Corruption, Democracy and Development in Bangladesh

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by
Meftahul Jannat Akhter

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Dedication

I would like to dedicate this piece to my parents and husband. My parents Jasmin and Golam Akhter’s hard work and dedication always inspired me and their endless support helped me get this far. I want to thank my husband Naved, who always pushed me to do better and gave me advice and support whenever I needed it the most. I also want to thank my father and mother in law Munirul and Jesmine Huq for their kindness and support during my graduate studies. I am eternally thankful to all of them for their love, support and guidance.

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ABSTRACT

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By Meftahul Jannat Akhter

This paper will examine how perpetuating corruption, historical aspects of colonialism and extractive institutions are significantly linked and affect the democratic institutions and economic development of a country. Using Bangladesh as an example, it will demonstrate that although its economic growth rate is currently high, it will become difficult to maintain this rate because the issue of corruption and extractive institutions has a detrimental impact on sustaining overall growth. Three recommendations are offered to tackle these issues, first recommendation is empowering the anti-corruption commission force by giving it more legal autonomy in order to curb corruption at a national level; second recommendation is to form a joint task force between the anticorruption committee and citizens to promote a stronger civil society, diversity and awareness programs. Lastly, an institutional-level reform is recommended to promote inclusiveness in political institutions. The methodology for this paper uses qualitative research through theoretical analysis.
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I. Introduction

This paper will examine how perpetuating corruption, historical aspects of colonialism and extractive institutions are significantly linked and affect the democratic institutions and economic development of a country through Bangladesh. It will demonstrate that although Bangladesh’s economic growth rate is currently high at approximately six percent, it will become difficult to maintain it because the issue of corruption and extractive institutions has a harmful impact on sustaining overall growth. The methodology for this paper uses qualitative research through theoretical analysis. Arguments for each of the topics will be explored to attain a holistic and objective examination.

The central question that this paper will address is this: how corruption affects the development of a country through extractive political and economic institutions and lack of accountability which hinders democratic principles that the government is responsible to uphold. Bangladesh will be used for analysis since it is a fairly new democracy and economy globally. It has a thriving economy, especially with about eighty percent of its export earning coming from the garment factories. However, Vietnam, China, Cambodia and India are all running competitors and with Bangladesh’s extractive political and partially inclusive economic institutions, this paper will examine whether it will be able to maintain this growth appropriately and sustainably. A significant portion of the people are not reaping the benefits of the profit the industries are generating through poor monetary redistribution which is directly related to corruption and extractive political institutions.
In order to address the issue, it will first be examined and then three recommendation policies will be offered in the concluding chapter. The first recommendation is to give more legal autonomy to the anticorruption commission force in Bangladesh in order to tackle corruption at a national level. The second recommendation would be to form a joint task force between the anticorruption committee and citizens to promote a stronger civil society, diversity and create awareness programs. Lastly, an institutional-level reform is recommended to promote inclusiveness in political institutions due to its extractive nature.

In a globalized world, nations are differentiated not only by their names and ethnic background but also by their wealth, economic prominence and political systems. Poverty, inequality and corruption affect every nation in the world but at different levels and has varied impact depending on the nation’s social, economic and political conditions. These negative factors are exceptionally harmful to developing nations that are aiming to become middle-income to high-income nations. The overall development of a country is not only determined by physical aspects such as geographic location, natural resources and population but also more complex features such as, political and economic institutions, trade, policy reforms and technology.

In general, the lack of stable infrastructure, government and economy hinders the progress of some countries that are in transition of developing. Neoliberalism, capitalism and uninhibited globalization are sometimes blamed for the source of rising poverty. However, there are internal causes and more complex systems at work that have a huge impact on how a country develops. The competence of political institutions that govern a country determines how efficient it is, this is where the different political, social and economic institutions act like a machine which operates the same way an engine works with its various mechanic parts. The engineering of these systems
is what either helps run the system smoothly or prohibits it from being fully efficient when one part is lacking or malfunctioning.

