

FOOD POLICY, INEQUALITY AND UNDERDEVELOPMENT
- THE POLITICAL ECONOMY OF FOOD AND FAMINE
IN BANGLADESH

by



SAUD AHMED CHOUDHRY

Submitted to the Faculty of Graduate Studies
and Research in partial fulfillment of
the requirements for the
degree of
MASTER OF ARTS IN ECONOMICS.

Department of Economics
McGill University
Montreal, Canada.

January 1982.

Name: Saud A. Choudhry
Title of thesis: Food Policy, Inequality And Underdevelopment -
The Political Economy of Food And Famine in
Bangladesh.
Department: Economics.
Degree sought: M.A.

ABSTRACT

This thesis is about the 1974 famine in Bangladesh; a study of the multiple interacting causes - political, social and economic.

Contrary to the Neo-Malthusian notion, Bangladesh is not "a hopeless basket-case". The truth is more hopeful if paradoxical: Bangladesh has the potential to feed all its people. Hunger would not exist except for an inefficient, largely feudal economic and social structure. Scarcity is due to unequal control over food-producing resources; this inequality results in their under-use and misuse.

Further compounding the problem is governmental policies providing urban centres with under-priced imported food. This depresses domestic prices; agriculture stagnates; and the rural poor are rendered vulnerable to supply shocks. In 1974, the USA withheld grain shipments; but urban food supplies were maintained on a priority basis. The rural poor, having only residual claims on the government's food stocks, starved. That is governmental policies are deliberately designed to favour the urban sector. The latter being the locus of wealthy and influential people, the logic of such a design fits political reality.

Nom: Saud Ahmed Choudhry
Titre de Thèse: Nourriture de Politique, Inégalité et sous-développement - Le cas de Bangladesh.
Department: Economiques.
Degrée: M.A.

RESUME

Cette thèse examine la famine qui servit au Bangladesh en 1974. Contrairement à la notion neo-malthusienne, le Bangladesh n'est pas un "cas-panier désespéré". La vérité révèle beaucoup plus d'espoir paradoxalement: le Bangladesh a le potentiel de nourrir toute sa population. La famine n'existerait pas, n'était-ce une structure économique et sociale inefficace et largement féodale. La rareté n'est que le résultat d'un contrôle inégal sur les ressources alimentaires; cette inégalité est engendrée par la mauvaise utilisation de ces ressources.

De plus le problème est aggravé par les politiques du gouvernement visant à pourvoir les centres urbains en produits alimentaires impalés à bon marché. Ceci entraîne une réduction des prix domestiques et l'économie rurale en souffre. De plus, il rend le pauvre vivant en milieu rural particulièrement vulnérable aux intempéries du côté de l'offre. En 1974 quand les Etats Unis refusèrent les livraisons de grains, l'offre en centre urbain était maintenue sur une base prioritaire. Les démanis en milieu rural, ne pouvant espérer que des miettes des stocks du gouvernement, ont alors connu la famine. En d'autres mots, les politiques gouvernementales sont délibérément orientées, en faveur du secteur urbain, domaine des riches et des personnes influentes.

ACKNOWLEDGEMENTS

I wish to express my profound gratitude to Professor Kari Levitt for her patience and her consideration, and for her invaluable guidance throughout the conception, formulation and completion of this work. It has been a stimulating experience to work under her supervision.

I would also like to thank Professor John Kurien for his comments, criticisms and suggestions on both specific subjects and wider issues; Pam Dunk for editing of the text; and Sue Ramer who did a wonderful job in typing the manuscript.

Finally, this thesis and the graduate study which preceded it were made possible by a scholarship offered by the Commonwealth Fellowship Administration. Their support is also gratefully acknowledged.

CONTENTS

	Page
INTRODUCTION	1
I. BANGLADESH: AN OVERVIEW	10
History, Commerce And Traditions	11
The Emergence of Pakistan	14
The Political Economy Of Secessionist Conflict	14
The Emergence Of Bangladesh	19
Basic Indices: Independence And After	19
Conclusion	24
II. FOODGRAIN AVAILABILITY, RURAL POVERTY AND INEFFICIENCY: THE FIRST FOOTHOLDS OF FAMINE IN BANGLADESH	27
Food Needs, Availability And Consumption	28
Food Production And Availability	32
Seasonal Variation Affecting Seasonal Availability	33
Leakages Due To Smuggling And Storage Loss	35
Starvation - A Problem Perpetuated By Poverty	38
Money, Inflation And Real incomes	39
The Green Revolution - Rhetorics And Realities	43
Green Revolution Or Elite Farmer Strategy?	44
The Economics Of Repression - A Brief Digression	46
Conclusion	49
III. DISTRIBUTIVE IMPACT OF TAX AND EXCHANGE RATE POLICY - THE ANATOMY OF AN AGRARIAN ECONOMY IN BONDAGE	53
Regressive Taxation And Underdevelopment	54
Foodgrain Policies In Bangladesh	56
Foodgrain Imports Under An Over-Valued Exchange Rate - The Real And Illusory Aspects	57
Subsidised Food As a Disincentive To Agricultural Production And Incomes	62
Disincentive Effect: A Long-run Phenomena	62
The Price Effect	63
The Policy Effect	64
Further Distributive Distortions Through Fiscal Measures	65
Agriculture-Biased Development Strategy- The Preconditions For Its Success	66
Conclusion	68

IV. FAMINE 1974: THE AMERICAN CONNECTION 69

PL480 In Action: A Case Of Oligopolistic	
Price Discrimination	72
Economic Reasons For The 1974 Grain Embargo	76
US Political Interests In Bangladesh	82
Past Famines In Bangladesh	84
Bangladesh (1974) And The Use Of US Food Power	86

V. ASSESSMENT AND REFLECTION 95

Neo-Malthusian Misconceptions	96
Potential For Foodgrain Production In Bangladesh	98
The Basic Need: Agrarian Reconstruction	102
Conclusion	104

BIBLIOGRAPHY

LIST OF TABLES

Table	Page
I Percentage Of Food Received By Nations	8
I.1 Growth Of GNP (1947-71)	16
I.2 Shares Of Commodity Imports And Exports Of East And West Pakistan From And To The Rest Of The World	18
I.3 Structure Of Gross Domestic Product	20
II.1 Estimated Cereal Needs And Availability	30
II.2 Government Stock Of Foodgrains At The End Of The Month	34
II.3 Increases In Money Supply	40
II.4 Indices Of Wholesale Prices Of Agricultural And Industrial Products	41
II.5 Cropland In Relation To Population	50
III.1 Production And Imports Of Foodgrain (1970-1978) . .	57
III.2 Government Subsidy Per Mound Of Imported Ration Shop Rice Calculated At The Official Rate of Exchange	58
III.3 Cost Per Maund Of Imported Rice At Official And Market Exchange Rates	60
III.4 Total Subsidy Paid Per Maund Of Rationed Rice . . .	61
IV.1 Wheat And Flour Imports From The US.	79

INTRODUCTION

A famine does not strike like lightning. It does not bury like an earthquake. It does not sweep away like a flood. A famine grows slowly and ~~tortuously~~ over a period out of conditions of social imbalances and institutional rigidities, made worse by natural calamities.

K. Suresh Singh. The Indian Famine, 1967. New Delhi: People's Publishing House, 1975. p. 267.

This thesis is a study of the 1974 famine in Bangladesh, an attempt at revealing the factors - political, social and economic - which combined to produce the causal sequence initiating the crisis. The aim is to study the famine in more general terms, to facilitate the incorporation of all admissible causal sequences in logical order within a broad analytic framework. Specifically, we shall reject Bangladesh's media generated image of an entire people condemned to perpetual hunger and argue that food shortage in Bangladesh is neither natural nor inevitable. The country isn't a hopeless "basket case" and it has enough resources to provide food for all.

"What then", one might ask, "is the cause of hunger in Bangladesh?" The answer is: a composite of the semi-feudal agrarian structure; slow paced development and inequitable distribution of the small gains of development; and the social and political constraints arising out of and reinforcing these processes. The truth is that the food problem in Bangladesh is essentially a social problem of poverty and inequality. Hunger is the child of poverty and poverty is perpetuated by the inequitable distribution of the means of production.

With some of the most fertile soils in the world, abundant rainfall and enormous reserves of natural gas, Bangladesh clearly has the potential

to feed all its citizens. (Hartman and Boyce; 1979:5). But while there is no natural barrier to the achievement of food autarchy, there is the man-made barrier of a social order that seriously limits the scope for increased food production. A small minority of rural families own over half the country's farmland and the majority - who own little or no land at all, depend upon wage labor or share-cropping for their livelihood. Land is the key to power in the Bengalee countryside, a power that not only places landowners at the apex of the structure of power in rural Bangladesh (Khan; 1977:142), but also gives them control over other food-producing resources such as irrigation facilities and fertiliser. In fact the entire rural sector is autocratically geared to maintaining the political, social and economic preponderance of the land monopolists. Hardly anything or anybody does go past this formidable power crust which usurps all the privileges and benefits offered to the villagers in the name of agricultural development schemes.

A basic inefficiency is inherent in such an inequitable social structure. It not only determines who will have enough to eat, but also affects how much food is actually produced. The sharecropper has little incentive to invest in long-term improvements on the land, not only because the landowner will reap half of the benefits (without sharing the cost), but more importantly because in the absence of security of tenure there is always the possibility that the sharecropper may not be allowed to cultivate this same land the following year. He cannot therefore enjoy the full returns of his investment. Only the small and marginal owner-farmers cultivate their land most intensively. But even output on these farms is less than their true potential because they have little or no access to the subsidised inputs

and cheap credit available from government sources. Modern institutions such as farmer co-operatives are dominated by large farmers. Medium farmers have some representation, but the small farmers, the landless and the share-croppers are entirely unrepresented in the leadership. Subsidised inputs being funnelled through these organisations never reach the hands of those who need them most desperately. Most of these resources flow to the large landowners by virtue of their political power.

In the face of these structural distortions, even patterns of water utilisation depend much more on economic relationships in the countryside than on what Western technocrats may recommend. The net effect of this unequal control over the factors of production is their gross misuse and consequently an annual crop yield far below the country's true potential. Bangladesh thus constantly hovers on the borderline of greater misery and is even in normal times vulnerable to pressures applied by donors of aid - more so when the aid sought is food. Such pressures have generally been related to specific issues of economic policy having political implications.

The thrust of our argument is that since resources are not scarce in Bangladesh, the need is for a thorough reconstruction of the present social order which benefits a few at the expense of many. The breakthrough in plant breeding technology and the development of the "revolutionary seeds" of the Green Revolution was one extra step in man's rapid and almost bewildering advance over his natural environment. But for Bangladesh at least, this increasing domination of the natural elements has not been matched by similar progress in our control over our social and political environment. It is mainly this yawning gap between human effectiveness in the physical sciences and the meagerness of our achievement in the socio-political arena that so

often threatens Bangladesh with an alternative of catastrophes - mainly famines.

Organisation of the Thesis

Chapter I describes the characteristics of Bangladesh's economy and reviews the country's nation building experience since independence. The purpose is to introduce the reader to the nation's brief economic history, the factors underlying Bangladesh's struggle for national liberation, the country's institutional legacy and the problems that currently face independent Bangladesh.

Chapter II describes the institutional hinderances to enhanced food production and equitable growth. It examines the social and economic factors that generate an inability to achieve the required breakthrough in agricultural production or to affect equity in incomes - circumstances that should normally solve the problem of hunger and starvation. While analysing the problems that increasingly smother the incentives for agricultural growth, it is suggested that fundamental changes in the rural areas - and in the rural-urban relationship - can occur only when the rural masses acquire the political power to force attention to their demands, or through a decision of the central government that a rural development strategy, catering specifically to the wants of the rural poor, is the best way to achieve national goals.

Chapter III discusses the distributive impact of tax and exchange rate policy in the specific context of food and famines in Bangladesh. It begins with a discussion of regressive taxation in the historical and current experience of Bangladesh and goes on to demonstrate how this breeds inequality

by turning the internal terms of trade against the agrarian sector. This is followed by a discussion of the country's over-valued exchange rate and how it is used to provide the urban elite with subsidised food grains at the expense of the rural poor. To clarify: food grains in Bangladesh are sold in the open market by farmers and traders, and by the government through ration shops catering primarily to the urban population. The ration shop prices are less than either the open market prices or the international price of food imports.

The government pays the utmost attention to the food ration system ensuring underpriced food for the urban centres. This has resulted in a stagnant rural economy, because cheaper ration shop rice and wheat are like an indirect tax on food grain producers - a measure that has artificially reduced the market price and thus reduced farm sector incomes.

Our primary purpose here, is to show that the urban dwellers are subsidised not only by the cheaper ration shop prices as compared to the market price. The subsidy is really much greater when we take account of the fact that in Bangladesh the government handles all food imports under an over-valued exchange rate. In fact, in the case of rice and wheat imports what is really involved is a "super-subsidy". The government imports food at the official exchange rate, which is about 40 per cent lower than what the foreign exchange is worth when sold to importers at the free market rate. Since imported food is marketed almost entirely through the ration shops, it is only the urban dwellers who benefit from this subsidy of an over-valued exchange rate.

In this chapter we will demonstrate that the presence of these two subsidies - first the subsidy of lower ration shop prices and second the

subsidy of an over-valued exchange rate - take the actual subsidy of every maund (or 82.2857 lbs) of ration shop rice to TK. 91.38. Whereas the subsidy is TK. 53.84 when calculated only at the official exchange rate. In other words, food imports are more heavily subsidised than we initially realise, and the error involved in valuing imports only under an over-valued exchange rate is substantial. All of these factors lead one to conclude that the over-riding feature of government and tax policies in Bangladesh is not to protect the poor, but to turn the terms of trade against the rural masses and in favour of the urban sector. With the urban sector as the locus of wealthy and influential people, the logic of such a model fits the political reality.

Chapter IV shows the American connection with the 1974 famine in Bangladesh. The famine resulted from the US refusal to ship committed aid throughout the period 1973-74. It is true that alternating floods and drought presented the occasion for the famine. But floods and drought are permanent features of the climatic condition in Bangladesh. They occur at oft repeated intervals and the result is usually dislocation, higher food prices and increased malnutrition - not widespread famine. ...

While arguing that the US used the food weapon to extract some political gains in Bangladesh, we will also show that powerful economic interests lay behind the decision to withhold aid commitments. As a preview the following should suffice.

Following the unprecedented Soviet wheat purchases of 1972, US grain stocks stood depleted. As news of this massive transaction became known, grain prices sky-rocketed thereby creating problems for the American exchequer. The Soviets purchased grain at about \$1.60 a bushel - a fair

price at the time of sale. But the troubles started as prices began to rise following the Soviet transaction. Trading firms then had to be paid the difference between the US target price (\$1.63 per bushel) and the actual price leaving the port. The latter climbed to over \$2.10, which meant that subsidies jumped from 3 cents to 47 cents a bushel. The US thus ended up subsidising Soviet wheat purchases to the tune of \$160 million. In early 1973 when export sales had started to cool down, the US devalued the dollar a second time making American grain 15 per cent cheaper for the Japanese. The Japanese jumped at the bait and a new cycle of scarcity was generated.

Domestic food prices shot up to record levels and soaring costs virtually eliminated meats from the diet of low-income US households. (Robbins; 1974:4). By mid 1973 the cost of chicken was up nearly 29 per cent, and eggs, cheese, fish and other main dishes were climbing at similar rates. To prevent a food crisis of historic proportions, the US drastically reduced shipment of food aid through the fall and winter of 1974. The smaller quantity of food aid was doled out in a manner that illustrates the politics and humanitarianism of the PL 480 program. The biggest recipients were US allies in Southeast Asia.

TABLE I
PERCENTAGE OF FOOD AID RECEIVED BY NATIONS.

COUNTRY	FISCAL YEAR 1974	
	Title I	Title II
Cambodia	29.3	0
South Vietnam	40.1	0.3
Pakistan	5.3	2.5
Bangladesh	3.3	0.4

SOURCE: Baltz; 1975: 277

In other words most of the food aid was channeled to countries in which the US held strong diplomatic interests in those years. It was not meant to feed hungry people in famine-prone Bangladesh or the drought stricken Sahel region.

In this manner, U.S. policy-makers appeased their allies and at the same time protected the domestic economy and the taxpayers - but at the expense of perhaps 30,000 who died in Bangladesh.

A final purpose of this chapter is to assert that the value of food as a weapon is more symbolic than real when it is employed against a powerful state such as the Soviet Union or the oil-rich OPEC countries. But the political use of the food weapon against the poorer countries of the Third World has the most direct and inhuman effects.

The famine of 1974 in Bangladesh may be a microcosm of catastrophes now threatening whole regions such as the Sahel. An examination of events shows the extent to which international agencies or nations are really able (or willing) to handle the crises that are increasingly becoming commonplace.

()

For instance, Bangladesh had sounded the alarm bell as early as 1973. But no one paid any heed until the human cost of international disregard became so enormous that the international press became involved. At that point however, it was too late for thousands who had already starved and died. Moreover the efforts undertaken in the glare of international publicity sometimes seem more designed for politics and/or publicity than to aid the afflicted. Surely the most serious crime that a government can commit, short of a campaign of genocide, is to consciously ignore the existence of a major disaster or to knowingly deny the needed relief when such an emergency occurs. After all, the result of such lack of concern is the suffering and death of hundreds of thousands of those least able to protect themselves - the children, the aged, the sick and the infirm.

()

CHAPTER I

BANGLADESH: AN OVERVIEW

Reflections On The History And Complexities Of The Development Process

If Bangladesh's over-all density of 1380 people a square mile were duplicated in the USA, there would be roughly 4200 million Americans. With such density even the USA would be a basket case. Harvey Stockwin. Far Eastern Economic Review, Apr. 4, 1975.

Bangladesh....has excellent conditions for rice cultivation - rich alluvial soils, tropical sun and abundant rainfall that could readily be controlled for irrigation....Yet the average yields are only one-third of the industrial countries and one-sixth of those proven possible in Bangladesh.

World Hunger, Health and Refugee Problems.

Summary Of A Special Study Mission To Asia and The Middle East. (US Govt. Printing Office, 1976), p. 99.

If development can be made to succeed in Bangladesh, there can be little doubt that it can be made to succeed anywhere else. It is in this sense that Bangladesh is the test case of development.

J. Faaland and J.R. Parkinson. Bangladesh: The Test Case of Development. Colorado: West View Press, 1976, p. 197.

I do not share the general sense of despondency concerning the prospects for the future. There are enough things, I am firmly convinced....to convert present stagnation into satisfactory - though by no means spectacular - forward motion.

