

# Rethinking economics

At universities, more in colleges, economics students stare out at their teachers with wonder; outside the class they find little relevance of their theoretical learning with the ground reality. This kind of allegation loomed large on the horizon of economics since my studentship in the sixties. Relevance aside, they find mathematics and models subject economics, a la Maynard Keynes, "a difficult subject, but nobody will believe it; it seems an easy subject compared to the high branches of philosophy or pure science, yet very few excel in it."

Wahiduddin Mahmud, an eminent Professor of Economics and also a former advisor to the caretaker government, reflects on the issue with a critical lens and paves ways for a solution serving the purpose of economics in developing countries. In his most recent book *Markets, Morals and Development - Rethinking Economics from a Developing Country Perspective* (2021, Routledge, India), the eminent economist provides (a) a critique on the subject of Economics itself, and (b) suggests how economics could become more humane by contextualising theories situation-wise. The 100-page book is a collection of public lectures delivered in Dhaka using illustrations from Bangladesh, India and other countries that offer an convincing understanding of diverse economic realities by taking a fresh look at the familiar.

The book brings out the inadequacies of Western economic models, with suitable illustrations, to the realities of developing countries like Bangladesh. Economics, as it is, fails to address the discontent of the contemporary global economic order with its supremacy of the market contributing to instability and unprecedented inequality amidst plenty. "While the market economy has become the dominant model for our societies, it is regarded with widespread distrust, mixed with outrage or fatalism." Ipso facto, argues the Professor, the less developed countries feel all the more aggrieved in a regime of perceived unfairness of the global market system where the powerful North and relatively powerless South are on what Imanuel called an "unequal exchange". Economics is derided, rightly or wrongly, for lending legitimacy to this market system devoid of compassion and is prey to private corporate interest, opines the author.

Wahiduddin Mahmud discerns that the disconnect between what is said in economics textbooks and what is being observed around, regrettably, results in a growing apathy towards economics among students of Bangladesh, India and other developing countries. They are in fact forced to feel that textbook economics is not in consort with the real-life economic phenomena; feeling frustrated by the fact that "there is no developing country equivalent of Paul Samuelson's *Economics: An Introductory Analysis* (1948), which is arguably the best-known textbook on introductory economics ever written." The policymakers are perturbed too with policy advice emancipating from academic economists of the rich-country institutions, playing the agenda-setting and gatekeeping role. This often tends to create a mismatch between the disease and the diagnosis; what is academically reward-

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ing within those institutional cultures and what the policymakers in the Global South may actually need for practical purposes.

The beauty of the book is that it is written in lucid language, woven with witticism and expedient examples, bracing six chapters with tempting titles: *Thinking like an economist; The ethical basis of economic theory and practice; Institutions, morality norms and development; Amartya Sen's ideas and the Bangladesh story, and Is there an economics of social business?*

The entrance comes through an interesting introduction to the book. Thomas Carlyle in the eighteenth century dubbed economics as a "the dismal science" disgusted with dire predictions made by the economists of his time, especially Thomas Malthus, about humanity trapped in a world of widespread misery and impoverishment. Professor Mahmud contends that the aforementioned contemporary global disorder, the inadequacies of textbook abstracts to address country-specific anomalies, seemingly turned economics into a "dismal science".

Few pertinent remarks on developing country markets that faces Western models in analysis duly draw attention of readers. "...The variety of market institutions in less developed countries also makes it difficult to predict the outcomes of market intervention policies, such as the enforcement of an anti-monopoly regulation or the introduction of a value-added tax. Shabana Azmi, the noted Indian film actress and social activist, once remarked that India lived simultaneously in three centuries; that is certainly true of the varying nature of markets in less developed countries, such as in terms of the formal-informal divide, supply variability and price fluctuations in agricultural markets, product quality standards, integration with the global economy and so on. The students of economics can thus have an enriching experience in trying to apply the toolkits of market analysis across a variety of markets."

So, all is not over yet, "in spite of the alleged lack of compassion and empathy in economics as a discipline, there is ample scope to rethink the ways in which the market economy can address the moral issues of human well-being and social justice... with real-life examples, how the study of economics and public discourses on economic issues can be made more accessible and engaging as well as more relevant from the perspective of the less developed countries." Students of developing countries like Bangladesh and India can ingeniously attempt to apply theories into practical applications, say of market models, of their societies faced with different types of markets-- from local *hat and bazaars* to cosmopolitan malls. The imperative also arises from the fact that two of

the Nobel winners bagged their prizes from the practical problems of developing countries -- Stiglitz from the rural credit markets in South Asia and Akerlof explaining why adulterated food items pervade markets in less developed countries, such as the market for fresh milk in the bazaars of Delhi and Dhaka.

In a famous statement, Adam Smith warned that businessmen seldom meet without plotting against consumers. However, the author's observation on special features of developing country markets is worth pondering: "the cobweb-type demand-supply model used in the textbook for explaining high annual price fluctuations in agricultural markets is shown to be more applicable in the case of high-value minor crops than for staple food crops. Other examples show why it may be wrong to blame businessmen on ethical grounds for price hikes of certain food items at times of religious festivity, while the moral responsibility must also partly lie with the relatively wealthy buyers who may choose to apply some moderation in consuming the items in limited supply relative to demand, or how in the seasonal markets for fresh fruits, the consumers end up buying fruits artificially ripened by harmful chemicals while the "invisible hand" of the market works through the self-seeking behaviour of thieves, fruit farmers, freight handlers and traders, albeit in an environment of lax law enforcement."

Whatever may be the historical origins of the social institutions and behavioural norms, these should be taken into account through community involvement in designing local development programmes; otherwise, such programmes may not yield the desired outcomes and may even be counterproductive. This observation possibly points to the lack of "bottom-up" - a demand that goes back to decades.

By applying Sen's ideas for understanding Bangladesh's socio-economic progress, the author also examines the relevance of these ideas in the varying socio-political settings across developing countries.

Economists may do better, reckons the author, by improving their understanding of the complexity of human behaviour, for example, by drawing from new ideas developed in neuroscience and experimental psychology; they also need to allow more scope for ethical judgements in their choice of topics for inquiry, in their methodological approaches and in drawing policy conclusions.

By and large, the book by Wahiduddin Mahmud is a "must read" for not only students but also for policy makers, teachers, even for media-men. As Kaushik Basu remarks, "With allusions to literature, psychology and anthropology, and sprinkled with illustrations from Bangladesh, India and other economies, Mahmud's book is

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## MARKETS, MORALS AND DEVELOPMENT

Rethinking Economics from a Developing Country Perspective

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By Wahiduddin Mahmud

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a pleasure to read."

However, at some point the reader would finish reading the book and may like to comment as follows: (a) Why Bangladeshi prominent economists are apparently apathetic in writing regular columns for newspapers on intricate problems of economics?; (b) The author would do a favour by bringing out an economics text book taking into consideration his realisation of the disconnect between theory and practice in developing countries; and finally, a Bengali version of the book would be most welcome.

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