There are many countries with political and economic issues in regions such as South Asia, sub-Saharan Africa, Southeast Asia and South America. The history along with political and social conditions are equally important in shaping the overall internal development of a country and this is where corruption plays a significant role in obstructing. It is known that corruption encroaches multiple aspects of society and it proliferates if it is not prevented or subdued properly. Corruption not only affects democratic conditions but also the economic development of the country in the long run. This statement maybe self-explanatory but the kind of impact it has on a government, the overall political system and the democracy of the nation is profound and complex. It is important to analyze the impact in order to understand the precautions needed to be taken in order to avoid similar situations, especially for newer democracies and nations like Bangladesh.

First the paper will address theories of corruption and issues then the historical background of Bangladesh and South Asia under the focus of colonialism. Subsequently it will focus on the issues of various extractive institutions and practices, followed by the impact of corruption on democracy and economic development. Mainly political institutions will be used to illustrate how this behavior hinders growth in the long run and how corruption is deteriorating overall development using the examples of various developing and under-developed countries with similar issues. The conclusion will highlight how these three conditions are linked and how at-risk nations can be harmed to the point where it will prohibit sustained economic and political growth. It will also offer three recommendations for the case of Bangladesh.

The focus on Bangladesh is due to its history of partition, colonization by the British Empire and emergence as a new democratic nation after secession. Bangladesh is only forty-four
years old and is currently a developing country and seen as highly corrupt scoring 25 out of 100, 0 being very corrupt and 100 being clean (transparency.org). The partition of India and Pakistan was a boundary drawn under religious lines with the Bengal and Pakistan region being heavily Muslim (Schendel, 2009). Therefore when colonialism is referenced in the South Asian region, it also applies to the vast Indian colony including Pakistan and Bangladesh which did not exist before 1947 and 1971 respectively. When addressing sub-Saharan Africa, which consist of over forty countries, general references will be made to the region even though there are significant differences between the performance and history of some of the countries. Unlike South Asia, which was pre-dominantly colonized by the British Empire, sub-Saharan Africa has faced numerous forms of colonization by different nations with different methodologies. Thus the term colonization will be used broadly for that region.

This paper will elaborate on the phenomenon of corruption, colonialism and extractive institutions and its effect on democracy and economic development. Democracy will be referred to using political accountability, transparency, citizen participation, rights and so on with focus on the institutional level which will be discussed through Tilly and Dahl. Economic development generally refers to the rate of growth through GDP, income and standard of living. Corruption can be defined in various ways due to its dynamic nature but for the purpose of this paper, it will simply be defined as unethical behavior that involves materialistic or monetary enrichment for personal gain (Lanyi & Azfar 2005). Institutions can be defined as stable, valued, recurring patterns of behavior with varied organizations and procedures (Huntington, 1965 p. 394). Institutions generally represent the various economic, social and political organizations such as bureaucratic administrations and governmental agencies associated with the executive, judiciaries, legislature, election boards, security councils, business associations, labor unions and so on.
When discussing extractive institutions, two main branches will be the focus, political and economic institutions. Political institutions involve government bodies, committees and offices that are part of the political process of a nation and they are considered extractive if they fail to be centralized or pluralistic which are traits of an inclusive political institution (Acemoglu & Robinson, 2012, p. 81). Whereas economic institutions refer to networks of commercial organizations such as manufacturers, producers, wholesalers, retailers and buyers who deal with distribution of money, goods and services which include banks, investment funds and government bodies.

Economic and political institutions can also be inclusive or exclusive, such as the United States and South Korea have inclusive institutions and North Korea and Somalia does not. Inclusive economic institutions are characterized by innovation and participation, secure private property, unbiased system of law, provision of public services, and allows new businesses and investments (Acemoglu & Robinson, 2012, p. 75). Acemoglu and Robinson (2012) describes how extractive political and economic institutions have a strong synergistic relationship. Therefore extractive political institutions are interconnected to extractive economic institutions and they enable and maintain each other.

Democracy itself is a very broad and diverse topic and one of the most well-known models would be the United States’ constitutional republic and the United Kingdom’s parliamentary system or constitutional monarchy. There are other countries with democracies with different variations such as Japan, France and India, while others fall into different ranges with some being questionable. Democracy is a system of government where the citizens partake in decisions involving the state with free and fair elections, transparency, representation and political leaders who are accountable for their actions and to the people. Corruption and extractive institutions
disables a democratic system of government and capacity because personal gain is favored over the needs of the people.