Gustav Ranis. "Brief Reflections on the Central Issues Of Policy In Bangladesh": Bangladesh Development Studies, Vol. II, Oct., 1974, p. 853.

There are 'prophets of gloom and doom' for whom the euphoria which accompanied the inception of Bangladesh has already dissipated into

disenchantment. There are also 'angels of hope' who believe that development can eventually be made to succeed in Bangladesh.

This chapter outlines the central economic and political characteristics of Bangladesh's economy and reviews economic performance in terms of principal indicators of GNP, price levels, foreign trade, industrial output and agricultural production since December 1971. The purpose is to introduce the general reader to the economic factors underlying Bangladesh's struggle for national liberation and to the problems that now face independent Bangladesh.

Bangladesh - History, Commerce And Traditions.

Bangladesh is a new nation created on December 16, 1971, from an ancient land situated on the eastern flank of the Indian sub-continent. In the pre-industrial age the land was noted for both its greenery and its wealth. The Roman writer of 'Periplus of The Erythrean Sea' referred to Bengal as a veritable store of articles of great commercial value. Ibn Batuta, the greatest of the Arab travellers who explored the whole of the Middle East, China and India between 1325 and 1355, remarked that it was hell (because of the sultry heat and humidity), over-flowing with riches and the good things of life. The first Europeans visited Bengal in the 16th century and found a thriving industry and a prosperous agriculture. As one Englishman wrote:

It was a wonderful land, whose richness and abundance, neither war, pestilence nor oppression could destroy.
(Ahmad; 1968:75)

The abundance of Bengal also finds mention in the classic work of Adam Smith, the 'Wealth of Nations' (1776):

....Bengal the province of Indostan which commonly exports the greatest quantity of rice, has always been more remarkable for the exportation of a great variety of manufactures, than for that of its grain.

(Smith; 1963:482).

Thus, since antiquity and as recently as the 18th century, Bangladesh was rich, fertile and famous for its crafts and manufactured items of luxury. Historically, Bangladesh produced the finest of muslins, once prized in the imperial courts of Europe and Asia. The variety known as 'Ab-e-Rawan' was so fine that it could hardly be discerned if thrown on running water. 'Sabnam' was said to be invisible when spread on damp grass. So delicate was the product that weaving had to be done in the early morning or afternoon when the light was less dazzling to the eyes'. (Faaland and Parkinson; 1976: 166). Today, the legendary muslin weaving is a forgotten art and a pale turban rests in a glass display case at the Dacca museum. Thirty feet long and three feet wide, the muslin is so filmy that it can be folded to fit inside an ordinary match box.

Following its victory at the Battle of Plassey (1757), the British East India Company was firmly established in the area and overnight the line between trade and outright plunder faded. To quote one English merchant:

Various and innumerable are the methods of oppressing the poor weavers....such as by fines, imprisonments, floggings, forcing bonds from them etc.

(Mukherjee; 1974: 302-303).

Through the use of brute force or forgery, the Company's merchants acquired the weaver's cloth for a fraction of its value. Local industry thus declined. The population of the cities shrank as the weavers were thrown back to the land. Sir Charles Trevelyan, one of the Company officials mentioned this state of affairs in his report (1840):

The peculiar kind of silky cotton formerly grown in Bengal, from which the fine Dacca muslins used to be made, is hardly ever seen..... Dacca which used to be the Manchester of India, has fallen off from a flourishing town to a very poor and small one.
(Ibid: 337-338).

All of this took place at the dawn of the colonial era. Colonial policy discouraged industrial growth, increased economic dependency and fashioned Bangladesh's satellite relationships with the British economic nexus. As their own mechanised textile industry developed, the British eliminated competition from Bengali weavers through an elaborate network of restrictions and prohibitive duties. Not only were Indian textiles effectively shut out of the British market, but even within India taxes discriminated against local cloth. (Lamb; 1955:468).

Following the rapid decimation of the local textile industry, Bengal assumed the role of supplier of agricultural raw materials. At first European planters forced Bengali peasants to grow indigo (the plant used to make blue dye), using a contract labor system not much different from slavery. But in 1859 a great peasant revolt swept Bengal. This was the famous "Indigo Mutiny" that forced the planters to move west. Jute then became the region's major cash crop and by the turn of the century, eastern Bengal produced seventy-five per cent of the world's jute. But under the

British rule not a single mill for its processing was built there. Instead Dundee of Scotland became the world's largest jute manufacturing centre.

The Emergence of Pakistan.

In 1947 the British abandoned India and Bangladesh became the eastern province of Pakistan - i.e. East Pakistan. But the union with West Pakistan was unhappy both politically and economically, regressing from great optimism to exaggerated despair. It was an exploitative, colonial-type of relationship with a splinter group of the Bengali elite co-operating with the West Pakistanis in order to gain position and influence. The resentment of East Pakistan (now Bangladesh), arose in part from its lack of sharing in the economic fruits of independence and modernisation. This left an impact on the survival of the very precarious union.

The Political Economy of Secessionist Conflict.

The disintegration of Pakistan was the direct consequence of an extreme form of regional antagonism, one where secessionist political conflict eventually took the shape of secessionist civil war. The longer range of conditions underlying the secessionist conflict may be treated within the following broad categories: the colonial legacy, the post-colonial economic system, elite economic interests, class structure and conflict, and regional economic disparity.

The turning point coincided with the end of President Ayub's widely acclaimed "Decade of Reforms And Development (1958-68)" - an era that witnessed a change from almost hopeless stagnation to ebullient expansion. Throughout this period Pakistan's performance was truly outstanding. A

growth rate of 5 per cent had become the norm rather than the exception i.e. nearly double the rate of population growth. (Haq; 1963:2). Investment was approaching a healthy 20 per cent. Prices were stable, foreign exchange earnings were increasing at a rate of 7.5 per cent annually and foreign resources were being used with increasing effectiveness. (Papanek; 1967:2).

Behind this facade of enviable statistics however, serious economic inequalities had filtered in between the provinces and personal incomes and wealth - one more reminder that numerology is a dangerous game. Mahbub-ul-Haq, Chief Economist of the National Planning Commission, till the last days of President Ayub (1969), writes:

I spoke....alerting the country to the growing concentration of industrial income and wealth in the hands of only twenty-two family groups.... these family groups controlled at that time about two-thirds of industrial assets, 80 per cent of banking and 70 per cent of insurance in Pakistan. I also underscored the considerable political and social risks inherent in a pattern of development which, over the preceding decade had led to a doubling of the disparity in per capita income between East and West Pakistan. (Haq; 1976:5).

The extent of economic disparity fanned the flames of discontent in Bangladesh. When Pakistan was created in 1947 there was little indication in terms of comparative resource endowments that West Pakistan would dominate the East. On the contrary, at independence Bangladesh had almost half of the tiny stock of investment in medium and large-scale industry. Its potential for a rapid increase in agricultural output was greater than that of West Pakistan. It had a higher literacy rate and better political organisation. Khandkar found for 1950-51 that the regional income of

Bangladesh was 10 per cent higher than that of West Pakistan. (Khandkar; 1955:48). Likewise Papanek's estimates reveal that in 1949-50 the income of Bangladesh was more than 10 per cent higher than that of the West. The regional incomes according to Papanek became just about equal in 1954-55. (Papanek; 1967:7). Yet all through the years that Bangladesh was a part of Pakistan, her economy stagnated (as the following table illustrates).

TABLE I.1

GROWTH OF GNP 1947-71
(In US \$ Million At 1971 Prices).

Year	BANGLADESH	WEST PAKISTAN
1947	2460	2210
1960	3510	4050
1971	5040	8060
<hr/>		
Total Increase in GNP, 1947-71	2580	5850

SOURCE: Faaland And Parkinson: 189

The reasons for Bangladesh's downhill descent are complex and may roughly be traced to the following factors:

(1) Class Formation And Conflict: Perhaps the earliest factor contributing to the eventual faster growth in West Pakistan was the choice of Karachi - its major port as the capital. In an economy where most scarce resources are controlled by the government, ease of access to that government is of overwhelming importance to entrepreneurs and investors. Businessmen and industrialists therefore preferred to invest in Karachi and those who did find it easier to obtain the import licenses and permits

needed for operation and expansion. It is not surprising then that the Bengalees in Bengal, isolated from the powerful Central Government at Karachi by about 1000 miles of Indian territory accounted for only 4 per cent of industrial investment in Pakistan between 1947-58. (Ayoob; 1971: 202).

The relative position and regional distribution of the social forces served to intensify regional identities and competition and constitute important background considerations in explaining the secessionist conflict.

(11) The tendency to concentrate investment in West Pakistan was reinforced by the fact that Bengal was substantially under-represented in the civil service, more so in its higher echelons. The civil service dominated the government and West Pakistan dominated the civil service. For instance, in the Central Secretariat (1956) - the country's principal decision-making body - among the 19 Secretaries none were from Bengal; of the 41 Joint Secretaries, only 4 hailed from Bengal; and of the 133 Deputy Secretaries, 10 were Bengalees. Similarly in the armed forces, Bengal had only 5 per cent representation. (Constituent Assembly of Pakistan Debates; 1956: 1844-1847). Had the civil service not been as West Pakistan oriented, it might have been realised earlier that the government must make a positive effort to redress the imbalance.

(111) Unequal Distribution of Foreign Exchange: Bangladesh resented the low proportion of foreign exchange that it could use in relation to that which it generated. The Bengali demand for decentralisation increased because of its strong prospective international balance of payments position and the fact that it could shed the burden of having foreign exchange diverted to the Western Wing.

TABLE I.2
SHARES OF COMMODITY IMPORTS AND EXPORTS OF
EAST AND WEST PAKISTAN FROM AND TO THE
REST OF THE WORLD
(In percentage)

A. Commodity Imports.

	1950/1 - 1954/5	1955/6 - 1959/60	1960/1 - 1964/5
East Pakistan	29.4	29.1	30.5
West Pakistan	70.6	70.9	69.5

B. Commodity Exports.

East Pakistan	50.3	61.4	59.5
West Pakistan	49.7	38.6	40.5

SOURCE: Computed from C.S.O. Bulletin, May 1967;
exports f.o.b. and imports c.i.f.

While Bengal had consistently earned more than half of the foreign exchange obtained by commodity exports, it consistently received less than one-third of commodity imports. On an average, the imports of capital goods to Bengal were barely 41 per cent of the import of such goods to West Pakistan. (Verma; 1972:61).

Inter-regional trade was also utilised to exploit Bengal. West Pakistan adopted the strategy of supporting her own industries by exporting goods to Bengal. Thus Bengal ran a surplus with the rest of the world and a deficit with West Pakistan. Faaland and Parkinson strongly emphasize this:

History is written as a critique of economic exploitation of countries by colonialists and that is how the association with Pakistan is frequently described by those engaged in shaping of historical accounts. (Faaland and Parkinson; 10).

The West Pakistani industrial elite with its allies in the

bureaucracy, used the levers of the state economic policy and planning to give their enterprises privileged protection from foreign competition, ready access to licenses for importing industrial raw materials and subsidies or tax concessions. In this manner private capitalism flourished in Pakistan and so did its concentration of economic power, its inequities and its control of the political and economic decision making process. Gradually it reduced Bengal to a hinterland and the Bengalee economy stagnated.

The Emergence of Bangladesh.

As the gloom deepened, economic despair gave way to political unrest. The Awami League led by the charismatic Sheikh Mujibur Rahman, won political leadership of Bengal assuming the role of a nationalist party - the vanguard in the emergence of the Bengali nation. Its principal claim to popularity and the basis of its mass appeal was the promise of emancipation from the economic exploitation and political domination of West Pakistan. This dream was realised with the bloody birth of Bangladesh on December 16, 1971.

Basic Indices: Independence And After.

The economic realities of Bangladesh are such as to defy short-term solutions and sufficient in themselves to breed dissatisfaction in the wake of the euphoria of independence. However it is frequently forgotten that Bangladesh emerged at a time when the winds of change had just started to blow and economic giants of yester-years began discovering cracks in their once secure empires. First the food shortages, next the OPEC oil-boycott - and before long the world economy was reeling under the impact of perhaps

the worst inflation in history. It was what the great Englishman Charles Dickens would describe as:

....it was the worst of timesit was the
season of darkness; it was the spring of hope,
it was the winter of despair.
(A Tale Of Two Cities; p. 1).

Bangladesh could not have emerged in more horrendous circumstances. The harsh economic realities of 1973-74, magnified miseries for the faltering two-year old republic.

(1) GDP Break-down: In terms of output, employment and share of exports, the traditional agricultural sector dominates the national economy in Bangladesh.

TABLE I.3

STRUCTURE OF GROSS DOMESTIC PRODUCT (1978)

<u>Sector</u>	<u>Percentage</u>
Agriculture	57
Manufactures	8.5
Construction	4.5
Power and Gas	0.5
Housing	4.5
Trade, Transport and other services	25
	<hr/>
	100%

(SOURCE: Vyllder and Asplund; 1979:3)

While industrial production contributes only 8 per cent to the GDP, the significance of this sector is much greater because it is a major export earner and producer of import substitutes. It has linkages with agricultural output and with trade and commerce.

(11) Population, Poverty and Employment: The population of Bangladesh was officially estimated at 90 million in 1980. In the early years of this century there were on average 4 persons to 3 acres of cultivated land. Forty years later at the time of the Great Bengal Famine (1943), 4 persons shared 2 acres; today there are 4 people to 1 acre of cultivated land; by the end of the century there will be only $\frac{1}{2}$ acre for every four people.

The average income is less than 100 US dollars per capita, and income is very unevenly distributed. The top 20 per cent of the households received in 1973/74, over 40 per cent of the total income, whereas the lowest 20 per cent received only 7.3 per cent. (Vylder and Asplund; 6).

The total labor force is of the order of 28 million at the present time and is expected to swell to 56 million or more by the end of the century. 90 per cent have agrarian occupations. With current population growth estimated at 2.8 per cent, the fact that food production is losing the race against human reproduction is the dominant problem of rural Bangladesh. It is also the single most important factor explaining the poverty of Bangladesh.

(111) The Agricultural Sector: Agriculture is easily the mainstay of economic life in Bangladesh. As many as 90 per cent of the total population live in the rural areas; over 80 per cent of all employment is in agriculture; about 60 per cent of the national product derives from agriculture and 90 per cent of exports are either agricultural exports or manufactured from agricultural products. The basic characteristics of Bangladesh agriculture and an evaluation of the policies adopted by the authorities particularly with respect to the problem of food and famine, will figure prominently in

the chapters to follow. The following is a brief outline.

Land-ownership pattern: The striking feature is the tremendous inequality in the ownership of landholding. The top 8 per cent of the rural households operate about 45 per cent of the total cultivated land; they are the rural power elites. (Ahmad; 1980: 12). By comparison, 65 per cent of the small farmers own only 26 per cent of the land.

In 1951, 14 per cent of the cultivators were without land. By 1974 the number was estimated at 40 per cent. In 1949 real wages for agricultural workers were TK. 679; by 1973 (at 1966 prices) they had fallen to TK. 580. (Burger; 1975:18). The trend is clear. The dynamics of rural poverty bring about the gradual transition from medium to small plots and then over a number of years to sharecropping and landlessness. A pauperised agrarian proletariat nearer to starvation each year is therefore the leading issue on the country's agenda.

Share-cropping and tenancy: The tenancy market is quite important in Bangladesh; about 20 to 25 per cent of the land is transferred to 30 to 40 per cent of the cultivators via this device. Ten per cent of owners control about 50 per cent of the total land; but they cultivate only about 30 per cent. (Mohiuddin; 1975:263). It may therefore be argued that, a mechanism for 'trickling down' of benefits from the landrich to the landpoor exists. But under the existing terms and conditions of tenancy, the tenant bears the entire cost of production while the landowner gets 50 per cent of the gross produce. Under these exploitative conditions the share of the tenant is hardly more than what he could earn by selling his labor in the market.

The implications of this situation are far-reaching and will be

discussed on several occasions later. Suffice it here to note that concentration of landownership is at the root of the dependency relationship in the rural areas, which works through the tenancy, credit and labor markets making a few large landowners most powerful in the village. Wealth, social and political power automatically establish a kinship between the rural power elite and the policy making intelligentsia in their urban sanctuaries. Through this connection, the large landowners control government services for agricultural development. To quote Prof. Yunus:

....the large and medium farmers organise themselves into some genuine and a large number of ghost outfits to gulp government favors in the name of rural economy and population. (Yunus; 1976:53).

Perhaps the best evaluation of the situation is found in the Planning Commission's evaluation report (June 1974):

....the co-operative societies have turned into closed clubs of the Kulaks. In particular, a village co-operative covers about one-fifth to one-fourth of the total members in the village. Membership is dominated by large farmers and medium farmers and the small farmers are grossly under-represented. Leadership in the societies is also dominated by large farmers; medium farmers have some representation, but the small farmers are entirely unrepresented in the leadership. These leaders enjoy a greater share of benefits but their participation, as measured by contribution of share capital and savings is relatively low. The leaders mostly fail to uphold the basic discipline of co-operative action. (Evaluation Report: IRDP; 1974:11).

All these have culminated in the existence of mass poverty among the agricultural and rural population of Bangladesh. The poorer sections of the

rural masses are impoverished because they are either landless agricultural laborers or own less than an acre of land. They are normally by-passed in developmental efforts and as such are caught in the 'Below Poverty Level Equilibrium Trap'. Admittedly the spectre of poverty and famine is present today across many countries of Asia and Africa. But the situation of Bangladesh appears to be the most precarious.

Conclusion.

Virtually everything is scarce in Bangladesh. The only plentiful resource is people - not simply in terms of an unlimited supply of cheap labor or brawn, but also in terms of brain power, the desire, the conceptualisation and entrepreneurial capacities of a substantial minority of Bangladeshis. With the latter as the principal instrument of our development strategy, it should not be too difficult to harness the large reservoir of depressed humanity to pursue the national goals of "shared austerity" and "self-reliant development" - i.e. the creation of a more equitable society consistent with growth at home and non-interference from abroad.

There are people who have always questioned the validity of Bangladesh and recurring chaos in the political and economic environment merely served to intensify their doubts. The overthrow and assassination of Sheikh Mujibur Rahman and the subsequent coups and turmoil are evidence of political instability. Sheikh Mujib fell because he had gathered total power in his own hands, because he had replaced the arrested political process with government by an inefficient, corrupt administrative machine and because he was unable to deliver the promises he made.

