh had not undertaken its economic reforms, its incidence of poverty and unsatisfactory environmental conditions would be higher than at present. This might be so. However, in economics, counterfactual propositions are difficult to prove or disprove because replicated controlled experiments are usually impossible.⁵

Endnotes

1. In some instances, it is, however, possible that the incidence of poverty will follow a similar pattern to income inequality. In such cases, incidence of poverty curves mirror those in Figures 1 and 2.
2. Although Carl Menger (1871) was a utilitarian, he also thought it fruitful to link utility with the satisfaction of a hierarchy of needs. In more recent times, Maslow

(1968) developed the concept of hierarchy of need levels further. Body needs or physiological needs constitute basic or primary needs. For the poor, obtaining minimum satisfaction of these basic needs is likely to be their first priority. Only after that, are they likely to give consideration to the satisfaction of their security needs, social needs, ego needs and self-actualisation. Therefore, in considering absolute poverty, concentration on deciding whether minimum physiological needs are being met seems to be an appropriate focus. The nature of Engel curves for different types of commodities provides some support for the hierarchy-of-wants approach.

3. For further discussion of some recent environmental issues in Bangladesh see, for example, Tisdell (2002).
4. Many supporters of the Washington consensus also believe that an inverted U-shaped environmental Kuznets curve applies. This implies that economic growth will (in a similar way to that suggested for the Kuznets income distribution curve) reduce pollution intensities. Supporters of this view mostly claim that economic growth is the most effective way to ensure an improvement in environmental quality in the long run. Tisdell (2001a) argues that this view should not be accepted uncritically.
5. I wish to thank Dr Clevo Wilson for his relevant observations about the relationship between the occurrence of poverty and the hierarchy of needs.

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