It is worth observing how and why modern democracy is not being upheld in decolonized and developing nations even though some of them insist that they are a democracy. It is difficult to call a nation a democracy when the functioning of government relies on suppressive methods to silence opposing parties, rigged elections and violent rioting in the streets to prevent citizens from voting. Political capacity and accountability are main features to be analyzed which will be thoroughly discussed in the democracy section.
II. Corruption and its Costs

Corruption is such a dynamic phenomenon that it is quite difficult to define precisely hence it has various types and names. Corruption has different forms in different countries and what may mean corruption in one place, may not in another. Some regions of the world see it as an act of gift-giving and it is seen as normal whereas in other places it could be considered bribery. While there are claims that corruption greases the wheels of commerce, political deals and that it is a symptom of cultural factors, it can proliferate if it is not prevented or controlled. Evidence shows that a vicious cycle of corruption is already prevalent in the public and private sector in Bangladesh, which is relatively young as a forty-four year old country. Transparency International ranks Bangladesh at 145 out of 175 in corruption which shows the level of high corruption since it is in the bottom thirty of the world (transparency.org). The depth of the issue will be illustrated below.

The following percentages provided by the World Bank show the pervasiveness of the corruption in the public and private sector in Bangladesh. They conducted several surveys to obtain data on the relationship between corruption and private firms which shows its prevalence in that region. Data states that bribery occurs in 47.7% of the firms; 48.9% of firms are expected to give gifts to secure government contracts; 58% are expected to give gifts for operating licenses; 77.2% of firms are expected to give gifts to attain an importing license and 48.5% are expected to give gifts to public officials for smooth flow of processing official paperwork (enterprisessurveys.org).
This example elaborates on corruption rates between the government sector and agencies and private firms in Bangladesh and how it has become the norm. One of the most famous definitions of corruption was provided by Klitgaard, who created a formula. Klitgaard (1998), formulized:

\[ C = M + D - A \]

This formula means corruption equals to monopoly plus discretion minus accountability. This formula is fairly simple but useful since it is very indicative. Having monopoly over a sector or institution with the ability to be discreet along with the lack of accountability can be the ideal environment for corrupt activities to take place. This is especially so for the garment factories in Bangladesh where unsafe working conditions, building regulations and lack of equal wage are serious issues that no one wants to address due to the monopoly politicians and business elites have over its ownership and the export market. Klitgaard’s formula sheds light on what corruption is at the basic level, especially the conditions by which corruption is created.

First, it is important to analyze types of corruption to understand its diversity. It comes in different forms and levels thus there is a difference between petty and grand corruption. Petty corruption are most frequent and deal with small payments that occur to secure or expedite a routine or legal action such as paying an official to approve certain legal paperwork or pay a policemen off to get out of trouble. While grand corruption is more large scale involving parties that conceal huge transactions such as business deals. There are also individual based corruption and systemic corruption, the first being a person who accept bribes such as a government official, service provider or policemen; while, systemic corruption permeates the whole institution and becomes the norm. It involves not only employees and managers but political parties, politicians,
corporations and organizations. Systemic corruption is very prevalent in Bangladesh, especially in the public and private sector, including the government.

In the case of Bangladesh, bribery is widespread across different institutions and organizations and takes various forms. Lanyi & Azfar (2005) provides an explicit definition and the varieties of corruption under the field of governance. They define bribery as “informal payments or gifts demanded by or offered to public officials which could be demanded for services such as licenses, kickbacks, privatization deals and so on (p. 6).” Bribery also takes form as patronage when it occurs under hiring and promotion of certain individuals. It can occur within numerous levels such as for votes, sharing confidential information, colluding, misappropriation, protection and even acquiring better services (Lanyi & Azfar, 2005, p. 9). That involves numerous actors such as high and low level civil servants, politicians and business associates and so on. Misappropriation is the act of funds being embezzled or misused for personal reasons, such as foreign emergency or development aid not being distributed properly.

All these kinds of corruption is present in the current political system in Bangladesh, bribery being the most common which is the focus of this paper when examining corruption. The variety of corruption at different levels is what makes the corruption in Bangladesh systemic and dangerous. It has converged and proliferated in the public and private sector and is practiced by individuals from these sectors. Klitgaard (1998) used a formula to define corruption, while the World Bank and O’Higgins has taken a more simple approach. O’Higgins (2006) defines corruption as “the abuse of public power for private benefit (p. 236).”