Following the famine of 1974, Mujib's regime was faltering. The inevitable occurred on August 15, 1975, when staccato bursts of gunfire eliminated the nationalist leader, who in 1971 had symbolised a struggle costing more lives and arousing greater hopes than any single event in contemporary South Asian history. (Lifschultz and Bird; 1979:1023).

After two more coups in rapid succession, the government headed by Ziaur Rahman eventually emerged and made an impressive start in its Herculean task of stabilising Bangladesh. It was initially helped by the best harvests in years. But even on its own merits, the government was winning respect for its approach to more positive and decisive management. Its pragmatic approach resurrected hope in a situation where optimism had become one of the rarest of sentiments.

Yet for Bangladesh, the troubles are far from being over. President Zia enjoyed power and ruthlessly dispatched those who challenged his authority. By his own admission, 406 military officers were executed during his regime; and yet he could not totally eliminate opposition to his rule. (Franda; 1981: 1387). This was a shortcoming that eventually cost him his life. Zia's assassination in May 1981 by army dissidents was a serious blow - one that could plunge the country into deep political and economic chaos.

Perhaps political instability is one of the principal obstacles facing Bangladesh today. The technical means exist to increase output, to diversify economic activities and to develop a broader economic base. For instance, a United States Senate Study notes that Bangladesh "is rich enough in fertile land, water, manpower and natural gas for fertiliser, not only to be self-sufficient in food, but a food exporter, even with rapidly increasing population size". (Senate Committee Report; 1976:99). Perhaps it is too

()
much to hope for a dramatic change in economic welfare by the end of
the century. But enough could be done to satisfy people's needs and for
all to realise that even in Bangladesh, living standards can be improved.

)

4

()

CHAPTER II.

FOODGRAIN AVAILABILITY, RURAL POVERTY AND INEFFICIENCY: THE FIRST FOOTHOLDS OF FAMINE IN BANGLADESH

When asked for the proper time to eat, the Greek cynic Diogenes retorted: "If a rich man when you will; if a poor man, when you can".

This chapter reviews the nature and implications of the food shortage and then goes on to prepare the background for a synthesis - an explanation of the dual persistence of hunger and poverty in the famine prone countryside. In particular, we shall seek to unearth the social roots of want and poverty, and argue that while the famine in Bangladesh (1974), might have been precipitated by the withholding of food shipments by the US, vulnerability to such external pressure was ultimately due to the following factors.

(i) the inequitable distribution of rural income, landholdings and other forms of rural property which tends to strengthen the rich and enrich the powerful, as well as to weaken the poor and impoverish the weak; and

(ii) the consequent interplay of social and economic factors that foster an inability to harness internal resources to achieve a rise in the level of production or to achieve an equitable distribution of income, which under normal circumstances should circumvent the problems of malnutrition, hunger, starvation and famine.

The famine of 1974 revealed the retrograde character of Bangladesh's land structure, the continued exploitation of its landless laborers and small farmers and the persistence of semi-feudal elements in the rural society.

With production growth primarily land based and land very unequally distributed, the benefits from increased output and efficiency accrue only to the group who controls the land. The rural power structure responds to material incentives and become participants in co-operatives and other development ventures. Concurrently they also retain most of their original values tied to factional commitments and kinship preferences, thus transferring to the co-operatives etc., the inequalities and nepotistic expectations typical of a traditional society. As a result, in spite of considerable recorded increases in grain output, income distribution has in reality worsened and landownership has grown more skewed. The benefits of increased growth did not trickle down to the poorest. This is the inevitable consequence of a strategy which relies heavily on a tiny capitalist elite rather than instituting rural development on a broad peasant basis.

Food Needs, Availability and Consumption.

The cumulative consequences of successive disasters - cyclone in November 1970, the War of Independence in 1971, monsoon failure in 1972 and floods in 1974, superimposed upon the global food crisis of the early seventies - dealt major setbacks to food production, availability and consumption in Bangladesh. Lincoln C. Chen sums up the food situation:

Accepting the widely-used assumption of a population of 75 million and an average per capita daily cereal need of 15 ounces, Bangladesh would require 11.5 million metric tons of foodgrain in 1972/73. If aggregate availability from domestic production were 8.6 million metric tons, importation of 2.9 million metric tons would be needed to avert hunger. Should the per capita need be adjusted to 14.5 ounces per person per day....the annual need would fall to 11.1 million metric tons. (Chen; 1975:94).

The census report of 1980 indicating a population of 90 million, calls for some adjustments in Dr. Chen's arithmetic. Today an average per capita daily cereal need of 15 ounces would call for 13.8 million metric tons of foodgrain, while a cereal need placed at 14.5 ounces (per person per day) would require a total food availability of 13.34 million metric tons. Aided by some of the best harvests in recent years, the average annual availability from domestic production is estimated at 11.82 million metric tons. (Bangladesh Bank Bulletin; 1981: 174-175). Hence importation of 1.52 million metric tons is essential to avert hunger.

Nutritional experts argue that an intake of 14 ounces (per person per day) constitutes a semi-starvation diet even by tropical standards. However we find this view untenable. The calorie content of a metric ton of clean rice/wheat is 3.6 million. Thus 14 ounces of rice/wheat equals 1400 calories. These 1400 calories are supplemented by other non-cereals (e.g. fish, meat, vegetables etc.), estimated to be an average 280 calories per day per head of population. Thus the total intake of calories per day per head stands at 1680 - a fairly respectable figure. We insist upon 14 ounces as the calculation of need instead of the customary 15 ounces or 16 ounces. Fractions of an ounce make a great deal of difference to the amount of imported food required by 90 million people. Such fractions also make a great deal of difference to the daily lives of the population.

Table II.1 gives the comparative yearly estimates of production, requirement and imports of foodgrains from 1971 to the famine year 1974.

TABLE II.1
ESTIMATED CEREAL NEEDS AND AVAILABILITY
(At 14 oz Per Day Per Head)*

Year	(a)			(b)		(c)	
	Domestic Production			Annual Requirement*		Import	
	Rice	Wheat	Total				
1971	9.55	0.10	9.65	10.73		1.21	
1972	8.87	0.103	8.97	11.03		1.42	
1973	9.56	0.08	9.64	11.34		2.34	
1974	10.77	0.10	10.87	11.66		1.69	

*The annual requirement figures were calculated on the assumption that the total population was 75 million in 1971 and growing at a rate of 2.8 per cent annually.

SOURCES: (a) Statistical Pocketbook of Bangladesh, 1978.
(Bureau of Statistics, Government of Bangladesh).
P. 126.

(c) Alamgir Mohiuddin. Famines In South Asia.
Massachusetts: OG & H Publishers, 1980, p. 223.

One could hardly anticipate a famine in 1974 from the aggregate estimates of production, availability and imports of foodgrain provided above. Rather as Alamgir Mohiuddin states:

The official data suggest that in 1974 per capita availability of foodgrains at the national level was higher than all others in the 1970s.
(Mohiuddin; 1980:264).

Instead of 1974, the experts proclaimed the years 1971-72 as holding the prospects of a dire famine in Bangladesh. Among those responsible for such prognostications were experts from the World Bank, the US AID and the UN relief agencies. We must therefore provide an explanation as to why a

famine did not occur in 1971-72 despite the numerous predictions made to that effect and why it eventually occurred in 1974. A careful consideration of several important factors relevant to the problem, invokes the following conclusions.

(1) 1971 was a year when the War of Independence was at its height and 1972 was the year following the achievement of independence on December 16, 1971. The scare of a famine had spread since April 1971. Under normal circumstances this would have resulted in large-scale speculation and hoarding by traders and large farmers thereby accentuating the existing grain shortage. However in the unusual circumstances of 1971-72, a number of deterrents prevented such speculative hoarding. In 1971 there was the fear of destruction of grain stock by the marauding Pakistani army. There was also the appeal to patriotism backed by the Liberation forces and the guerillas, leading to food-sharing among villagers in most localities. The influx of millions of refugees into India (from Bangladesh) - estimated at 9.5 million - generated a considerable foodgrain saving within Bangladesh. Swadesh Bose estimates the amount of foodgrain saved by the exodus of a large number of refugees at above 510,000 tons. (Bose; 1972:299).

Hence despite the tight foodgrain situation in the deficit districts, in most cases the price of rice ranged from Rs. 45 to Rs. 60 per maund (approximately the equivalent of 80 pounds) in the lean months of September and October. This compares to a Bangladesh over-all price of over Rs. 51 per maund in 1969 and about Rs. 50 in 1970.

The gap between production and requirement in 1972 was not very considerable. In January 1972 the government's initial stock of imported foodgrain stood at 500,000 tons. (Ibid: 305). For a desired consumption

level of 15 ounces the import requirement was between 1.2 and 1.7 million tons if year-end stocks were to be kept at about 500,000 tons. To ensure a consumption level of 14 ounces, imports of only 0.6 million tons were necessary. (Ibid: 305). This was easily realised as Bangladesh was treated with unparalleled generosity by aid-donors in the immediate post-liberation period.

Furthermore, the effect on foodgrain requirement of the number of people killed by the Pakistani army is often neglected. This number (which may be even higher than the one million estimated by many experts), generated a considerable foodgrain saving.

Food Production and Availability.

There is a very important dimension to the problem of foodgrain production estimates in Bangladesh. Nurul Islam puts it this way:

The Ministry of Agriculture tended to lean towards high estimates, since as a ministry in charge of increasing agricultural production, a high output appeared to reflect favourably on its performance; the Food Ministry had a bias towards a lower estimate because if there was a shortfall in output there would be pressure to distribute more food through the public distribution system which it would not be able to meet.
(Islam; 1977:116).

It is clear that there is considerable doubt and confusion with regard to estimates of the food gap. One might argue that the 1974 production figures appear inflated, especially since Boro (or the winter crop that accounts for one-sixth of the total rice output) was so severely damaged. But damage to crops in some areas is an annual feature in Bangladesh

and in fact the Boro output (in per capita terms) was higher in 1974 than in 1973. (Mohiuddin; 1980:202). So it is possible that the total output of rice in 1974 was above the trend, especially since Aman (the major crop that accounts for two-thirds of the country's total rice output) yields were higher than 1973 in all districts except three. Also in 1974, the absolute level of wheat production was slightly above the average for the previous five years.

We would therefore not dispute the reliability of the basic data used to estimate foodgrain availability. Ever more so, since the Planning Commission co-ordinates the inter-ministerial discussions and forecasts on the annual food output. What is more important is to examine the facts underlying these figures. For instance, the figures by themselves do not reveal the seasonal, regional and income pattern of foodgrain availability. Neither do they take account of the annual private and trading stock build up, unprecedented changes in money supply and its consequences on the masses, leakage of foodgrains through smuggling and destruction by natural hazards (e.g. floods, cyclones etc.,). All these will be considered in their proper sequence.

Seasonal Variation In Output Affecting Seasonal Availability:

It is not enough to say that per capita net output of rice was actually higher in 1974 as compared with all other years of the 1970s. Rather we must analyse the 1974 rice output level in relation to the trend over time by looking at the different crops - Aus, Aman and Boro - separately. While Boro and Aus output were below the trend, Aman output in the surplus and deficit districts exceeded the trend value by 5.12 and

9.33 percent respectively.

In fact the seasonal pattern of foodgrain availability was more uneven in 1974 than in normal years, so much so that the per capita availability of foodgrains during July-October 1974 was considerably lower than the average for the year. This contributed to a tight market availability situation during that term - now recognised as the period of the "autumn famine".

Compounding the problem, the beginning of the year stock of foodgrains at government storage facilities in 1974 was below what could be considered as normal indicating a low level of preparedness on the part of the government for meeting a crisis.

TABLE II.2
GOVERNMENT STOCK OF FOODGRAINS AT
THE END OF THE MONTH (000 TONS).

MONTH	1972	1973	1974	1975
JANUARY		193	161	319
FEBRUARY		245	139	214
MARCH		498	163	244
APRIL		495	172	282
MAY		412	219	438
JUNE		309	184	728
JULY	450	204	320	
AUGUST	419	209	347	
SEPTEMBER	349	263	219	
OCTOBER	248	348	137	
NOVEMBER	218	278	130	
DECEMBER	160	238	181	

SOURCE: GOVERNMENT OF BANGLADESH, DIRECTORATE OF PROCUREMENT,
DISTRIBUTION AND RATIONING.

The government stock of foodgrains is important in meeting a crisis.

because the amount of private and trading stock carryover between years is nil or negligible. The situation of 1974 became more critical because of the uncertainties associated with the shipment of food aid. For instance, in the case of some countries providing food aid, Bangladesh was not free to ship food in vessels of her own choice and food had to be transported in the vessels of the donor country. (Islam; 114). As a result, shipments of aid to Bangladesh were often unmatched to the seasonal patterns of food marketing and distribution in the country, sometimes with disastrous results.

The crisis taking shape in July 1974 began to assume unmanageable proportions as U.S. aid commitments made in the Fall of 1973 were still not forthcoming. During the two most difficult months - September and October - imports were among the lowest. Even earlier in the year, the import levels (of January - April), were much lower than those of 1973, as table II.2 indicates. The embargo on grain shipments to Bangladesh (presumably because Bangladesh had disqualified itself by selling jute to Cuba) and other manifestations of U.S. might were varied and numerous. They will be discussed at length in Chapter IV. Suffice it here to say that as the U.S. government employed its food aid leverage in Bangladesh for the most trifling of political purposes, raging floods and food shortages assumed mammoth proportions and the first famine victims appeared on the streets of the capital.

Leakages Due to Smuggling And Storage Loss:

Though difficult to estimate, storage loss is considered to be significant even in normal years (3 to 5 per cent). In 1974 it was probably

higher due to heavy rains and floods. But even after allowing for a 5 per cent loss in storage, the per capita daily availability would be 15.1 ounces - higher than the 14 oz., we considered to be the minimum requirement. Under such circumstances, the logical conclusion would be that leakages through smuggling into India must have been substantial, such that the scarcity of the lean months could not be balanced by the surplus of the period of plenty.

Smuggling figures are not available. At best one can guess and theorise. Bangladesh has about 1400 miles of land border and a little less of open sea coast. As it is impossible to police such a vast area, organised smugglers ensure the regular outflow of rice through routes which are unguarded or difficult to monitor. Faaland and Parkinson find the volume of smuggling quite substantial:

The quantities involved are very difficult to estimate with confidence but.....at least 1/2 million, possibly more than one million tons a year have been smuggled across the border.
(Faaland and Parkinson; 127).

Worse still, smuggling operations were sometimes blessed with administrative and political support of the ruling elite. (McHenry and Bird; 1977: 76-77).

Smuggling certainly makes its presence felt in the economic life of Bangladesh. It at least partially ensures that the actual availability of foodgrain in Bangladesh is always lower than the observed (official) figures - perhaps more so in 1974. One reason for the more acute situation of 1974 could be the 'salt famine'. The salt famine was by all accounts a purely artificial phenomenon, created by traders starting in February 1974 and

continuing until the government made arrangements for importing salt from Pakistan and India. As salt price sky-rocketed, it became very profitable to smuggle rice into India to obtain salt in return.

The thrust of the argument here is that, the food supply was in reality tighter than that portrayed in the official statistics and smuggling was one of the factors breeding such a deficiency. After all, one cannot altogether reject the hypothesis that the famine of 1974 in Bangladesh was partially caused by a decline in domestic foodgrain availability.

One would however be naive to attribute the 1974 famine exclusively to smuggling, floods, inaccurate statistics and such other causes. These are all permanent features of the food system of Bangladesh and cannot explain why the situation in 1974 was so disastrous. Shortfall in the production of Boro, shortfall in imports, shortfall in government offtake and the remainder of the causes cited above were definitely important. But they were only supplementary adding fuel to the flame.

Food availability per capita is not an adequate way of viewing the problem of modern day famines and starvation. The conceptual framework within which the problem of famines have been traditionally viewed is seriously deficient. It is not sufficient to say that with so many tons of domestic produce, so much leakage compensated by so many shipments of imports the food-gap ought to be of such and such magnitude. Through mathematical calculations such as these, the economist is abstracting from the social and human dimensions of economics. Economics is ultimately a study of the livelihood of people. Zealous mathematisation tends to deemphasise the role of people. This is pronouncedly so for traditional societies such as Bangladesh, where between the forces of production on

the one side and food imports on the other there is a fascinating human story where time, nature, bureaucracy, greed, ignorance and many more elements come into play. An analyst who cannot decipher the mystery of this intervening story is not competent for his job.

The food problem in Bangladesh is essentially a problem of poverty - poverty perpetuated by the inequitable distribution of the means of production. In the remainder of this chapter we will analyse this particular aspect of the problem and other dimensions not yet dealt with.

Starvation - A Problem Perpetuated By Poverty.

Phrased in terms of too little food for too many people, the gloomy prognostications of the Malthusians consider hunger as 'the one impossible problem for Bangladesh'. Bengalee planners are thus numbed by a paralysing sense of guilt and fear; the surplus nations feel threatened by the already overwhelmingly large, hungry populations in the countryside showing symptoms of yet higher numbers in the decades immediately ahead. But in reality the problem is not one of natural shortage of food supplies. What we are witnessing from the hue and cry about world food shortages is nothing but the institutionalisation of poverty amidst a continuum of factors - political, social and economic - which has transformed human relationships and resource endowments in Bangladesh. The illusion of scarcity is a product of the unequal control over food producing resources; which results in their underuse and misuse.

The trouble with the Malthusians is their inability to recognise this fact and also the fact that the greater numbers of poorer people in Bangladesh are not an inanimate mass but composed of individuals each potentially

capable of responding to economic incentives. The prospect of technological innovations for raising agricultural production is small because the obstacles to democratic control of resources permit only a privileged few to benefit from the new technology. The absence of a range of complementary services which could minimise distortions in income distribution and maximise opportunities for members of the community as a whole - have not been recognised as a key responsibility of those concerned with farming policy.

All this is best understood when one probes into the impact of the Green Revolution in Bangladesh. The new high yielding cereals and new sources of energy to break seasonal time constraints and human energy stress may be called progress on paper only as they are no more than sources of institutionalised pauperism in practice. The landless and the 'minifundios' are left to fend for themselves in the name of technological progress under conditions in which the dice are heavily loaded against them. But prior to evaluating the Green Revolution, there is one more aspect that deserves to be discussed.

Money, Inflation and Real Incomes.

