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Book Review:
On the Sustainability of Bangladesh Paradox

Is the Bangladesh Paradox Sustainable? The Institutional Diagnostic Project

by Selim Raihan, François Bourguignon, Umar Salam (Eds.)
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Is the Bangladesh Paradox Sustainable? is an edited volume that queries the so-called 'Bangladesh paradox', referring to how the country enjoys the high level of economic growth despite structural problems such bad governance. Edited by Selim Raihan, François Bourguignon, and Umar Salam, the book undertakes a systematic institutional analysis of Bangladesh's development trajectory. At its core, the volume grapples with a question that has puzzled development economists and political scientists for more than two decades: how has Bangladesh managed to achieve sustained economic growth and impressive improvements in social indicators while maintaining persistently weak governance and fragile political institutions? This Bangladesh paradox is not merely a puzzle of empirical curiosity but a serious challenge to dominant theories of political economy, since it suggests that under certain historical and political configurations, growth can emerge despite the absence of what are conventionally defined as 'good' institutions.

The book's central claim is that Bangladesh's impressive record of growth and social progress is underpinned not by institutionalized formal institutions, but by a patchwork of informal arrangements, pragmatic policy choices, and sector-specific bargains between elites and state actors. As editors aptly put it, "*Bangladesh's.....development has happened in a context of a widely recognized weak institutional capacity*" (p. 29). Thus, this book's argument is therefore simultaneously empirical and theoretical. Empirically, it demonstrates through sectoral case studies of the ready-made garments (RMG) industry, banking, education, taxation, land management, and the judiciary that informal mechanisms and adaptive governance arrangements have played a crucial role in sustaining growth. Theoretically, it challenges the universal claim derived and advanced by Acemoglu and Robinson that 'inclusive institutions' are necessary for long-term development. The paradox here is not merely Bangladesh's divergence from institutional orthodoxy, but the suggestion that development trajectories may emerge through what Mushtaq Khan has termed 'growth-enhancing institutions'[1] even when formal institutions remain weak.

Chapter 2, authored by Selim Raihan and François Bourguignon, surveys Bangladesh's developmental trajectory, setting the stage for the subsequent institutional diagnostics, structuring around a dual narrative: the undeniable successes of Bangladesh's economic growth and social progress, on the one hand, and the deep-seated vulnerabilities and challenges that threaten the sustainability of this progress, on the other. Bangladesh's gross domestic product growth rose from below 4 percent in the 1970s and 1980s to over 5 percent in the 2000s, hitting a record 7.9 percent in 2018. This chapter also explores structural changes taking place in the economy, trade, remittances and its contribution to economic

[1] Khan, 2010.

development, foreign direct investment, infrastructure, mega-projects, and many more issues, and yet, warns of structural challenges faced by Bangladesh in coming days. Chapter 3, co-authored by Selim Raihan, Rafiqua Ferdousi, and Towhid I. Mahmood, takes a diagnostic approach to identifying the institutional dimensions that shape and constrain Bangladesh's development. The authors initiated 'Synthetic Institutional Indices' of democracy, rule of law, business environment, bureaucracy, land, and human rights, attempting to measure institutional performance, unlike the descriptive economic overview in Chapter 2, by comparing Bangladesh with peer countries. Bangladesh's relative performance consistently ranks in the lowest quartile—and often the lowest quintile—of global rankings in terms of these indices. Chapter 3 reiterates the book's main argument that "*these observations reinforce the idea that there is a 'Bangladesh paradox*'" (p. 75).

Chapter 4 provides an empirical focus on the unprecedented success of RMG industry. The sector's success, Selim Raihan argues, has been driven by informal mechanisms such as political settlements and 'deals' among political and economic elites. Raihan argues that minimum monthly wage in Bangladesh contributes to the establishment of many small-scale companies, raising weak regulatory and monitoring mechanism issues, then sacrificing quality over quantity in the global competitive market. In a discussion of this chapter, authored by Jaime de Melo, explicitly discusses the four areas of RMG sectors that hinders the sector from diversification: initial condition, trade and micro policy, institution, and supply chain trade.

Chapter 5 scrutinizes the political economy of private banking in Bangladesh and reveals one of the clearest manifestations of institutional fragility within an otherwise dynamic economy. The authors argue that the banking sector illustrates the destructive side of weak governance—how elite capture, regulatory failure, and politicization can undermine both stability and inclusiveness, and provides striking empirical evidence of systemic dysfunction of major key banks, arguing that bank licenses were distributed as political favors, and the result has been a banking sector vulnerable to corruption, loan defaults, non-performing loans, and systemic fragility. The chapter's authors recommend strengthening the central bank's autonomy, reforming the Bank Company Act to reduce political interference, and ensuring strong political commitment to penalize loan defaulters as prerequisites for improving governance and efficiency in Bangladesh's banking sector. The rest of the chapter distinctly discuss the private banking sector, comparing the banking performance of Bangladeshi banks with banks in neighboring countries and across different ownership groups within Bangladesh.