It is important to note that corruption also occurs in developed western nations but the process is not as obvious, direct or systemic as it is in some non-western developing countries like India and Bangladesh. Corruption takes place even in a nation like the United States, but vast
amount of the wealth is not being misappropriated or untaxed and the accountability of political officials and government capacity remains protected. If wealth is untaxed than eventually the IRS, the Internal Revenue Service, becomes involved and finds the individuals and collects the amount of wealth. Corrupt activities such as untaxed wealth, which is not uncommon in South Asia, could be utilized for building infrastructure and could make a huge difference in places where extreme poverty is extensive.

If a public official is caught and found to be guilty for corrupt behavior in a place like the United States, he or she is accountable for those actions in court and to the people they represent. They are not only vilified through the media but taken to court and made to pay for these actions with jail time or penalties. However this is not common in Bangladesh, let alone South Asia. In developing nations such as Bangladesh, corrupt actions between government officials and other actors are normal to the point that bribes are expected to be paid. O’Higgins’s definition implicates mainly the public sector agents such as government officials rather than private actors such as the companies who are equally involved when business deals are negotiated and finalized (1998, p. 236).

O’Higgins’s definition is not broad enough to address the kind of corruption that is occurring in developing nations such as Bangladesh. Corruption is not a cultural phenomenon but partially sociological and economic depending on political and economic conditions. It prevents egalitarian rule and free market of competition which at the end prevents these countries from progressive economic development. Other definitions implicate the private sector and actors stating that the perpetuation of corruption occurs due to corporations, private businesses bribing for deals which can occur in both developing and developed countries. The percentages from the enterprise survey that was discussed in the beginning demonstrate exactly the issue of private firms
and companies being also involved in corrupt behavior. However, the persistence of corruption practices within the public sector cause far more damage to the overall political capacity and institutional competency.

This issue of bribery in the public sector manifests itself through a variety of factors. As mentioned before, it occurs to attain certain licenses and privatization deals but sometimes it is also for protecting an officials position or better services so that the procedure is done faster or on time due to lack of administrative discipline. Weak norms, lack of real political challenge and accountability, low payment and insurance can also be factored into the reason why this issue occurs and manifests itself in a variety of degrees. If the foundation of the democratic government is weak and the law is not followed accordingly, not only does this lower the functional capacity of the government, which is to act as a neutral force protecting all of the citizen’s rights, it also decreases the political accountability a politician has towards the citizen’s they represent.

Petty bribes amongst government officials have always been a nuisance in Bangladesh but corruption has become increasingly privatized and expensive. Ahmad (2013) elaborates how structures and habits of crony capitalism, aggressive rent-seeking of the state and patron-client networks has created the “ideal conditions for corruption to flourish (p. 74).” He describes two events, one when approximately $440 million was misappropriated by the government and the other when several high ranking officials were caught red-handed with $90,000 bribe money from job seekers from their departments (2013, p. 74). These forms of corruption and bribery has reached such epic proportions that it has become the elephant in the room that no one wants to address since it has become embedded in the system.

The source of corruption is another factor that needs to be addressed. Corruption is prevalent in low income countries because the public sector tends to underpay their employees. It
can be argued that in developed countries, employees in the public sector are also underpaid but there is a minimum wage in place along with insurance and benefits that alleviate the situation which employees in developing countries do not have. When it comes to the prevalence of corruption in developing countries versus developed ones, many blame it on cultural and geographic factors. However, studies have shown that the political conditions and the decisions of elites and leaders who want to stay in power are the bigger reasons why corruption is so prevalent. Sometimes, it is the transition of political systems and extractive ideology.

Montinola and Jackman (2002) carried out a cross country analysis and they discovered that corruption rates are higher in countries that are partially democratized or in transition (p. 147). This can also be connected to the issue of lack of accountability which makes corrupt actions easier to commit. Bangladesh has had a rocky start as a nation in 1971, the government was set up as a parliamentary democracy but it has had military coups and constant violent riots and protests. This has made the political environment shaky ever since its beginning. Bangladesh’s political history is somewhat volatile and evolving constantly since its emergence as a nation in 1971. Sheikh Mujibur, who fought for its independence, was assassinated only four years after he assumed the role of Prime Minister. The government was plagued with economic policy failures, corruption and maladministration which instigated military officers to assassinate the nation’s first prime minister only to create more uncertainty. This uncertainty, political instability and lack of strong policy measures and development planning has allowed holes in the system where corruption flourished.