There was an unprecedented expansion in money supply. Total money supply increased at an annual average rate of 35 per cent during the period 1972/73 and 1974/75. (Islam: 151). Table II.3 below shows the increases in money supply over the period December 1972-1974.

TABLE II.3
INCREASES IN MONEY SUPPLY

PERIOD	% Increase in Money Supply
<u>Year ended</u>	
December 1972	71
December 1973	19
December 1974	12

SOURCE: Figures provided by the Bangladesh Bank and the Bangladesh Bureau of Statistics.

Deficit financing by the government and losses suffered by public sector enterprises were the prime causes of the expansion in money supply. Total goods available are estimated to have declined by 19 per cent in 1972 as compared with 1969/70. (Bose; 1973:842). Agricultural production increased only 4 per cent in 1972/73 over 1971/72 and there was no significant recovery in industrial production.

This shortfall in production combined with the increase in money supply created powerful inflationary pressures in the economy. Wholesale price indexes of agricultural and industrial products increased from 100 in 1969-70 to 188 and 235 respectively in 1972 and 1973. Real wages of industrial and agricultural workers went down by 48 and 24 per cent respectively between 1970 and 1973.

TABLE II.4
INDICES OF WHOLESALE PRICES OF AGRICULTURAL
AND INDUSTRIAL PRODUCTS

(Base: 1969-70 = 100).

Period	Agricultural products	Industrial products	All Groups
1972-73	187.78	255.46	240.49
1973-74	251.29	320.25	304.38
1974-75	464.20	390.36	454.27

SOURCE: Statistical Pocketbook of Bangladesh,
1979: p. 488.

One might argue that it is not unusual for the people of Bangladesh to be subject to very large increases in the price level. But the sustained increase in prices in 1974 transcended previous experience both in severity and longevity. And what consumers suffered in 1974 was the cumulative hardship brought about by a price level rising since 1972. Nurul Islam describes the situation in 1974 as thus:

.....the cost of living index for the city of Dacca registered a fourfold increase between June 1970 and December 1974. During the same period the price of medium quality rice and of long cloth (coarse cloth worn by the masses) rose by more than 900% while the prices of other staples such as salt, soap, firewood rose between 300 and 1000%.
(Islam: 150).

The implications of this become more grave when one realises that the demand for rice in Bangladesh is very inelastic. Thus when in 1974, rice was short in supply and prices skyrocketed, the well-to-do diverted

more of their current income to purchasing it; the minifundios were forced to sell their only asset - land; and the destitute starved. As Alamgir Mohiuddin puts it:

The proportion of land sold by the less-than-one-acre holding households was as high as 54 per cent. This percentage is almost five times as great as that for households with landholding of five acres and above. After land transactions in 1974, the less-than-one-acre group became either landless or near-landless.
(Mohiuddin; 1980:162).

This is understandable since land registry offices recorded sharp increases in the transfer of title deeds. For instance, in Rangpur - perhaps the most severely affected famine district - the number of land transfers was 277,611 in 1973. In 1974 the number swelled to 399,054 deeds. (Stepanek; 1978:97).

Government food stocks were only able to support the real incomes of those living in the towns where rice was issued at controlled prices, through the government ration shops. This measure had a crippling effect on the rural poor who faced difficulties not only with paying about five times more in the open market, but also in securing the rice itself. Rich farmers and traders hoarded their rice stocks as an asset of value and speculation in the hope of still further price increases. In the absence or near absence of access to government food supplies, the rural poor who were unable to buy at market prices sold their land, farm animals and finally household belongings. When these were all gone, they were either looked after by friends and relatives, survived by begging or died.

The Green Revolution In Bangladesh - Rhetorics and Realities.

The term "Green Revolution" oversimplifies a complex reality. The Green Revolutionaries see in the development and distribution of the magical HYV (high yielding variety) seeds - the new 'miracle grains' - a way to eradicate hunger and poverty throughout the world. They practically equate progress and the modernisation of agriculture with the spread of the new miracle seeds. Lester Brown writes:

The development of IR-8 and its dissemination throughout Asiais literally helping to fill hundreds of millions of rice bowls once only half-full.
(Brown; 1970:8).

While Brown euphorically describes the 'miracle seeds' as the solution to the problem of world hunger, he blunders into tackling the problem exclusively from the supply side. The evidence in Bangladesh is that, despite the diffusion of the high yielding rice strains since the sixties, the claims for their potential accomplishments are yet to materialise. Rather the result has been tragic. True, more food is being produced, but more people stay hungry. As Joseph Collins and Frances Moore Lappé point out:

International Labor Organisation studies document that in the very Asian countries - Pakistan, India, Bangladesh, Sri Lanka, Malaysia, the Phillipines and Indonesia - where the Green Revolution has been pushed, and where, indeed, food production per person has risen, the rural poor are worse off than before.....Other studies by the United Nations Research Institute for Social Development confirm the pattern: in the Third World, on the whole, there is more food and less to eat.
(Collins and Lappé; 1977:31).

Lester Brown appears to have created a veritable credibility gap. The truth is that it is not enough to say that with so many tons of the miracle seeds, so many tons of fertiliser, so many gallons of pesticides and a whole lot of good luck we can produce a certain quantity of rice. Such mathematised economics take the planner from one side of the production process to another without allowing him any glimpse in between. In order to really appreciate the social and economic implications of the new technology in Bangladesh, one must necessarily concentrate upon the interaction between the technological change and employment, income distribution, power structure, and ecological and cultural factors. All of these different and multi-disciplinary issues should help us to assess how green the Green Revolution really is.

Green Revolution Or Elite Farmer Strategy?

The high risks associated with the HYVs, plus the unequal access to credit and modern inputs and the non-neutral character of government policies and institutions, are the main factors responsible for offsetting the 'technical' scale-neutrality and instead give the HYV strategy a consistent bias in favour of the richer farmers. The revolutionary plants of the Green Revolution demand greater capital investment from the growers, thus the gains from the new seeds can be very differently distributed in different political and socio-economic environments. Big and small farmers can take equal advantage of the new technology, if and only if the institutions that provide the necessary inputs are also neutral. This is normally not the case in Bangladesh. There are many different institutions that should be considered in this context. The local power structure at the village level is of

obvious importance - who decides for instance, on whose land a deep tube-well should be installed? To answer this question both the traditional 'patron-client' kind of informal relationship and the control over 'modern' institutions such as farmer co-operatives should be considered. These institutions are invariably controlled by the land-owning rural elite who thereby enjoy the lion's share of the benefits. Subsidised inputs being funnelled through these organisations never reach the hands of those who need aid most desperately. Finally one could emphasise the imperfections that characterise the markets for credit and inputs remembering that these imperfections are only the economic expressions of more basic political and socio-economic factors related to the entire power structure of the rural and urban society in Bangladesh.

Mahbub Hossain provides an example of the distribution of credit among farmers from the Phulpur area in Bangladesh. (Hossain; 1977:300-333). Only 2 per cent of the farmers who owned two acres or less received credit from lending institutions, compared with 17 to 24 per cent for farmers owning more than 2 acres. Such skewed access to credit has caused even greater unevenness in land distribution. Indebtedness becomes a way of life for small peasants and increases the chances that they will eventually have to sell their land to their creditors - usually the village money-lender who charges up to 300 per cent interest. This has been a common cause of further land concentration and it has been accentuated by the Green Revolution.

Entrepreneurs adopting the HYVs have therefore been chiefly owners of medium and large size farms favoured by access to capital and access to technological know-how. Simultaneously, with the passage of time the

peasantry becomes more and more marginalised - a strange result for a programme designed to bring about greater integration in the economy. Competition for land by a new class of 'farmers' - money-lenders, bureaucrats, city-based speculators etc., has sent land values soaring (sometimes from three to five times), in the Green Revolution areas.

Higher rents force tenants and sharecroppers into the ranks of the landless. With their profits, the powerful new class is buying out the small landholders and thus fewer people are gaining control over more land. This process exists not only in Bangladesh but is found to repeat itself in every country where farmland is allowed to be the source of individual wealth. For instance, in Sonora, Mexico, before the Green Revolution, the average farm size was 400 acres. After 20 years of publicly funded modernisation the average has now climbed to 2000 acres. In contrast, more than three-quarters of Sonora's rural labor force have no land at all. (Collins and Lappé; 1977:30). And as everyone knows, to be cut out of production is to be cut out of consumption. Investigations by the United Nations Research Institute for Social Development (UNRISD) on the impact of Green Revolution Techniques in 24 different countries have confirmed this consistent pattern - a decline in well being for much of the rural majority even as agricultural production bounds ahead. (UNRISD: 1976:34).

The Economics of Repression - A Brief Digression.

The dominant characteristic of the existing production relations in rural Bangladesh can best be described as "semi-feudal" - a phenomenon that has more in common with classical feudalism of the master-serf type than with industrial capitalism. (Bhaduri: 1973:120-37). Bhaduri has demonstrated

that the combination of owning land and lending money gives landowners essentially feudal power over their tenants, who are perpetually indebted to them, even for basic needs. This invariably sets into motion a catastrophic chain of events that actually worsens the plight of the poor majority. To observe how all this operates in Bangladesh, we must examine the rural society, its dynamics of stagnation and particularly its economics of repression.

The rural society in Bangladesh differs significantly from its urban counterpart. The urban society represents a high level of economic integration - any disturbance in one corner of the economy quickly transmits its effects to other parts. Rural societies on the other hand are clannish, almost tribal in character. Economic activities are localised and the level of interdependence among the communities is very low. While urban societies function on the basis of fast adjusting economic relationships, rural societies are governed by rigid social values and norms.

Village societies are dominated by a formidable power-crust, composed of the wealthy landowning elite. A whole vicious cycle is formed as this "quasi-feudal" landowning class plays a key role in establishing links between the State at the national level and the power structure at the rural level, (which it dominates). The urban based policy maker is understandably perplexed when faced with the enormous task of mobilising the vast rural masses into acts of social co-operation and development. He is therefore on the lookout for allies on the rural front. This is easily obtained since for the rural elite, personal shares in the lucrative development cake become more important than considerations of social good or the co-operative spirit. The more ambitious among them establish good

relations with urban institutions and development personnel; hence the gains arising out of the public policies accrue to them and the losses which befall the rural poor by the same policies far outweigh the gains.

These aspects of the problem, so much emphasised by social scientists, are persistently ignored by policy makers. This is understandable since most of the policymakers own land in substantial quantity and the majority of them have risen to their present position via the launching pad of agricultural land owned earlier in life. Vested interests cause their adherence to the view that the miracle seeds hold the key to bridging the food gap. They quickly point out that the World Bank (with the aid of soil survey reports), has identified 15.6 million acres of land as being suitable for HYV rice under rain-fed conditions. If the farmers can be persuaded and the inputs and credit arranged, there is no reason why the food deficit should persist - they say.

This sounds like an absurdly simple solution for a problem that has so far defied all attempts at solution. Our discussion so far, would suggest that one should resist jumping to any conclusion from the arithmetic of the strategy. After all, we now know why a switch from LYV to HYV is not that simple.

Some Third World countries did not opt for the 'production-first' strategy and have succeeded. In Taiwan for instance, the physical and institutional structures were first built up. The same careful persistence in 3 respects - development of land, institutions and skill - is evident in China since 1950. The Chinese did not look upon progress as a one-day hike to the mountain top. Thus because land-reforms preceded the introduction of the HYV technology and because institutions were better able to spread the

benefits, agricultural development has not been lopsided.

This is why in Bangladesh too, where the ideological demand is to create equal opportunities and sharing of existing resources, some major forms of land and agrarian reform must precede developmental efforts. The greater the delay in enacting such reforms, the greater will be the adverse effects on an already aggravated situation.

Conclusion.

What emerges from the above is inevitably a critique of the Green Revolution strategy; but not a rejection of the technology itself. The issue is not pro or con technology. The issue is: technology in whose interest? (Lappé and Collins; 1979:15).

Indeed the new seeds and technology could regain the overall balance between population and domestic grain production, if only the possibility existed of equitable access to facilities in rural Bangladesh's highly stratified society with its wide social differences. As Lappé and Collins word it:

"...underutilisation of food producing resources characterises every society where, as in Bangladesh, land and credit and marketing systems are controlled by a few and those who work the land do not have effective control over it. The real barriers to greater production are not physical but political and economic...."
(Ibid.,:10).

It is true that Bangladesh is not held back by any physical shortage of resources. Since most of the country's area consists of soil eminently suited for agricultural production, the ratio of population to agricultural

land is not very high. Table II. may be cited to illustrate this point.

TABLE II.

CROPLAND IN RELATION TO POPULATION (EARLY 1970's)

<u>Country</u>	<u>Acres of Cropland per person</u>
Bangladesh	0.32
China	0.32
Taiwan	0.15
South Korea	0.17
England	0.32
West Germany	0.32

SOURCE: Based on World Bank: Land Reform Sector Policy
Paper, May 1975, p. 50.

As the table indicates, Bangladesh has about as much cropland per inhabitant as Great Britain and West Germany and twice as much as South Korea or Taiwan. Also the quality of the country's rich alluvial soils is second to none in the world and the climate permits the cultivation of up to three crops per year in many parts of the country. A World Bank report concluded that the current rice production could be quadrupled by the end of the century with the help of already known techniques. While these technocratic exercises are abstracted from the political and socio-economic constraints, they nevertheless serve to highlight the contrast between the present and potential levels of production. Presently, average yields of rice in Bangladesh are one-half of the average yields in Taiwan or South Korea and only one-third of those of Japan - figures which are an insult to the fertile soils of Bangladesh. Keith Griffin and A.R. Khan attribute this to:

The exploitation and inequality to which the majority of the rural population is subjectedThe effect is not only to lower current output below its potential but to reduce the capacity and willingness of the population to innovate. (Griffin and Khan; 1978:298).

The evidence is that the potential of the new rice varieties remain largely unrealised in Bangladesh. The area sown under HYV during the major crop season, amounts to about only 10 per cent of the cultivable surface. This explains the claim that the entire increase in production of rice between 1968/69 and 1976/77 was generated by a minority of 15 per cent of all farmers in Bangladesh. The existence of distortions and biases expresses itself not only in the form of a serious misallocation of meagre resources but can also sometimes operate to dissuade landlords from adopting technological improvements that could provide such a jump in yield that tenants might escape their domination.

The food problem in Bangladesh can be solved only at the political level. Since this is neither accepted, nor appreciated we remain saddled with the same problem. Simply increasing production will never solve the problem of hunger. The real questions are what is grown and who eats it - and the answers to these questions are determined by who controls the food-producing resources. The problem is not technical. It is political.

The outlook for the future is that in the aggregate, the status of Bengalee peasants will not change. After all, rural development cannot be viewed as a narrow technical problem of increasing production by combining the skills of plant geneticists, agricultural chemists and transport engineers. The problem is a much wider one of developing appropriate institutions to mobilise and induce members of the rural society to greater

productive effort, to help them to overcome the constraints impeding utilization of available resources and to enable them to distribute the results of their effort equitably among themselves. As long as this job is delayed, and the distribution of income determines what is produced, and for whom, no new innovation (of techniques or crop varieties), can offer any real solution. It will simply result in marginal improvements for a limited number of people.

CHAPTER III

DISTRIBUTIVE IMPACT OF TAX AND EXCHANGE RATE POLICY - THE ANATOMY OF AN AGRARIAN ECONOMY IN BONDAGE

A famine has never arisen from any other cause but the violence of governments, attempting by improper means to remedy the inconveniences of dearth.

Adam Smith, Book IV, Chapter V, p. 493.

The socio-economic profile of rural Bangladesh depicts an agrarian economy in bondage, wherein the poor have become institutionalised into a culture of poverty. This poverty is not merely a legacy from the past, but has also been maintained through fiscal and administrative policies of post-colonial governments. The present tax structure in Bangladesh relies very heavily on indirect taxes designed to transfer resources out of certain sectors and to protect and encourage others. The policy is simple: promote production of cash crops (e.g. jute), then turn the terms of trade against the peasantry by a tax on such exports. Sectors favored, generally include the large scale manufacturing, plantation agriculture (i.e. tea), trade and government sectors. Such a pattern of taxation is regressive; it is one of the key elements in the preservation of inequality in Bangladesh.

In this chapter we will discuss the use of regressive taxation in Bangladesh and include within that context the country's foodgrain policies. This will be followed by a demonstration of how the country's over-valued exchange rate is instrumental in providing the urban elite with subsidised food at the expense of the rural poor. Throughout, our primary concern will

be to suggest policies that will reduce inequality - the primary and basic cause of famine in Bangladesh.

Regressive Taxation And Underdevelopment.

The Bengali state machinery was built up under the British rule and still retains much of its colonial ancestry. The government is administered by a highly centralised bureaucracy that has little ability to collect direct taxes. The major direct agricultural tax is on land. But rates are low and have been increased only once during the last ten years. The general price level has risen sharply since independence in 1971, so land taxes today constitute a very small share of the agricultural product. Increasing the rate of land taxes poses obvious administrative and political problems as no government desires to make itself unpopular with the overwhelmingly larger majority of the population.

Incomes in industry and business are often very high in Bangladesh. The political difficulty of raising income and profit taxes is not due to the small number of capitalists but to their awesome power. Collections thus lag behind the growth of value added. In part the lag is the result of an increased ability to avoid or evade taxes and partly due to various tax concessions to promote investment. For instance, the rate of import duty on machinery and equipment for setting up new industries ranges between 2.5 percent to 15 per cent *advalorem* and there is complete exemption of sales tax. Furthermore, would-be investors are granted a tax holiday for 5 years for setting up industries in a developed region and 9 years for one in a less developed area. (Bangladesh Government Documents; 1980:7-9).

While it is not easy to raise government revenues, it is even more

difficult to restrain current government expenditures. The very poverty which makes it difficult to raise taxes also generates strong pressures to raise spending. To accomplish this, taxes are often indirect and reliance on revenue from export and import taxes is heavy. The inability to administer direct taxes means that there is a problem in getting money out of the agrarian sector. This can be accomplished by coaxing small farmers into production of the cash crop, jute, and then levying taxes as it is exported. On the other hand, exports of manufactures and plantations (e.g. tea) are typically not taxed or taxed at very low rates. Such an absence or near-absence of taxes, reflects a policy deliberately designed, to somehow drain income from the vast masses of peasant producers, who otherwise are too small for the distant and centralised government to deal with.