Sadiq Ahmed's contribution in chapter 7 on tax reforms addresses one of the most enduring institutional weaknesses in Bangladesh, unpacking a diagnostic analysis of institutional and political economy constraints to tax reforms and tax revenue mobilization in Bangladesh. This is not a mere technical issue of taxation but a structural constraint that directly shapes the sustainability of the Bangladesh paradox. As Ahmed notes, "*corruption and other elements of weak governance are major factors for the low tax collection in Bangladesh*" (p. 196). The author explores the determinants of tax performance (classified as supply-side and demand-side variables), arguing that there are core problems in government's tax reform effort (p. 190), the country's heavily rely on international trade taxes (30 percent) (p. 194), unlike the developed world, and in demand-side variables, the institutional capability of the country that significantly impact on the tax performance (p. 195). The subsequent part of the chapter discusses about the institutional dimension of tax reforms, pointing out Bangladesh is one of the worst positions in tax collection (9 percent) compared to developing countries (averaging 17-18 percent), highlighting major problems behind this, including corruption and complex tax schedules.

In chapter 8, co-authors Selim Raihan, Md. Jahid Ebn Jalal, Eshrat Sharmin, and M. Abu Eusuf discuss the unprecedented but burning issue named Land Administration of Bangladesh. The authors begin with the concern of land scarcity in Bangladesh, among the worst in South Asia. In urban areas, this scarcity is increasing, with 34 percent of the total population living there (p. 265), losing arable land thanks to industrialization and rapid encroachment of human farming area. The situation is worsening day by day due to the administrative complexities and concerned institutional challenges, as the authors demonstrate through detailing the land policies and laws of the Bangladesh about land use and acquisition. But these legal and policy tangles, the authors argue, give birth to many problems in their execution. The authors conclude there is a serious institutional failure of coordination among administrative entities.

The complex role of judiciary as a state institution in controlling land litigation and its subsequent failure serves the disputes are explored in chapter eight authored by Rafiqua Ferdousi, Kazi Maruful Islam, and Selim Raihan, who examine three indicators: access and affordability of civil justice, indiscriminate civil justice civil, and justice free from corruption, ranking Bangladesh 106th, 115th and 100th out of 126 countries, respectively. The authors point to social, economic, and political factors behind this degradation, which have accumulated over the years. The authors also examine judicial procedures, with Bangladesh ranked 121st from 126 countries, and argue that the lower level of expedited judicial procedures is caused by factors like lack of capacity and resources and a lower number of judges compared to the cases (p. 306). Another burning issue they examined was the independence of judiciary from executive body, concluded that the judiciary has not yet freed from executive body for several factors: reluctance to implementation of judgment of 1999, the appoint, transfer and many other activities managed by Ministry of Law and so on. They finally argue that these institutional inefficiencies cause landless and property in the rural area of Bangladesh.

The synthesis of the whole study, from chapter 4 to 9, compiles the specific institutional weaknesses of Bangladesh. In this chapter, the Country Institutional Survey is administered to perceive the local decision makers' assessments of their countries' institutions, exposing interesting results such as ambiguous corruption. After reiterating the six specific key areas mentioned above, the authors find three basic institutional weakness of Bangladesh's development, pointing to the supremacy of deals over financial institutional policy making, ineffective regulations, and weak state capacity. They also table several proximate causes, including elite capture of government, weakness of labor organizations, lack of resources and skills in the public sector. Stable levels of corruption, inadequate laws and administrative organization, opacity and unaccountability are also linked to underlying factors including dominant party politics, winner-take-all culture, and political settlement. The authors conclude by providing suggestions for reform for specific institutional areas including the judiciary and industrial policy.

The book employs a multi-sectoral political economic approach, combining qualitative analysis with empirical case studies. Its strength lies in blending macro-level arguments with sector-specific studies. This leaves the long-term economic risks less systematically measured. Another strength of the volume is its nuanced treatment of the paradox: neither celebratory nor dismissive. The careful sectoral focus adds analytical depth. A limitation, however, is the absence of comparative cases. As one reviewer might ask: are Bangladesh's informal arrangements unique, or part of a broader developing-country pattern? The book also stops short of proposing concrete institutional reform strategies, leaving readers with a diagnosis but limited prescriptions. Critically, the book's insight that informal institutions can compensate for weak governance but only up to a point is both powerful and provocative. Yet one might question whether these arrangements are as fragile as the authors claim. Perhaps the paradox is not temporary but a durable model of 'good enough' governance. Even so, the contributors are right to warn that rising inequality, climate threats, and elite capture could make the paradox unsustainable. Overall, this is an essential contribution for scholars and policymakers, offering a sober but hopeful reflection on Bangladesh's developmental trajectory.

Reference

Khan, M. (2010). Political Settlements and the Governance of Growth-Enhancing Institutions. https://eprints.soas.ac.uk/9968/