Corruption in Bangladesh has simultaneously caused weak institutions, lack of political accountability and state capacity. If bribery continues, public officials will not be able implement tasks or policies that are needed, which reduces state capacity and efficiency and also regenerates
the lack of accountability. Bangladesh already had several political upheavals with coups, power turn overs, military take overs hence its reinstated parliamentary democratic system is quite fragile. Rahman and Zafarullah (2008) describes how one of the factors that impair state capacity is corruption. They blame corrupt activities such as bribery, patrimonial politics, patron-client relationships, lack of trust and transparency for producing weak institutions, ineffective policies, aberrant implementation, lack of public accountability, normless and non-transparent administrative activities (Rahman & Zafarullah, 2008, p. 743).

Political instability has increased and political accountability has decreased due to corruption and the futile political squabbles between the two major coalitions, the Awami League (AL) and the Bangladesh Nationalist Party (BNP). There have been numerous political upheavals caused by the social and economic misery that ended up in declaration of state emergencies and “hartals,” where businesses are closed down and work is suspended for numerous days. One of these incidents made the country lose over $40 million a day (Rahman & Zafarullah, 2008, p. 743). This is an amount that a developing country that is poor cannot afford and this has had detrimental consequences since the frequency of hartals have increased the past few years due to political instability.

Hartals occur due to mass protests which cause workplaces, shops and offices to shut down. Most places close down due to the fear that if they remain open, the protestors will use force and cause damages such as vandalism, burning cars and violence against citizens who resist. Schools and other institutions close down as well in fear of property damage and danger to students thus it affects the community as well. Corruption is directly and indirectly related to political instability because of its adverse effects on state capacity, competency, accountability and authority.
The harmful consequences of such systemic corruption has detrimental effect on not only economic development and state capacity but also other aspects of society. It prevents future foreign direct investment that can improve conditions of the economy and the lives of its citizens and it also fractures the democratic system which results in national-level epidemic of corrupt behavior that cannot be inhibited easily. Ordinary citizens suffer the most because the system of corruption complicates public related services whether it is to file a case, report one's taxes or anything else administrative or legal related. They end up being extorted or harassed by public servants such as the police and officials if they complain or have cases filed.

Only those with money and political connections can acquire public services easily since they can afford to pay corrupt officials and public servants. It becomes an uncontrollable vicious cycle and developing countries that receive donor funds, such as Bangladesh, run the risk of the money being misused and misappropriated which could improve the lives of the population. Corruption also affects the trust of the international community along with the country’s reputation (Kochanek, 2000, p. 544). This was a huge issue when it came to building the Padma Bridge in June 2012 when the World Bank temporarily suspended the $1.2 billion credit for the road-rail bridge due to high-level corruption conspiracy and fraud among Bangladesh government officials, SNC – an engineering company, executives and private individuals (worldbank.org).

The current Human Development Index (HDI) ranked Bangladesh at 142 which is quite poor (UNDP 2014). Bangladesh is a country prone to constant climate disasters such as annual floods and has weak infrastructure that equates to power shortages, terrible road conditions, traffic and building collapses, such as the one of Rana Plaza in 2013. More than 1,000 garment workers met their death due to faulty building structure and unsafe working conditions. The variety of issues described above in turn causes social upheavals and turmoil and in the long run the entire
system risks collapsing which should not only concern the domestic population but the international community as well.

It is also evident that corruption also impacts the economic development of a country. It has been mentioned before how much loss Bangladesh faces when hartals occur and sometimes it goes on for several days, especially during pre and post-election periods. The most recent case was during the election in January 2014, where one of the major parties, BNP, boycotted the election which left 154 out of 300 seats in the parliament empty and twenty-one people were killed with days of blockades, protests and hartals (AlJazeera.com). It is complicated to calculate the total damages done by these actions but it is simpler if we look at it from the economic point.