Throughout the colonial period and into the 1950's the peasantry in Bangladesh was treated with neglect. As Arthur Lewis would explain: it was feared that productivity increases in the massive agrarian sector would have been reflected in higher real wages for the landless laborers and the mini-farmers. Such higher real wages were not and are not in the interests of the national elite. Not only would higher incomes among the peasantry escape direct taxation, such higher wages would probably be communicated through the possibility of labor migration into higher real wages throughout the economy. Higher real wages throughout the economy would hurt the national elite, who benefit in all cases from an abundant supply of cheap labor. (Lewis; 1954:139-191).

In contrast to policies that squeeze the peasantry, the urban sector is favored in a variety of ways through government economic policies. For

instance, the cost of labor and of raw material inputs is held down by policies which limit incomes in the rural sector. Since the labor force in the rural sector is so large relative to the total labor force, policies which hold down incomes in the countryside also hold down the asking price of labor throughout the economy.

While imports competing with goods produced in the agrarian sector are typically subsidised (e.g. rice), imports that compete with goods produced in the urban sector are typically taxed. Thus in the case of imported clothes (both new and second-hand), one finds tariffs designed for the protection of large-scale domestic manufacturers.

Activities in the urban sector are also benefitted through import licenses, official government monopolies and so forth. Just to take one example we could look at import controls. Those favored with import licenses are able to buy foreign exchange at the official rate which is about 40 per cent below its market value. The subsidy to importers - certainly not one of the needy groups in Bangladesh society - implied in such a procedure is unrealised but potential government revenue.

Foodgrain Policies In Bangladesh.

Policies dealing with rice and wheat and their effect on income distribution in the economy are not well understood. We will in this section deal briefly with two principal aspects of foodgrain policy: foodgrain imports and the public distribution system. Specifically, we will provide quantitative estimates showing the extent to which urban dwellers are benefitted from the presence of the following subsidies:

- (1) Subsidy of the lower ration shop price of rice and wheat as

compared to the market price; and

(11) the subsidy of an over-valued exchange rate, resulting from the fact that the government imports food at the official (over-valued) rate of exchange.

The irony of the public distribution system is that most of it goes to feed those who can best afford to pay the market price i.e. the urban middle class. This is another instance of governmental policy designed to meet the not-so-basic needs of the rich and the powerful, at the expense of the poor.

Foodgrain Imports Under An Over-Valued Exchange Rate - The Real And Illusory Aspects.

All imports of foodgrains in Bangladesh have been handled by the government either as a buyer or as the recipient of food aid.

TABLE II (1)

PRODUCTION AND IMPORTS OF FOODGRAINS

	Net Production('000 tons)			Imports ('000 tons)			Imports as a % of production
	Rice	Wheat	Total	Rice	Wheat	Total	
1970-71	9871	99	9970	342	804	1146	12
1971-72	8797	102	8899	670	1018	1688	19
1972-73	8937	81	9018	390	2435	2825	31
1973-74	10594	98	10647	80	1584	1666	16
1974-75	9998	103	10101	266	2292	2558	25
1975-76	11305	193	11498	396	1049	1445	13
1976-77	10634	93	10727	192	603	795	7.4
1977-78	11542	315	11857	300	1309	1609	14

Data from: Bangladesh Bureau of Statistics, Economic Indicators of Bangladesh, Vol. V, No. 8 (August 1978), Table 7.3.

The bulk of the imported food is bought on the world market at commercial prices. We will show the import bill in local funds for rice, measured first at the official rate of exchange (i.e. Tk 15 per US dollar) and then at the equilibrium or scarcity value of the dollar (which is Tk. 21 per US dollar). The scarcity value of the dollar better reflects the true rate of foreign exchange, since it is the market rate obtained under the 'Wage Earner's Scheme'. This is a scheme wherein remittances from Bangladeshi nationals working abroad is auctioned off by the central bank in the form of permits. These permits can be used to import any item from a list of importables that changes from time to time.

TABLE III.2

GOVERNMENT SUBSIDY PER MAUND OF IMPORTED
RATION SHOP RICE CALCULATED AT THE OFFICIAL
RATE OF EXCHANGE

Fiscal Year	(1) Ration shop price	(2) Market price (retail)	(3) Govt. import cost (at official rate of exchange)	(4) Govt. subsidies (per maund) through ration shops. (3) - (1)	(5) Ration shop price as % of imported price (per cent)
1973-74	40	120.40	93.84	53.84	42.62
1974-75	60	244.40	81.48	21.48	73.64
1975-76	80	153.90	156.50	76.50	51.12
1976-77	90	133.20	229.24	139.24	39.26
1977-78	100	169.20	171.44	71.44	58.33

Data sources:

(1) Issue prices of rationed rice from Bangladesh Bank Bulletin, August 1980, Table XXIX, p. 177.

(2) Free market price (retail) from 1979 Statistical Yearbook Of Bangladesh, (Bangladesh Bureau Of Statistics, Statistics Division, Ministry of Planning, Government Of The People's Republic Of Bangladesh), p. 372.

(3) Ibid., p. 291.

Table III.2 shows that under the rationing system rice is sold below cost. The price of (imported) ration shop rice is not only lower than the domestic free market price, it is even lower than the world market price. Over the years, the price of foodgrains distributed under the rationing system was increased in response to rising world prices. But the amount of subsidy still remains substantial.

This however, is not the total subsidy to urban consumers. The subsidy paid is in fact much greater than that shown in Table III.2 because of distortions resulting from the over-valued exchange rate. The official exchange rate of the dollar is about 40 per cent below the free or market rate. It therefore involves a subsidy to all who have access to foreign exchange at such rates and this includes the government as a food grain importer. In other words, for the import of rice and wheat on government account we have a 'super-subsidy', since the government imports at the official exchange rate. There is a double subsidy on imported food distributed through the public distribution system:

- (a) the subsidy of lower ration-shop prices; and
- (b) the subsidy of an over-valued exchange rate.

We quantify this "double" or "super-subsidy" in Table III.3.

TABLE III.3

COST PER MAUND OF IMPORTED RICE AT OFFICIAL
AND MARKET EXCHANGE RATES.

Fiscal year	(6) World Prices (In US \$ per ton).	(7) Price Per Maund of Imported Rice at official exchange rate. (ie. Tk 15 per US \$)	(8) Price per Maund of imported rice at the market exchange rate. (ie. Tk.21 per U.S. \$)	(9) Implicit subsidy of the over- valued exchange rate. (8) - (7)
1973-74	170.31	93.84	131.38	37.54
1974-75	146.81	81.48	113.15	31.67
1975-76	281.99	156.50	217.33	60.83
1976-77	413.06	229.24	318.35	89.11
1977-78	308.90	171.44	238.07	66.63

Data sources: World rice prices from 1979 Statistical Yearbook
of Bangladesh, p. 291.

Now we must re-arrange the findings of Table III.2 and Table III.3 in order to show the total subsidy being affected under the existing exchange system. This is done in Table III.4 where we show that the sum total of subsidies per maund of ration shop rice is actually much higher than that observed in officially computed data.

TABLE III.4

TOTAL SUBSIDY PAID PER MAUND OF RATIONED RICE

Fiscal Year	(1) Ration shop price	(8) Price per maund of rice, at the market rate of exchange.	(10) Total Subsidy actually paid. (8)-(1)	(4) Subsidies when calculated only at the official exchange rate.	Subsidy overlooked in officially computed data. (10) - (4)
1973-74	40	131.38	91.38	53.84	37.54
1974-75	60	113.15	53.15	21.48	31.67
1975-76	80	217.33	137.33	76.50	60.83
1976-77	90	318.35	228.35	139.24	89.11
1977-78	100	238.07	138.07	71.44	66.63

The last column in the table above, shows that the degree of distortion involved in valuing food imports by an over-valued exchange rate is substantial. Through the public distribution system, this heavily subsidised food goes to feed the town dwellers and the industrial work force. In other words, it goes to feed the articulate and volatile pressure groups considered vitally important for the exercise of state power. The rural poor though more numerous, are unorganised and thus constitute no threat to the power structure. So they have to suffer relative neglect.

From an egalitarian point of view, the costly ration system works heavily in favor of the urban and middle classes and of the comparatively better off strata of the population in general, thereby increasing the urban-rural income differential. Furthermore, and most importantly: even if the government wanted to reach the rural poor, there is no distribution system through which the grain could be channelled to the most needy. The result of all these factors is that: "the higher the income, the less one generally pays for food." (Agricultural Mission; 1977:21). Only 10 per

cent of the entire offtake through the ration system actually reaches the poor and the destitute, whose only chance to be included in the ration system is to move to one of the major cities.

Subsidised Food As A Disincentive To Agricultural Production And Incomes.

Perhaps the worst effect of the public distribution system is that it acts as a disincentive to agricultural production. By selling large amounts of imported foodgrain at subsidised prices, the government reduces the market for domestically produced food while keeping food prices artificially low. It is one of the great paradoxes of Bangladesh's development strategy that while agricultural policy is officially extremely production-oriented, with a heavy emphasis on attempts to make the farmers adopt the 'green revolution' package of modern inputs, the food policy is totally counter-productive in that it actually depresses prices and thereby reduces the farmer's investible surplus and discourages production of food for the market. Reduction in agricultural production resulting from lower food prices, has negative consequences both for the number of employment opportunities and for the amount of money circulating in the rural areas. And while the rural rich can, and do, diversify their economic activities when food prices go down, this option is not generally open to the poor, who might lose in employment what they gain from cheaper food.

The net effect of all of this is that they hold down revenues in the vast and populous rural sector and thereby hurt the poorer sections of the rural masses.

Disincentive Effect: A Long-run Phenomena.

The adverse effect of the ration system on domestic food production

is felt not in the short run but in the long. In the short run, food imports channelled through the ration shops adds to the total supply. One ton of imported grain does not reduce domestic production by one ton. However the 'disincentive problem' of the ration system makes its presence felt in the long run. There are basically two different disincentive effects:

- (i) the price effect; and
- (ii) the policy effect.

(i) The Price Effect. It operates through the market mechanism.

In the long run, the deterioration in the domestic terms-of-trade for agricultural products that has accompanied the pumping in of imported foodgrains into the ration system in Bangladesh, has undoubtedly worked as a strong disincentive to food production. The amounts involved have been far from marginal. Between January 1972 and November 1977, Bangladesh imported over 11 million tons of foodgrains* or almost two million tons annually. This corresponds to approximately 15 per cent of total domestic production.

The effects of such huge injections of imported grain upon food prices are bound to be negative. The concomitant loss in domestic production is extremely difficult to assess in quantitative terms, since no reliable estimates exist of the size of the elasticity of supply of different grains. All that can be said with certainty is that farmers do respond positively to price incentives and that the disincentive effects of low food prices are stronger in the long run than in the short run.

* 11,148,995 tons according to Bangladesh Times, March 29, 1978.

(11) The Policy Effect. The policy effect understood as the disincentive impact of food aid is even more serious. A cable from the US embassy in Dacca in early 1976 illustrates this point neatly:

The incentive for Bangladesh government leaders to devote attention, resources, and talent to the problem of increasing domestic foodgrain production is reduced by the security provided by US and other donors' food assistance.
(McHenry/Bird; 1977:79).

As it is much easier to order a shipment of food through the embassy in Washington than to spend time and money on a domestic procurement program, a definite complacency has settled over the bureaucracy. The technocrats who dominate the powerful ministries of finance, planning and food are resigned to continued reliance on American, Canadian and Australian surplus of food grains.

The more dependant a country is on imports of cheap grain, the more costly government attempts to achieve self-sufficiency in foodstuffs become. To attempt to quantify the losses in domestic production due to these rather subtle political mechanisms is of course impossible. Yet it is our contention that the 'policy disincentive effect' is very serious in the long run, when powerful vested interests fighting for the maintenance of the system have consolidated themselves. While it is true that there are strong internal political pressures against policies which would eliminate completely the need for food aid, it is also true that such a sentiment is reinforced by the donors' willingness to dispose of their surplus grains and to support the prevailing power structure in Bangladesh.

Large-scale Manufacturers And The Ration System.

The ration system in Bangladesh includes provision for one half statutory rationing for anyone working at any establishment with more than 50 employees (unless such an establishment is otherwise covered by statutory rationing). Relative to the small scale shop, the cost of labor to the large shop is reduced by the element of this subsidy in rationed goods. For example, if the cost of monthly food is Tk.50 less for a worker with access to rationed goods, then the large shop can pay wages 50 Taka less in wages than other small shops.

This example illustrates the point that the direct beneficiaries of the ration system need not be the final beneficiaries. In the example above, subsidies to employees of large shops were merely subsidies to their employers.

Further Distributive Distortions Through Fiscal Measures.

Food imported under an over-valued exchange rate and distributed through the ration system, reduces funds generated for financing public sector development expenditures. The annual loss on this account amounted to more than 1/5 of the total annual development expenditures between 1972/73 and 1974/75. The argument commonly used to justify the subsidy on imported rice is that it is merely a policy for ensuring cheap wage goods. But since the rural poor, the landless laborers and the deficit farmers have no access to the subsidised food, abolition of the same would cause them no hardship. Rather there would be indirect relief since the government would be freed from the task of meeting the cost of subsidies by taking recourse to deficit financing. This would reduce the size of the budget deficit and hence the

inflationary pressure. In fact, Nurul Islam contends that during 1972/73 and 1973/74, the entire deficit on the revenue (non-development) budget of the government would have been eliminated if the subsidies on foodgrains were abolished. (Islam:203).

It is also claimed that without the public distribution system, market imperfections would result in very large fluctuations - both seasonal and annual - in the supply of foodgrains to the urban areas. But this could be a valid reason for rationing foodgrains only in times of overall shortages or of temporary dislocation of supply. One can hardly find justification for subsidising food supply to the well-off sections of the population at all times, at the cost of the public exchequer.

Agriculture-biased Development Strategy - The Preconditions For Its Success.

Before drawing final conclusions it must be stressed that merely turning the terms of trade in favor of the agrarian sector, without the requisite reforms in the rural social structure, will only aggravate the fundamental issue of the unequal distribution of rural assets, income and power. Despite the present discrimination against agriculture, the fact remains that all groups in the countryside have not been harmed equally. Large property owners in their capacity of surplus farmers have benefited from the system of cheap credit and input subsidies which are supplied through the various public or semi-public development institutions in the rural areas. In other words, the 'urban-biased' governmental policies have invariably reflected a pronounced class bias which cuts across the sectoral divisions of the economy. The strong coalition of the urban and rural rich

that holds political power, has been able to use its control over the state apparatus to provide general favors to the urban population while at the same time giving selected favors to the large farmers. As long as this social power structure is kept intact, it is difficult to foresee any major changes occurring by merely enhancing the agricultural priorities. In fact there is nothing in these policy measures which could prevent the new rural institutions that would be created, from being captured by the traditional elites and used for their benefit. So the whole effort shall be reduced to an exercise in futility. As in the past, the 'spread effects' would be contained within a relatively small part of the economy. The number of beneficiaries would continue to remain small and the poorer members of the rural community would become even worse off. In other words, there is no guarantee that the availability of greater resources to the agrarian sector would be translated automatically into higher incomes for the poor. In reality, the benefits of expansion would not trickle down very far or very fast.

What we wish to emphasise is that, the state apparatus in Bangladesh mediates the competing interests of the urban elite and the rural gentry (the landed classes) - acting on behalf of both in order to preserve the social order in which their interests are embedded. Changing the terms of trade in favor of the agrarian sector is a necessary condition for economic upliftment. But it is by no means a sufficient condition. Formulating policies and programs favoring the agricultural sector, without taking account of the exploitative rural class structure, would be even more disastrous and in all likelihood play into the hands of the power elite. The gains arising out of such policies would accrue to the top few and the

losses caused to the masses by the same policies would far outweigh the gains to the rural rich.

Agricultural development schemes can really work only if the present class structure is altered, so as to keep the exploiting class under check and let the dispossessed class have a fighting chance to free themselves from the instruments of exploitation. This is the "sufficient condition", since it would encompass all rural people in a comprehensive program for national development and respond to their economic needs and interests. Conflict of interests within the rural society must be explicitly recognised before any economic programme or institution for rural development is designed. Past policies can be analysed to show that by ignoring the class structure in the rural society and the exploitative process within it, the authorities ended up by formally handing over the interests of the weaker class (the landless and the mini-farmers), in the hands of the strong. To borrow a Bengali proverb, it was like "giving the chickens to the jackal for safe-keeping."

Conclusion.

The shortage of foodgrains that Bangladesh suffers from has been mostly of her own making. Politics has resulted in the failure to relieve hunger and has in fact worked against long-term efforts to achieve domestic self-sufficiency. It is time we understood the premises on which the shortage theory is built and readjusted our plans and policies accordingly.

CHAPTER IV.

FAMINE 1974: THE AMERICAN CONNECTION.

"Hungry men listen only to those who have a piece of bread"; said Agriculture Secretary Earl Butz, adding the explicit statement: "Food is a tool. It is a weapon in the US negotiating kit." And Hubert Humphrey, the visionary of the tactical use of PL 480 declared: "Food is power. In a very real sense it is our extra measure of power."

Harry Cleaver. "Food, Famine And The International Crisis". Zerowork, Political Materials, 2, (1977), p. 34.

"Food for peace was based on the ethnocentric idea that we could pacify the world by food", a State Department official said to me last summer at a time when Bangladesh was begging largely in vain for a trickle of wheat. "Now we think that feeding the world is an international problem, may be one for the United Nations".

Stephen S. Rosenfeld. "The Politics of Food". Foreign Policy Magazine, Spring 1974, p. 23.

Food is the carrot of a government that practices a 'carrot and stick' diplomacy in the Third World. Even in the case of Bangladesh, political considerations only too often can be a determining factor in - US food aid and decision making. Donald F. McHenry and Kai Bird. "Food Bungle In Bangladesh". Foreign Policy Magazine, Summer 1977, p. 86.

The central argument of this chapter is that the famine of 1974 in Bangladesh, had its immediate cause in the withholding of food shipments by the US, both under PL 480 as well as those ordered from commercial grain sellers. It is this kind of power that has laid the foundation of the

American food empire. Today US food power can destroy whole societies and rebuild them, topple some governments and install others, impede social change or stimulate it, protect its friends and devastate those who oppose it. To cite a few instances:

(i) Subsidised US food supported Marshall Tito's drive for independence from Soviet influence after Yugoslavia refused to join the Cominform in 1948.

