

Equitably sharing the prosperity

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By *Dr. Sadiq Ahmed*

In the fiscal year (FY) , 2014-2015, Bangladesh's total gross national income (GNI) reached US\$ 211.3 billion, implying a per capita GNI of US\$1338 and crossing thereby the threshold of the World Bank's lower middle income country (LMIC). Although the World Bank (WB) does not simply use the current income and makes certain adjustments for classification purposes to facilitate cross-country comparisons of per capita income (the Atlas methodology), it has now officially classified Bangladesh as an LMIC.

Along with this milestone, Bangladesh has also secured commendable progress in reducing poverty, improving life expectancy and educating its population. Indeed, the achievements in human development including its progress in gender empowerment are remarkable.

While these solid development achievements should be celebrated, the performance of Bangladesh in equitably sharing its prosperity falls short of progress in other areas. Income inequality as measured by the "gini coefficient" has been rising steadily over the longer term, increasing from 0.36 in 1983/84 to 0.46 in 2010 (Table). This suggests that the benefits of higher income growth have accrued more to the rich than to the poor.

The income distribution problem can be best seen by looking at the trend in income shares of the richest 10% and the poorest 10% of the population. The income share of the richest 10% grew from 28% in 1983/84 to 38% in 2000 before declining slightly to 36% in 2010. Over the same period, the income share of the poorest 10% has been declining from an already low level of only 2.9% to a mere 2.0%. The yawning gap between the rich and the poor is a real weakness of the development experience in Bangladesh that often tends to get buried under the weight of the other more favourable achievements.

Bangladesh is not the only country that is experiencing rising income inequality along with higher income growth. But it is not necessary that higher income should automatically lead to greater income inequality. The experience of many Western European countries shows that low income inequality can be achieved along with rising per capita income. Norway, Sweden, Denmark, Germany and France have income gini coefficients in the low range of 0.25-0.30, suggesting a considerably better income distribution than Bangladesh. Similarly, Japan, Canada and the UK have relatively low income inequality.

[More on Page 16. The writer is Vice Chairman of the Policy Research Institute of Bangladesh (PRI,B). He is also the co-anchor of The Financial Express (FE)-PRI Economic Analysis Unit. He can be reached at sadiqahmed1952@gmail.com]

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