(ii) When Egypt went to war against Israel in 1967, PL 480 stopped. The US rapprochement with Egypt in 1974 was proclaimed with a 100,000 ton food aid pledge to the late President Sadat, at a time when domestic food crisis was threatening his political survival. By 1978 (having completed many rounds of peace talks with Israel), Egypt had become the largest recipient of PL 480 assistance, receiving more than one million tons of wheat a year at subsidised prices. (Barnett; 1980:157).

(iii) In February 1951 when India requested the supply of 2 million tons of foodgrains to meet the food crisis, the US delayed food shipments for cold war reasons. Years later when the Indian Prime Minister expressed the hope that the US would put an end to the bombing of North Vietnam, the US reaction was hostile. Cables from Washington bristled with sharp comments about 'those ungrateful Indians' and the shipments of wheat were delayed. When the US ambassador to India, Chester Bowles, explained that the Indian Prime Minister was only repeating what U Thant and the Pope had repeatedly

said, he was told, "the Pope and U Thant do not need our food".
(Bowles; 1973:526).

(iv) The food buying credits of PL 480 went to South Korea in 1971 in return for that government's secret promise to reduce textile exports to the US; to Portugal the same year in return for the continuation of American base rights in the Azores; and to Bangladesh in 1974 only after that country agreed to halt its jute exports to Cuba. (Morgan; 1980:338).

(v) Three days before President Allende was overthrown, his government announced that the US had refused to sell vitally needed supplies of wheat for cash. Within a month of the military coup which replaced Allende with a murderous junta, food credits resumed and 600,000 tons of wheat flowed to Chile. (Barnett; 57).

In his first address to the United Nations in September 1974, President Ford alluded to the possibility of using food to exert pressure on OPEC countries. "It has not been our policy", he said, "to use food as a political weapon despite the oil embargo and recent oil price and production increases". But in reality the leverage available to the Arabs through their oil boycott far exceeds any leverage available to the US through a food embargo, since the Arabs can meet their relatively small import needs from other sources, while the US cannot satisfy its relatively large petroleum needs elsewhere. (Report of the Committee on Foreign Affairs; 1973:1). As well the United States has frequently attempted to use the food weapon against the Soviet Union. But it has failed to achieve the desired objectives

Since the Soviet Union can buy wheat elsewhere, from Canada for instance. Canada displayed no political hangups about its grain trade with the Russians, nor for that matter did American private business firms. Time Magazine, in its April 14, 1980 edition revealed that US ships used by US companies for carrying US cereals to Third World countries, mysteriously changed course in mid-ocean and headed towards Rumania and Poland. This confirms the fact that profits are the principal loyalty of the multi-nationals.

The amount of diplomatic leverage available to the US arising from its ability to provide food, holds only in the case of the poorer LDCs. For them the issue is not whether there is a surplus or shortage in world markets, but whether concessional food is available. It is because of this that the US can exercise significant diplomatic leverage against them in both good years and in bad.

PL 480 In Action: A Case of Oligopolistic Price Discrimination.

Political scientists view PL 480 as a tool in the hands of US foreign policy makers with which they may buy or secure friendships, reward allies and punish transgressors. An economist looking at the construction of the PL 480 program, would look upon it as a typical illustration of an oligopolistic mechanism for price discrimination to maximise profits. To clarify, the US produces almost one quarter of the world's grain, exports forty-two per cent of the world wheat and sixty-three per cent of the world's corn. Canada is the next largest exporter of grains but accounts for only twelve per cent of world grain exports. The US is thus the only truly global exporter of food grains and sells in all continents to some

130 countries. In the world's grain trade only the US commands oligopolistic market power.

PL 480 operates through two different programs, known as Title I and Title II. Under Title I food is sold on a concessional basis operating through commercial markets on a government to government basis. Under Title II food is given away as a grant.

But in reality Title II is not a give-away program. In practice it acts as a stabilising price support mechanism for maintaining the price level for US grain producers. In other words, it is an extension of domestic price support policy to restrict supplies going into the world market and thereby maintains world wheat prices at artificially high levels. And that is not all. Title II grants also generate long term negative effects that reduce the capacity of Third World countries to meet their food gap by:

(i) delaying agricultural development in the food-deficit poorer nations, as already explained in Chapter III;

(ii) by effecting profound modifications in dietary habits, thus rendering the recipient countries more dependant on US food.

After some 25 billion dollars spent on US food aid programs, the people in Latin America have learned to eat wheat flour and people in India, Pakistan, South Korea and Bangladesh buy food shipped half-way around the globe. In the Congo, bread is rapidly winning against 'chilwanga' at breakfast because bread was the staple diet of the colonial masters. But of all examples, Japan is the most breathtaking one. While in 1954 Japan

imported \$400 million of food, by 1974 cumulative food imports had surpassed \$17 billion. By 1976, annual Japanese food imports were valued at \$3 billion from the US alone. (George; 1977:170). As Senator McGovern remarked in 1964:

The great food markets of the future are the very areas where vast numbers of people are learning through food for peace to eat American produce. The people we assist today will become our customers tomorrow.
(Ibid., :170).

In the Third World bread consumption has become identified with progress and modernity. It is precisely these sorts of idiosyncratic values that have fostered an extraordinary dependence on US agricultural exports, which constitute the basis of US food power.

The PL 480 program was for the most part motivated by the massive productivity increases in the US farming sector, which not only created enormous surpluses but was also costing taxpayers \$1 million a day just for storage. (Lappé and Collins; 1979:329). The farm lobby would not allow the surpluses to be put on the domestic market. And if dumped on the world market, grain prices would drop by a dollar a bushel. US grain corporations were opposed to such a disruption of their international commercial market. The only possible solution was the creation of a secondary foreign market by allowing food-deficit countries to pay for American food imports in their own currencies instead of in American dollars. That is what PL 480 does. Behind the humanitarian rhetoric, PL 480 is nothing but a convenient device that enables low-income countries, which otherwise would not constitute a market at all, to buy surplus American

food while keeping the commercial dollar price up for higher income countries.

In the economist's jargon, we could say that Title I is in effect an instrument of price discrimination whereby grains are sold to poorer customers who cannot afford the (higher) prevailing market price. As the leading oligopolist, the US is in a position to sell in distinct markets at different prices. Richer clients (e.g. Japan) are not entitled to Title I grants. The fact that the markets are spatially distinct and separated makes a policy of price discrimination feasible. If PL 480 did not exist, all of the food would enter the world market and drive prices downward. US farms and grain companies would become less profitable. Third World countries could then buy food cheaply and store it. The food power of the US would disappear and consumers would benefit from the availability of grains at cheaper prices. But PL 480 being essentially a price support mechanism, has effectively rigged the market and US farms and grain companies are the principal beneficiaries.

One should also note that most of the American grain goes to its richer clientele and PL 480 is important only in abundant years. For instance, in normal years Japan and Western Europe import 20 times more grain than all of the under-developed countries combined. (Lappé; 1975:235). Even during the critical years of 1972-74, richer countries such as Japan and the Soviet Union imported food throughout the crisis. The Nixon administration - fervently anti-communist - did not hesitate to facilitate the sale of corn and wheat to Russia, including the use of export subsidies to please this important customer. (Soth; 1981:902). Peter Wallenstein sums up the situation very succinctly:

The world market is dominated by monetary purchase power: it is only buyers that possess significant monetary resources that count. For many of the poor nations.... there is hardly any possibility to turn to the world market for food. (Wallenstein; 1976:281).

Economic Reasons For The 1974 Grain Embargo.

While it is true that the US used the food weapon to extract political gains in Bangladesh, it is equally true that powerful economic interests lay behind its refusal to commit new aid or even to ship already committed aid. During the summer of 1972, the Soviet Union purchased about 11 million tons of food grain (at what later turned out to be bargain-basement prices), and thereby exhausted most American grain surpluses. The US usually refers to this transaction as "the great grain robbery", alleging that the Soviet Union employed secrecy to corner the world's wheat market, so that the deal was closed before the American government even knew what was happening. But this is definitely not the complete truth. The fact is that the US tripped itself in its over-anxiousness to dispose of its surpluses. American officials were pleased that the unprecedented Russian purchases helped the American farmer and reduced government costs of storing surpluses. In fact, Secretary Butz hailed the deal with the Russians as a historic benefit for the American economy.

But no one anticipated the problems which cropped up subsequently:

(1) The Soviets bought half the wheat with their line of credit rather than paying cash. Shortly afterward the dollar was devalued. Meanwhile gold, which the Soviets have in large supply, was climbing and

within a year reached a peak about twice as high as its dollar value when the Soviets were making their deals. These developments meant that the Soviets could pay off their debts either with dollars that could be acquired cheaply or with half the amount of gold they would have had to use, to pay for the grain when they were buying it.

(ii) The Soviets purchased grain at about \$1.60 a bushel - a satisfactory price at the time of sale. However as soon as news of this transaction became known, foreign traders started buying heavily. As supplies tightened prices climbed. With nervous commodity markets watching each successive estimate of yields as the 1973 crop matured, wheat prices continued to soar. Trading firms thus had to be paid the difference between the US target price of \$1.63 per bushel and the actual price leaving the port. This climbed to over \$2.10 by August 23, which meant that subsidies jumped from 3 cents to 47 cents a bushel. In this manner the Soviets were receiving wheat for \$1.65 a bushel, that was actually costing exporters over \$2.10, with US taxpayers making up the difference. The end result was that the US government subsidised Soviet grain purchases to the tune of \$160 million.

(iii) A further adverse effect on the American taxpayer stemmed from the fact that the subsidies accrued mostly to the grain companies. The market price of wheat rose after most farmers had already sold out so that the benefit of the subsidy did not accrue to the growers. Public clamor grew to an uproar as the subsidies to the grain dealers mounted into millions. Much of this discontent focussed on governmental regulations that gave ample scope for profiteering to the grain companies. All a company had to do

to record a claim for a subsidy was to tell the department concerned that a sale had been made. They did not have to provide proof or even to name the date when it was made. (Robbins; 1974:198). Thus, in one week when the subsidies were at their highest - 47 cents a bushel - the companies made millions by holding back their filings for subsidies on earlier sales until the week when they got the biggest possible handout from the US Treasury. The \$128 million in subsidies paid out in that one big week included such staggering sums as \$145 million to Continental and \$39.4 million for Dreyfus, \$16 million to Garnc and \$10.6 million to Bunge.

(iv) All of these figures however, seem minute in comparison with the direct cost of the Russian wheat deal, to the American consumer. The inexorable march of food inflation exacted a heavy toll. By August 1973, American consumers were paying \$25 billion a year more to feed their families, than they did in 1971. (Ibid: 243). The cost of meats climbed enormously. By 1974 the prices of beef and pork as well as chicken rose more than 50 per cent.

All this came as a rude shock to the average American. The faith in US agriculture's capacity to supply an abundance of low cost food to its people was shaken. Suddenly in 1973 Americans discovered that they too were facing food scarcity with consumers throughout the world.

To prevent a runaway inflation that would have overshadowed even the soaring spiral of the preceding months, the US administration drastically cut-back on its food aid shipments. However the closest of America's allies continued to receive substantial chunks of the aid packet. In fiscal 1973, Cambodia, South Vietnam and South Korea received

67 per cent of all Title I aid according to the Agriculture Department's figures. Bangladesh got only 5 per cent.

While the decision to deny food to Bangladesh was political, the fact remains that it was also prompted by the desperate economic straits in which the US found itself. For the first time the US government had to buy in commercial markets the food that it shipped through PL 480. (Balz; 1975:275). Thus overnight PL 480 became a burden on the American exchequer. Politically and economically, Bangladesh wasn't considered worthy of the taxpayer's dollars and so its pleas were ignored.

By the spring of 1975 however, normalcy had been restored. US food prices were falling and once again surpluses were piling up. So once more, it was safe (and necessary) to send the food aid shipments. In fact in 1976 and 1977, as food pressures eased following bumper crops in Asia and elsewhere, food aid had risen to 22 per cent of the total US assistance as compared to 4 per cent in the scarcity year of 1974. Too much food was shipped to Bangladesh in fiscal 1976 because there was an enormous backlog of unsold American wheat that had to be disposed of.

TABLE IV.1

WHEAT AND FLOUR IMPORTS FROM THE US
(In '000 Metric Tons)

Year	Volume Of Imports
1974	505
1975	442
1976	800

SOURCE: Committee On International Relations. Use of US Food Resources For Diplomatic Purposes - An Examination of the Issues. Washington D.C.: Govt. Printing Office, Table 6.5.

The Table shows that the inflow of US food grains had nearly doubled in 1976 which was a year of comparative abundance. In this manner US officials tend to move large amounts of wheat under the PL 480 programme when they are least needed. Allocations are rarely based on the actual humanitarian need in Bangladesh. Such a conclusion is further reinforced by the fact that the agricultural attaché at the US embassy in Dacca estimated Bangladesh's harvest for fiscal 1977 at 12.3 million tons (Dacca Misson Cable; Nov. 18, 1976), whereas the World Bank's estimates stood at 13.1 million tons. Actual production turned out to be 12.8 million tons. (Statistical Yearbook; 1980: 220, 230). The actual output was thus closer to the World Bank estimates and greater than those of the US experts. Such large errors in estimation lend credence to the theory that numerical games are resorted to whenever the US has large surpluses which it is unable to market commercially. The consequence of such a practice could be summed up in the words of a US AID official at Dacca.

"....our food aid levels correspond to their good harvests. They receive the most food aid when they produce the most grains internally and receive correspondingly smaller amounts of food aid during lean harvests."

(Quoted in McHenry and Bird).

Food aid from the US is always subject to domestic pressure groups and vested interests. One expression of this occurred in late 1974. In spite of a traditional preference for rice, Bangladesh preferred to purchase wheat because it was less expensive. However during the food aid negotiations towards the end of 1974, the US made it clear that Bangladesh could obtain an increasing quantity of wheat only in combination with an increasing

quantity of rice. The pressure to accept rice from the US was due to a domestic farm lobby reacting to a bumper crop of rice in 1974.

(Parkinson; 1981:98). With a given money value of food assistance, an increased proportion of (the more expensive) rice had the effect of reducing the quantum of food available to Bangladesh. This sort of pressure tactic was repeated in 1976 when the US had a surplus of rice at a time when Bangladesh did not have enough storage room even for its own domestically produced rice. It was feared that importation might reduce local rice prices and hence adversely affect future production. (Lappé and Collins; 1977:341). Wheat imports were however needed primarily as an insurance against unforeseen contingencies, and the US exploited this opportunity to ensure that its rice growers were also accommodated.

Americans have given themselves too much credit for a generosity that accorded with the market situation of US farm interests, and policy designs of US foreign policy makers. Beneath all its humanitarian dressings, PL 480 was devised (in 1954) primarily to extract political and economic gains out of the huge stocks of American grain that could not be sold on world markets without adversely affecting US farm incomes. The food aid shipments are over-valued insofar as they are valued at current world prices. Yet it is clear that world market price would be driven down substantially if a sizeable part of them were actually sold for hard currencies. (Rodan; 1961:110). Finally, when calculating the burden of the food aid programs to the US taxpayers, these government food shipments should probably not be counted at all. They are financed not through foreign aid appropriations, but through the Department of Agriculture as price support for US farmers, and shipping them abroad costs the government less than storing them for even a

few months. (Pincus; 1963:367).

For these reasons, food aid has been a popular form of foreign aid on Capitol Hill. As Stephen Rosenfield points out:

American diplomats have used food as a political tool: to relieve the misery of our friends....and to help them keep popular discontent within politically manageable bounds. Earl Butz told me in an interview that PL 480 is no longer primarily a surplus disposal program. It's for humanitarian purposes and for national security - to help infuse purchasing power into countries on our defense perimeter.
(Rosenfeld; 1974:21)

Even in the case of Bangladesh, political considerations proved to be critical factors determining US food aid decision making. The country's rice production in 1974 was actually greater than that of the preceding years. Wheat imports were nonetheless essential since they would provide the indispensable margin of safety and contribute to the maintenance of public confidence. But whereas in fiscal year 1973, Bangladesh received \$62.7 million worth of PL 480 commodities, in fiscal year 1974 this allocation dropped to \$3.3 million. (Chandola; 1975:1533). We will now show that this drastic cutback in PL 480 shipments was related to specific issues of global geopolitics.

US Political Interests In Bangladesh.

Bangladesh is located at the vortex of a highly politicised region of South Asia. The State Department therefore worries that Bangladesh's alignment with Moscow, could affect regional stability. As Zbigniew Brzezinski, a former National Security Advisor to the US President, explained:

Today the area of crisis is a group of states on the shores of the Indian Ocean - literally an arc of instability, which can be drawn on a map from Chittagong in Bangladesh, through Islamabad, all the way to Aden. Their internal fragility, social and political, could interact with the projection of Soviet power. (Reston; 1975:12).

In 1973-74, Sheikh Mujibur Rahman's government was aligned with India and the Soviet Union. This alignment dated from Kissinger's policy of tilting towards Pakistan during the War of Liberation in 1971. When hundreds of thousands of Bengalees were being killed both sides in the super-power battle for South Asia played politics. Kissinger writes in his memoirs:

To be sure, Pakistani repression in East Bengal had been brutal and shortsighted; and millions of refugees had imposed tremendous strain on the Indian economy. But what caused the war, in Nixon's view and mine, went beyond the refugee problem; it was India's determination to use the crisis to establish its pre-eminence on the sub-continent.

But our paramount concern transcended the sub-continent. The Soviet Union could have restrained India; it chose not to.....The Soviets encouraged India to exploit Pakistan's travail in part to deliver a blow to our system of alliances, in greater measure to demonstrate the Chinese impotence. (Kissinger; 1979:885-886).

Dr. Kissinger conveniently chose to ignore the principal US interest that was involved. The truth is that Bangladesh and its War of Liberation (1971), was an annoying distraction for Washington at a time when the US was actively engaged in wooing China, with Pakistan acting as the match-maker. With global realignments in motion, Dr. Kissinger and President

Nixon were not inclined to sympathize with the victims of the Pakistan army's crackdown in Bangladesh. Rather the Bengalee problem appeared as a threatening and annoying distraction. In fact Pakistan's President and the Pakistani ambassador in Peking were forging the first delicate steps of President Nixon's reach for China, just at the time of the Pakistan army's appalling crackdown in Dacca. Everything else was subordinate for the US leadership as it was adamant that the negotiations should not be disturbed at any cost. Dr. Kissinger never forgave the Bengalee leader Sheik Mujibur Rahman, for prevailing over US indifference with Indian and Soviet help.

The food bungle that Washington engineered in Bangladesh in 1974, had one goal: breeding the appropriate environment for a coup d'état to bring about a transition. The plan was a success because after the famine of 1974 there was open talk of how long Mujib would last, 'not' if he would last. In some respects the situation might be compared to Indonesia in 1965, when Soekarno's declining health and political fortunes made it obvious that he would soon be overcome by newly emerging forces of either the left or the right. The role of the Americans in both cases was to influence the direction of the imminent transition.

Past Famines In Bangladesh.

Historically, famines in Bangladesh have always been man-made and cannot be attributed exclusively to natural calamities. Consider the following cases:

- (1) Adam Smith writes in 1776:

The drought in Bengal a few years ago might probably have occasioned a very great dearth. Some improper regulations, some judicious restraints imposed by the servants of the East India Company upon the rice trade contributed perhaps to turn that dearth into famine. (Smith: 493).

(ii) Next consider the Great Bengal Famine of 1943. Usually analysts attribute it to a cyclone of extraordinary force in April 1942, followed by three tidal waves causing enormous destruction to standing crops. In reality however, these were only the prelude to an immensely greater catastrophe.

First the Japanese conquest of Thailand, Indo-China and Burma - the principal exporters of rice to India - posed a tremendous danger to India's food position. Compounding this problem was the British policy of drawing on India's dwindling foodstocks for supplies to other countries which they regarded as strategically important for the war effort. Britain furnished Iran about 40,000 tons of foodgrain (drawn mostly from India), during the nine months preceding the natural disaster of April 1942. After April 1942, the British were sending 3000 tons monthly to East Iran from India. (Venkatramani; 1943:4). Assuming that there was enough food in India, the US government approached the British (in November 1942) with a request for additional supplies to Iran from Indian stocks. All of these contributed to a critical food situation in India. It is on these grounds that M.S. Venkatramani says:

Those who perished in the Great Bengal Famine of 1943 were.....as truly the victims of the Second World War as were the casualties in battlefields and bombed cities. (Ibid., : 6).

The priority of defence over poverty persists even to this day. To illustrate, between 1968 and 1973 South Vietnam alone received 20 times the value of food aid that the five African states most seriously affected by drought received during the same period. (Lappé and Collins; 1977:337). More specifically, these five countries - Chad, Mali, Mauritania, Niger and Upper Volta - received \$38.8 million worth of Title I and II commodities while South Vietnam alone was the recipient of \$792.8 million, during the same period.

These instances were cited to convey the central theme of our thinking in this chapter:

Cyclones or floods are caused by nature. But
a famine is made by man.

Bangladesh (1974) And The Use Of US Food Power.

In 1974, the US administration was playing with the idea of using the dependance of poorer countries such as Bangladesh on US food aid, to exercise leverage on OPEC to reduce the price of its oil. As Senator Humphrey's letter of April 1974 to Kissinger noted:

There have been repeated private references from within the Administration that this is a strategy designed to maximise pressure for an oil price roll-back, through highlighting the adverse effect of the oil price increases and encouraging developing country pressures on the OPEC countries though not easing their dislocations resulting from developed country actions.
(Rothschild; 1976:295).

But American hints (and eventually pressures) failed to have the

desired effect since Bangladesh (like everybody else) could see that the price of foodgrains had begun to rise earlier and even more sharply than the price of oil. More precisely, grain prices started rising immediately after the Russian grain purchases of 1972. The quadrupling of oil prices by the OPEC cartel took place a year later. As a result of the food price hike, US agricultural exports in 1973 reached \$18 billion, up from \$9.4 billion over the past five years. (Schertz; 1974:511).

Bangladesh was less adversely affected by the oil price hike than it was by the massive increases in food prices. This is understandable considering the country's small energy needs (an annual average of one million tons of crude and 250,000 tons of petroleum products) and proportionately larger foodgrain imports (approximately 2 million tons annually). With Bangladesh reluctant to join forces against OPEC, the US appears to have opted for a dramatic demonstration of its lethal food weapon. The idea could be to teach food deficit countries such as Bangladesh that their futures lie in lining up with Washington, rather than deriving inspiration from demonstrations of Third World solidarity with OPEC. The opportunity arose as alternating drought and flood, had already severely affected Bangladesh. The US was quick to seize this opportunity. A realistic analysis shows that the famine which followed was largely US-made.

In its food budget for 1973-74, the Government of Bangladesh estimated a food gap of 2.2 million tons. The Finance Minister presented these figures to the US Secretary of State in August 1973 and requested allocation of 300,000 tons of foodgrains to be delivered to Bangladesh by November-December of that year. Washington responded by pressuring Bangladesh to abandon its plans to try 195 Pakistani war criminals responsible for the

genocide of 1971 in Bangladesh. Bangladesh complied.

Meanwhile in the world market, food prices continued to soar, and wealth and high incomes had become the instruments of command. The brutal fact which emerged is that the food market is dominated by the affluent whether capitalist or communist, and only poorer countries like Bangladesh suffer in times of restricted over-all supply. The grain that Bangladesh lacked before the famine it suffered in the autumn of 1974 was the equivalent of 1/20 of the grain that Japan imports annually. The only obstacle was that it could not afford to import the food that it needed.

The Deputy Chairman of the Bangladesh Planning Commission in a meeting with the Deputy Administrator of US Aid, again raised the matter of Bangladesh's urgent need for food. He pointed out that high world prices, had eroded Bangladesh's own cash for procurement of food and he requested the immediate shipment of 20,000 tons of wheat under US P.L. 480 Title I programme as well as for 20,000 tons of edible oil. But the US had then suspended procurement of commodities for even the Title II donation programme and all individual country programmes were either terminated or sharply reduced. The reduced amounts of food available were rationed predominantly among countries considered to be at the periphery of American diplomacy - i.e. South Vietnam, Cambodia, South Korea and Pakistan.

The failure of the US government to commit new aid or even to ship already committed aid created such acute crisis towards the end of 1973, that the Bangladesh government requested the USSR to divert to Bangladesh 200,000 tons from its cash purchases in US and Canada. These were received in Bangladesh between July-October 1973 and helped to see the ration system through the scarcity months preceding the aman season. The Soviet grain

loan was to be repaid by diversion of grain shipments under US aid to be committed later in 1973. But the US government refused to accept this arrangement, so that Bangladesh eventually had to work out a deferred payment arrangement with the Soviets. In fact, it was as recently as 1977 that Bangladesh repaid this Soviet wheat loan by purchasing American wheat and earmarking it for the Soviets. (Morgan; 1980:450).

In addition to the Soviet loan, the government was actively pursuing other governments and agencies such as Australia, Canada and the EEC. As a result of frantic efforts, Bangladesh eventually procured one million tons of foodgrain with its own resources in 1973, and in the process completely depleted its foreign exchange reserves. By 1974 therefore, Bangladesh was in desperate straits. To make matters worse, food prices had registered a further rise. January 1974 Rotterdam prices for imported US hard winter wheat were over \$6 per bushel - \$3.30 above the levels of the preceding year. US farm prices were up almost \$3 per bushel. (Schertz 1966:524).

In a meeting with the US Assistant Secretary of State, the Bangladesh ambassador to Washington explained his country's urgent need for foodgrains and 128,000 tons of soyabean oil. He also requested allocation of wheat under Title I and immediate purchase authorisation for wheat and soyabean from aid already committed. But all pleas went in vain and US food aid commitments continued to be delayed. Food imports fell off drastically (averaging about 74,000 tons per month as compared to the average of 232,000 tons per month in 1972-73). Procuring grains from the open market was also not possible, as Bangladesh's cash reserves had run short of outstanding claims on bills for imports already contracted. Technically Bangladesh

was bankrupt and even compensatory financing from the IMF was inadequate. As a result in the summer of 1974, two crucial grain shipments contracted by the Bangladesh government with US grain exporters, under short-term deferred loans, were cancelled because of doubts over Bangladesh's credit worthiness.

The walls were closing in from all sides for Bangladesh. Aid commitments which should normally have been made in the fall of 1973 were still not forthcoming. Resources for procuring food from the open market were not there. Compounding this desperate situation was the prospect of floods in the aftermath of severe monsoon rains. It was precisely at this moment that the US government played its fatal card thereby raising disturbing questions concerning the conduct of US foreign policy in the most impoverished Third World nations. In September 1974, the US ambassador called upon Dr. Nurul Islam, the Chairman of Bangladesh's Planning Commission to formally request that Bangladesh cease exporting jute to Cuba. (McHenry and Bird: 82). Bangladesh Jute Mills Corporation had contracted to sell 4 million jute bags to Cuba. This was seen to be prejudicial to the further commitment of PL 480 aid, since US Congressional laws expressly forbade such commitments to any country trading with Cuba and North Vietnam. In fact a formal note from the US embassy read as follows:

A commitment from the Bangladesh government that it is not selling or furnishing commodities is needed before we can make sales agreement under Title I....We can accept an oral assurance from the government that it....does not intend to permit government agencies or government owned corporations to export to Cuba or to permit vessels under Bangladesh registry to call at Cuban ports.
(US Embassy Note; Sept. 1974).

These communications from the US government took Bangladesh completely by surprise, especially since it appeared to be inconsistent with existing US policy. For instance, Egypt had for some time been trading with Cuba and exporting raw cotton. Despite this well publicised information, the US on June 7, 1974 signed a credit to Egypt under PL 480 Title I for \$10 million, for the purchase of US wheat. On August 14, Egypt was granted another 100,000 tons of wheat valued at \$17 million. The agreement was signed in Cairo on September 12, 1974 when the first famine victims were appearing on the streets of Dacca.

The Egyptian deals went through with the blessings of a Presidential waiver, which is available for non-strategic items alone. However, though jute bags were as good a non-strategic commodity as raw cotton, this waiver was not to apply to Bangladesh. Bangladesh should have reacted strongly against this overt use of food as a political weapon and might well have repeated what President Nasser of Egypt had once said:

The freedom which we have bought with our
blood we shall not sell for wheat, for rice
or for anything.

But with the country in the visible grip of flood and famine, Dacca was in no position for political heroics. After urgent consultations, the government gave the necessary assurance in July 1974. It cancelled further exports of jute to Cuba at a time when competition from Indian jute, synthetic substitutes and low world prices had substantially eroded its foreign exchange earnings. True, Bangladesh did not lose much since the deal with Cuba was an isolated transaction valued at under \$5 million. Nevertheless one cannot but express surprise and shock that the US would actually insist that a

destitute country like Bangladesh should deny itself desperately needed export earnings.

The real reason is that "security assistance" had been given priority in Dr. Kissinger's instruction to Government policy makers. The Cuban incident was nothing more than a pretext to take Bangladesh off the list of food aid recipients. This is why, even when conditions were met, Washington continued to play wily. It still withheld commitments insisting that all shipments under the standing agreement with Cuba must first be discharged. In a world of acute shipping shortages, 4 million jute bags could not be shipped overnight, so that the last shipment did not get off until October 1974. Only then did the US government move to sign its new commitments under PL 480 on October 4, 1974 - more than a year after it had been approached for new commitments. By the time American food arrived in Bangladesh in December 1974, the autumn famine was over.

The famine was followed by a ruthless coup that not only eliminated Sheikh Mujib, but also brought about a clean shift in Bangladesh's international alignment. Today Bangladesh's orientation is clearly towards the United States, the Islamic Block as represented by America's ally Saudi Arabia and towards China. This is the reason why to most observers, the two phenomena - the US food embargo and the coup - are not unconnected. In fact the State Department's 1978 report only serves to strengthen such a suspicion. It reads:

The present government of Bangladesh is dominated by pragmatic military leaders who follow a non-aligned foreign policy. It is US policy to support this non-alignment and to assist Bangladesh in its economic development. These objectives are tied to our interest in promoting overall regional

stability....The Bangladesh Government has asked us to provide a limited amount of military training. By proceeding with this training, we will help improve an institution which contributes to stability in Bangladesh and in the region.

It is interesting to note that US military assistance to Bangladesh (although still modest in scale), began only after the coup which killed Mujib. The conventional response of American liberals is to demand a halt to arms sales and increase food aid. What is overlooked is the fact that both food aid and arms transfers serve similar strategic and political goals. The humanitarian rhetoric is usually used to justify the American taxpayer's support for the PL 480 programme. But in reality, feeding hungry people is only a remote concern. High American farm incomes and strategic influence are first priorities. (Pacific Research; 1979:13).

The circumstances of the 1974 famine illustrate the power of life and death that the US as a leading oligopolist of food, commands over poorer nations like Bangladesh. They were in the main, exercises in "food terrorism" whereby it was adequately demonstrated that the political use of food in the Third World, has potentially the most direct and inhumane effects. Food is essential to maintain life and give life a material form. By denying access to food, life can be threatened. It is time that Americans recognised that food is one of the major long-term sources of uniquely American leverage in the Third World, and as such it ought to be employed with vision, discipline and (above all) humanity. Another alternative, as suggested by Gunnar Myrdal, is that:

Food aid should be a responsibility shared by all developed countries and managed in the multilateral

setting of World Food Programs under the United Nations. It should not be operated under the hazard of the United States having a food surplus that it wants to get rid of and finds suitable to integrate into its foreign policy as 'Food for Peace' later renamed 'Food for Freedom'. (Myrdal; 1971:137).

The events of 1974 taught Bangladesh this grim lesson:

If you wish to maximise aid received per head, you must become a very small country... you must register a low temperature in the cold war, belong to NATO, CENTO, SEATO and as many other military pacts as possible. You must have a regime that declares it is favourable to private enterprise. (Streeten; 1979:1042).

American food diplomacy places the highest premium on stable and friendly relations with the recipient government. Everything else is subordinated to that goal. Bangladesh must bear this in mind if it is to find its way through the political and bureaucratic jungle of donors' prejudices, myths and idiosyncracies.

CHAPTER V

ASSESSMENT AND REFLECTION

The one question that one is constantly asked is: "Is Bangladesh viable?" To that question an economist has no answer. What is the alternative to viability? Death? Has any country ever died? It can be poor. It can be static. But can a country not be viable? Austin Robinson. Economic Prospects of Bangladesh. (London: Overseas Development Institute Ltd., 1977). p. 46.

The pervasive use of the term "Bangladesh - A basketcase" makes people think of uniformly hungry masses in which all people are equally affected by poverty and malnutrition - all with equal interest in eliminating hunger. On the contrary, a closer look reveals extremes of wealth and poverty in Bangladesh: the rich consume 30 per cent more calories than the poor and twice the protein. This is facilitated by government food policies which ensure that the well-to-do take an altogether disproportionate share of the subsidised food available under the public distribution system. The country's extraordinary food potential remains unrealised, not because there are too many people but because an elite few prevent the poor majority from having access to those resources. In other words it is not any divine misallocation of resources that has created the food crisis, but the human manipulation of those resources. This manipulation has been the major factor in the relegation of millions of people to undernutrition. Unless inequities such as these are eliminated, no amount of food aid, no matter how generous will ever solve Bangladesh's food problem. Bangladesh, as

Lappé would say, is just like a big ship divided into three classes: the rich, the not-so-rich and the poor. (Lappé; 1975:235). And when a ship begins to founder, third class passengers do not share a common fate with first class passengers. As one might recall, when the Titanic went down 45 per cent of the third class female passengers drowned while only 4 of the 143 first class female passengers lost their lives. The well-to-do rarely if ever share the fate of the poor. More commonly they determine it.

Neo-Malthusian Misconceptions.

Neo-Malthusians of the Lester Brown variety are convinced that marginal nations like Bangladesh - overwhelmed by poverty, overpopulation and recurrent natural disasters - will never be able to summon the skill and the will needed to overcome hunger. They postulate that the demographic saturation point has been reached, and view birth control as the sole road to salvation for mankind. Their argument is equivalent to Malthus': there is an absolute limit on agricultural production; man's reproductive drive is such that we are rapidly approaching it.

But amidst the astounding technological triumphs of the twentieth century, Malthusianism does not sound like a scientific prescription. Rather it resembles the pseudo-scientific attitude of those who ascribe hunger to nature's evil temper and in order to appease it, call for the sacrifice of human lives in the form of genocide or serial abortion or birth control". (Castro; 1967:36). Today most experts are convinced that this kind of pessimism is misguided; that Malthus is totally contradicted by facts; and that he lacks all scientific basis for the gloomy predictions that made his theory (in Southey's splendid phrase), "the political bible of the rich, the

selfish and the lecherous."

Hunger is the most serious manifestation of poverty, and poverty is aggravated by the methods of a destructive economics that rests on the inhuman exploitation of the poor and the powerless, by the rich and the powerful. It was the collective recognition of this social injustice that impelled the Chinese with resolve and power towards the enterprise of the communist revolution, which speedily transformed their country of hunger into one where scarcity is on the way to oblivion. In Bangladesh, as we have persistently argued, hunger is due to the decrepit character of the prevailing agrarian structure and the inefficiency and biases of the political systems in force, which hamper the peasant's efforts to wrest a subsistence from the soil. As Norman Borlaug, the father of the Green Revolution once remarked:

I have a lot of respect for the small farmer in the poor world...Almost invariably when you look at what he is doing with his land; you find he is producing the maximum under the situation he has to work with. The thing is that he usually doesn't have much to work with. (Lappé; 1975:241).

The fact is: resources are not scarce in Bangladesh; but under the prevailing economic, social and political system, agricultural resources are subject to widespread and systematic waste. There is therefore the need for a comprehensive program of reforms aiming at changing the economic and social balance in the village. This is indispensable for the creation of incentives for additional effort by the small farmers, which will be forthcoming only if the institutional framework encourages the millions of peasants who live on the brink of starvation in a stagnating agriculture to

accept innovations. They will never do so unless they are assured that the returns derived from the additional endeavour will be theirs. A frequent error of the neo-Malthusians has been the disruption of this homogeneous process in the course of development policy. This is confirmed by FAO experts in developing countries, who point out that the limiting factor to the increase in agricultural production by mere technical devices, is the existence of outdated tenure systems and inadequate institutions within the framework of agricultural production. To use the words of Josué Castro:

For four years I was President of the executive council of the FAO, and I battled to implant in this agency certain principles of action that seemed to me essential to the complete realisation of its plans. And during those four years I was able to see for myself the difficulty that is encountered in trying to overcome the resistances put up by the specialised interests of economic groups. Problems like that of agrarian reform... problems that require that modifications be made in established structures, never succeed in scaling the barrier of an accumulation of prejudices and fears....We have not been bold enough, we have not had courage enough to look the problem in the face and seek its solutions. We have only scratched its surface without penetrating into its essence, without in truth wishing to resolve it, for lack of the courage to offend certain people.
(Castro; 1967:52-53).

Potentials for Foodgrain Production In Bangladesh.

In Bangladesh, the technical means exist to increase output particularly of food very greatly, and to diversify economic activities so as to develop a broader economic base. As the French agronomist René Dumont observes:

Technically speaking, the agricultural potentiality of Bangladesh by square mile of arable land are much higher than those of India, China and Japan. The quality of soil and the average amount of rainfall are much higher than in India. The climate does not know any real winter like the majority of China and Japan. Floods are the biggest constraint, but if all potentialities from flood-free lands in summer and irrigation in winter....were used, the agricultural production of Bangladesh could at least be trebled. Technically speaking, it is not true to say that the future of Bangladesh is without any hope and not only in agriculture.
(Dumont; 1973:42)..

William Murdoch expresses similar optimism when he writes:

The Indus-Ganges-Brahmaputra plain of Pakistan, Northern India and Bangladesh encompasses 40 million hectares of naturally very fertile soil....It has been estimated that an annual yield (counting multiple crops) of twenty tons of grain per hectare (compared with current yields of two tons or less) is a reasonable expectation for this area....This production would be equivalent to more than half of the world's current grain production.
(Murdoch; 1980:115).

Already in Bangladesh, more food is being grown than ever before and a growing middle class is eating better. "The country is probably producing enough food to be self-sufficient already", said Hugo Brammer, a senior FAO official who is an acknowledged authority on Bangladesh agriculture. Ann Crittenden, a well known feature writer for the New York Times, goes even further:

Bangladesh is probably now producing enough food to provide an adequate diet for every man, woman and child in the country. And the agricultural

potential of this lush land is such that even the inevitable population growth of the next 20 years could be fed by the resources of Bangladesh alone. (Crittenden; -1981:1).

"The warehouses may be full of rice, but that doesn't mean that most people can afford to buy enough to meet their needs", commented an official of US AID interviewed by Miss Crittenden. "There is still no real food security in Bangladesh". Hunger continues to persist, primarily because of the country's inefficient and still largely feudal economic and social structure. A 1974 study by the International Labor Organisation (ILO) noted that in Bangladesh, between 1963 and 1975, the proportion of rural households classified as extremely poor increased five times. Yet about 15 per cent of the rural households had significantly higher real incomes in 1975. (Lappé and Collins; 1977:133).

Bangladesh's current pattern of food aid absorption while raising the debt burden of the economy has failed to create the necessary productive capacities. Its major political impact has been to help strengthen the existing political and administrative institutions - i.e. the distribution of patronages and the building of politically expedient white elephants. To illustrate, 27 per cent of the rationed foodstuff is allotted to the members of the military, police and the civil service; another 30 per cent goes to the predominantly urban middle class; 9 per cent is supplied to mills that sell flour to bakeries catering to the urban consumer. (World Bank; 1977:12). That is, the imported food funneled through the ration shops at subsidised rates does not reach the needy because of diversions and deficiencies within the distribution system. So when in 1974, US food aid

did not arrive in time and in sufficient quantity, the brunt of the shortfall in supplies fell on the poorest sections of the population because supplies to the urban rationing areas and to government employees were maintained on a priority basis. This was the inevitable result of a system under which a large amount of subsidised food is distributed to government employees and urban populations irrespective of their income levels, while the most vulnerable and poorest of the rural population have only residual claims on the grain available at the disposal of the government. If the public distribution system is to make a basic minimum quantity of daily ration available at reasonable or even subsidised prices to vulnerable sections of the population, its present form must be drastically altered. Rationing should be done on a family income basis and might well be restricted to households having a monthly or yearly income below a certain fixed minimum. The rest of the population could buy their requirements from the open market.

Foodgrain imports should complement and stabilise reliance on domestic grain production. They should not be allowed to displace it. In reality, the most serious factor reducing the positive impact of food aid is that it replaces rather than supplements domestic efforts to mobilise resources. As mentioned earlier, good domestic harvests and massive food aid inflow go together. The abundance of food assistance in years of plenty depresses prices and discourages effort to increase output. It discourages the official promotion of agricultural production; and efforts by the private cultivators to invest in the capital intensive 'miracle seed technology'. But ultimately it is not food aid, but the vested interests of the landed elite which dominates life in the countryside and largely controls the

government, that contributes to produce both inequality and disincentive for increased food production. After all, in post-colonial semi-feudal societies such as Bangladesh, the government machinery is the instrument of two classes - the urban elite and the rural gentry - and as such it acts on behalf of both, in order to preserve the social order in which their interests are embedded.

The Basic Need: Agrarian Reconstruction.

The basic issue must be squarely faced: in the agrarian sector of Bangladesh, the relationships among people, and between people and land are ruled by power, not by any rule of equity or fair play. This not only acts as an inhibition and obstacle to work but also to the effectiveness of policy attempts to raise productivity in agriculture.

Equitable redistribution of this power would mean among other things, the availability of credit and other farm inputs to producers not on the basis of wealth, social prestige or political affiliation, but on the basis of need and the actual or potential contribution the receivers can make to aggregate output; the right of the landless laborers and the mini-farmers to form co-operatives or labor unions, and to have a more decisive voice in community activities and developmental efforts.

In view of the conditions which now prevail in Bangladesh, this can be brought about only through dramatic far-reaching changes in the institutional framework and in the political power structure. This would involve the top to bottom transformation of the whole society - changes in traditional values, motivations, institutions and patterns of behaviour. In other words, agricultural development in Bangladesh implies agrarian reconstruction -

one that would involve the breakdown of traditional systems and thereby facilitate the transition from a subsistence to a market economy, from serfdom to economic citizenship and from food shortage to adequate food supplies. It is time we started the difficult and painstaking task of bringing this about, training people to run the newly created institutions and providing the incentives, hope and leadership needed to do this well.

The crux of our argument so far is that there is no simplistic explanation or remedy for famines in Bangladesh. The holocaust of 1974 provides essential empirical information for the development of an analytical framework delineating the multiple interacting causes and consequences of famine. A complex of political and social realities, human attitudes and institutions keeps Bangladesh hovering permanently on the border-line of mass starvation. In 1974 alternating floods and drought made the situation even more precarious. When this joined hands with the unexpected withholding of food shipments by the US, it disrupted food distribution and marketing channels thereby precipitating widespread shortage. This resulted in an escalation of food prices that stimulated hoarding, generating a vicious cycle of higher prices and even more hoarding. Rural unemployment increased from loss of productive employment opportunities mostly due to flooding damage to physical infrastructure. Unemployment coupled with inflation eroded purchasing power, especially among the rural poor. Food consumption was reduced. Families trapped in this dilemma compensated as long as they could through the sale of assets - land, household goods, farm animals and implements. Finally when these were gone, they either begged or starved and died.

Conclusion.

Alleviating famines in Bangladesh will involve operation at three levels - the rural poor, the national societies in which they dwell and the politics of the international aid donors. The inter-relationship between these three levels must be recognised and embodied in national development policy, if measurable success is to be achieved in preventing future famines and combatting the grinding poverty that afflicts rural masses in Bangladesh.

BIBLIOGRAPHY

- Ahmad, Nafis. An Economic Geography Of East Pakistan. London: Oxford University Press, 1968.
- Ahmad, Quazi Khaliquzzaman. "Social Transformation In Bangladesh". IFDA Dossier 16, March/April 1980.
- Ayoob, Mohammed. "Pakistan's Political Development, 1947-70, Bird's Eye-View." Economic And Political Weekly, Jan. 1971.
- Barnett, Richard J. The Lean Years. New York: Simon and Schuster, 1980.
- Baltz, Daniel. "Food For Peace - Or Politics" In Food For People Not For Profits. New York: Balantine Books, 1975.
- Betsy, Hartman and Boyce, James. Needless Hunger: Voices From A Bangladeshi Village. San Francisco: Institute For Food And Development Policy, 1979.
- Bhaduri, Amit. "A Study in Agricultural Backwardness Under Semi-Feudalism". The Economic Journal 83 (1973).
- Bowles, Chester. Promises To Keep: My Years In Public Life, 1941-1969. New York: Harper and Row, 1971.
- Bose, Swadesh. "Foodgrain Availability and Possibilities Of Famine In Bangladesh." Economic And Political Weekly, Annual Number, February 1972.
- _____. "The Price Situation In Banladesh - A Preliminary Analysis." The Bangladesh Economic Review, July, 1973.
- Braeur, Dieter. "World Food Crisis In 1981". Development And Co-operation, January 1981.
- Burger, Daniel. "The Sheik's Legacy Of Confusion". Far Eastern Economic Review, Sept. 5, 1975.

Castro, Josué De. The Black Book of Hunger. New York: Funk And Wagnalls, 1967.

Chen, Lincoln C. "Foodgrain Availability, Consumption And Requirement In Bangladesh." The Bangladesh Development Studies, Vol. III, April 1975.

Chandola, Harish. "Political Use Of Grain Surpluses". Economic And Political Weekly, Sept. 27, 1975.

Cleaver, Harry. "Food, Famine And The International Crisis". Zero-work Political Materials I, 1977.

Collins, Joseph and Lappé, Frances M. Still Hungry After All These Years. San Francisco: Institute For Food And Development Policy (IFDP), 1977.

_____. World Hunger: Ten Myths. San Francisco: IFDP, 1979.

_____. Food First: Beyond The Myth of Scarcity. Boston: Houghton Mifflin, 1977.

_____. "American Aid Goes To Agribusiness Not Hungry". Reprint Packet I, IFDP, March 1979.

Crittenden, Ann. "Bangladesh Hunger Linked To Feudal System". The New York Times, Nov. 24, 1981.

Dumont, Rene. Problems And Prospects For Rural Development In Bangladesh. Dacca: The Ford Foundation, Nov. 1973.

_____. A Self-Reliant Rural Development Policy For The Poor Peasantry Of Sonar Bangladesh. Dacca: The Ford Foundation, May 1973.

Faaland, Just, ed. Aid and Influence. London: Macmillan Press Ltd., 1980.

Faaland, J., and Parkinson, J.R. Bangladesh - The Test Case Of Development. Colorado: West View Press, 1976.

Feder, Ernest. "Why A Food Crisis". Economic And Political Weekly, July 26, 1975.

Franda, Marcus. "Bangladesh After Zia". Economic And Political Weekly, Vol. XVI, No. 34, 1981.

George, Susan. How The Other Half Dies: The Real Reasons For World Hunger. Montclair N.J.: Allenheld, Osmun & Co., Publishers, 1977.

"Global II Project On The Social And Economic Implications Of The Large Scale Introduction Of The New Varieties Of Food Grains." UNRISD, Geneva.

Griffin, Keith and Khan, A.R. "Poverty In The Third World: Ugly Facts From Fancy Models." World Development, 3/1978.

Haq, Mahbubul. The Poverty Curtain. New York: Columbia University Press, 1976.

The Strategy of Economic Planning - A Case Study of Pakistan. Karachi: Oxford University Press, 1963.

Hossain, Mahbub. "Farm Size, Tenancy and Land Productivity". Bangladesh Development Studies, Vol. V, July 1977.

Hopkins, Raymond F. "How To Make Food Work". Foreign Policy Magazine, Summer, 1977.

Islam, Nurul. Development Planning In Bangladesh. London: C. Hurst and Co., 1977.

Khan, A.R. "Poverty And Inequality In Rural Bangladesh" in Poverty And Landlessness In Rural Asia. Geneva: ILO, 1977.

Khandkar, R.H. "The Pattern Of A Divided Economy: A National Income Analysis Of India and Pakistan." Journal Of The Royal Statistical Society, General Series, 1955.

Kissinger, Henry. White House Years. Boston: Little, Row And Company, 1979.

Lamb, Helen. "The Strata And Economic Development In India," in S. Kuznets et al, ed., Economic Growth: Brazil, India, Japan. Durham, N.C.: Duke University Press, 1955.

Lappé, Frances Moore. "The Banality Of Hunger" in Food For People Not For Profit. New York: Ballantine Books, 1975.

Lewis, W. Arthur. "Economic Development With Unlimited Supplies Of Labor." The Manchester School Of Economic And Social Studies, Vol. XXII, No. 2, May 1974.

Lifschultz, Lawrence and Bird, Kai. "Bangladesh: Anatomy Of A Coup". Economic And Political Weekly, Dec. 8, 1979.

Lipsky, Seth. "America's Bounty In Cold Storage". Far Eastern Economic Review, May 16, 1975.

McHenry, Donald F., and Bird, Kai. "Food Bungle In Bangladesh." Foreign Policy, Summer 1977.

Mohiuddin, Alamgir. "Some Aspects Of Bangladesh Agriculture". Bangladesh Development Studies, Vol. III, July, 1975.

_____. Famines In South Asia. Cambridge, Massachusetts: OG & H Publishers, 1980.

Morgan, Dan. Merchants Of Grain. New York: Penguin Books, 1980.

Murdoch, William W. The Poverty Of Nations. John Hopkins University Press, 1980.

Mukherjee, Ramkrishna. The Rise And Fall Of The East India Company. New York: Monthly Review Press, 1974.

Myrdal, Gunnar. The Challenge Of World Poverty, New York: Penguin Books, 1980.

"Neither Food Nor Peace: US Food Policy In Bangladesh". Pacific Research, Vol. X, No. 4, Fourth Quarter, 1979.

Papanek, Gustav. Pakistan's Development, Social Goals And Private Incentives. Cambridge, Massachusetts: Harvard University Press, 1967.

Power, J. and Hollenstein, A.M. World Hunger. London: Groom Helm, 1976.

Pincus, John A. "The Cost Of Foreign Aid." The Review of Economics And Statistics, Nov. 1963.

- Ranis, Gustav. "Brief Reflections On The Central Issues Of Policy In Bangladesh". Bangladesh Development Studies, Oct. 1974.
- Reston, James. "The World According To Brzezinski". New York Times Magazine, Dec. 31, 1978.
- Robinson, Austin. Economic Prospects Of Bangladesh, London: Overseas Development Institute Ltd., 1975.
- Robbins, Williams. The American Food Scandal. New York: Carnegie Endowment For International Peace, 1975.
- Rodin, Rosenstein. "International Aid For Underdeveloped Countries". The Review Of Economics And Statistics, May 1961.
- Rosenfeld, Stephen S. "The Politics Of Food". Foreign Policy Magazine, Spring, 1974.
- Rothschild, Emma. "Food Politics". Foreign Affairs, Jan. 1976.
- Schertz, Lyle P. "World Food Prices And The Poor". Foreign Affairs, April 1974.
- Shepherd, Jack. The Politics Of Starvation. New York: Carnegie Endowment For International Peace, 1975.
- Singh, Suresh K. The Indian Famine 1967. New Delhi: People's Publishing House, 1975.
- Smith, Adam. The Wealth of Nations. Illinois: Irwin Publishers, 1963.
- Soth, Lauren. "The Grain Export Boom: Should It Be Tamed?" Foreign Affairs, Spring 1981.
- Stepanek, J.F. Bangladesh - Equitable Growth? New York: Pergamon Press, 1979.
- Stockwin, Harvey. "Why Charity Goes Astray In Bangladesh?" Far Eastern Economic Review, April 4, 1975.
- Streeten, Paul. "A Primer For Aid Recipients". Economic And Political Weekly, June 23, 1979.
- Taylor, Lance. "The Misconstrued Crisis". World Development, 1975, Vol. III.

U.S. Food Policy In Bangladesh." Pacific Research, Vol. X, No. 4, 1979.

Venkatramani, M.S. Bengal Famine Of 1943. Delhi: Vikas Publishing House Pvt., Ltd., 1943.

Verma, P.C. "Economic Stagnation Of Bangladesh." Bangladesh Economy Problems And Prospects. Calcutta: Vikas Publications, 1972.

Vylder, S., and Asplund, David. Contradictions And Distortions In a Rural Economy: The Case Of Bangladesh. Report from Policy Development And Evaluation Division, Swedish International Development Authority (SIDA), 1979.

Wallenstein, Peter. "Scarce Goods As Political Weapons: The Case Of Food." Journal Of Peace Research, Vol. Xii, no. 4, 1976.

World Bank. Bangladesh: Food Policy Review. Dec. 12, 1979.

_____. Land Reforms: Sector Policy Paper. May 1975.

_____. Bangladesh: Current Trends And Development Issues. December 15, 1978.

_____. Bangladesh-Development In A Rural Economy. Washington D.C.: 1973, in three volumes.

_____. Bangladesh: Current Economic Situation and Development Policy Issues, May 19, 1977.

Yunus, Mohammed. Planning In Bangladesh: Format, Technique And Priorities. Rural Studies Project: Department of Economics, Chittagong University, June, 1976. (Mimeo).

Bangladesh Government Publications.

Bangladesh Planning Commission. Evaluation Report: IRDP, June 1974.

Bangladesh Bank Bulletin, Jan 1981.

Bangladesh Bank. Banking Statistics, 1974.

Bureau of Statistics, Government of Bangladesh, Statistical Pocketbook of Bangladesh, 1978.

_____, Economic Indicators Of Bangladesh, Vol. V, No. 8, August 1978.

_____, Statistical Yearbook of Bangladesh, 1979.

_____, Statistical Yearbook of Bangladesh, 1980.

Bangladesh Government, Planning Commission. The First Five Year Plan 1973-78. Dacca: November 1973.

Bangladesh Government, Bureau of Statistics. Master Survey of Agriculture In Bangladesh 1967-68, 1970.

Ministry of Industries, Government of Bangladesh. Guide To Investment In Bangladesh, Nov. 1980.

Pakistan Government Publications.

Bureau of Statistics, Government of Pakistan. CSO Bulletin, May 1967.

Constituent Assembly of Pakistan Debates, Vol. I, No. 56, Jan 1, 1956.

Others

Committee On Foreign Affairs. Data And Analysis Concerning The Possibility Of A US Food Embargo As A Response To The Arab Oil Boycott. Washington D.C.: Government Printing Office, 1973.

Congressional Research Service. Use Of US Food For Diplomatic Purposes - An Examination Of The Issues. Washington D.C.: Government Printing Office, Jan. 1977.

Public Law 480, Sec. 6(a) and (b) amended. December 20, 1975.

U.S. Department of State. Dacca Misson Cable, Nov. 18, 1976.

U.S. Department of State, World Hunger, Health And Refugee Problems: Summary Of A Special Study Mission To Asia And the Middle East. Washington, D.C.: Government Printing Office, 1974.

US Department of State. Statistical Abstract Of The United States.
Washington D.C.: Government Printing Office, 1974.