Pak Hung Mo’s study is one of many work that directly relates the effect of corruption on the economic development of a country. Pak Hung Mo (2001) conducted a study that demonstrates that 1% increase of corruption level reduces the growth rate by about 0.72% or one unit increase in corruption index reduces the growth rate by 0.545 percentage point; in addition, the most important channel by which corruption affects economic growth is through political instability which accounts for 53% of the total effect (p. 66). The study also shows that corruption reduces human capital and the share of private investment and other innovative activities that is important for inclusive economic institutions. This is because when nepotism and patronage occurs, qualified people are robbed of opportunities and inequality perpetuates. This occurrence is not uncommon in Bangladesh where people are given political positions and power because of money and connections, not merit.

However, some state that there are also some benefits in corruption, such as the claim that it greases the wheels of certain political processes and business deals. There are various costs to a country that has systemic corruption, but some argue that there could be a positive aspect which is
the reason why it is prevalent in some societies. Nye (1967) interestingly discusses the cost-benefit analysis of corruption. He states that bribery, nepotism and misappropriation are all aspects of corruption and each has their own costs and benefits. He states that the possible benefits of corruption involves economic development, national integration and governmental capacity (1967, p. 419).

However, Nye concludes that the costs of corruption is much higher compared to the benefits except when there are modernizing incentives, marginal deviations or if it is an actual solution to obstacles of development (1967, p. 427). This suggests that corruption to a small scale maybe helpful but at a larger scale, it is detrimental. However, the question remains on how the costs and benefits can be measured in developing countries where it has spread like a virus on various degrees and institutions. In the case of Bangladesh, the costs remain very high with benefits only gained by political and business elites while the general population suffer due to the instability and unequal distribution of wealth.

It is clear that the negative implications of corruption are that it causes wastage of resources such as skills, foreign aid and distortions in investment (Nye, 1967, p. 422). However, those are not the only negative implications and corruption exponentially perpetuates when there is instability. Political instability causes corruption to spread further because it occurs more during social upheavals and military coups, which happened in Bangladesh after the first Prime Minister Sheikh Mujibur Rahman was assassinated in 1975. It can occur more during unstable times as individuals are either paid off to not run for office, cause strikes or even at times try to keep the status quo. In the long run, corruption causes reduction of government capacity which only deepens political instability as people become progressively agitated due to the instability, strikes and protests around them.
In the case of Bangladesh, since corruption is systemic and present through rigged elections, campaigning, public departments, private businesses and so on, it has a different kind of formulation then the one Klitgaard articulates. He had a specific formula for corruption and if we were going to use the same construction to look at Bangladesh’s condition then it would look like this:

\[ C = M + EI + CH - A \]

This signifies that corruption equals to the links between monopoly, extractive institutions, colonial history minus accountability. Discretion is a significant part of Klitgaard’s formula but in this case, where corruption is systemic and prevalent in most institutions, departments and government bodies, it can no longer be considered “discreet.”

Bangladesh is not itself solely responsible for the corruption, foreign companies that want to exploit the cheap labor and resources are also partaking in corrupt activities such as bribery in order to secure business deals. Companies are also ignoring corrupt activities due to the profits they obtain. Well-known brands and companies such as Gap, H&M and Primark are attracted to the cheap labor in Bangladesh, due to this they turn a blind eye to the unsafe working conditions and the processes by which the garment factory workers are being exploited. However, there have been some preventive measures taken by the UN Business Compact to inhibit these corrupt activities. Ala’i (2000) discusses the legacy of colonialism and the rule of geographical morality, where western multinationals engage in acts of corruption without any moral restraints because of the view that it is the only way it works in these developing countries. He goes onto discuss different approaches such as how institutional revisionists state that absence of effective political institutionalization is the reason why corruption proliferates in developing nations.
Therefore if there aren’t effective institutions in place to curb the negative aspects of corruption, then corruption spreads. It not only grows where there are weak institutions, but they further undermine whatever is in place. Ala’i also mentions Huntington, who asserts that modernization entails the increase in corruption and ultimately institutionalization will reduce the opportunities of corruption. Some institutionalists have argued that corruption play a useful role in political development in some countries in the sense that it prevents alienation of certain groups in society (2000, p. 901). This can be connected to the small elite in Bangladesh which may comprise of no more than approximately 8% of the population. In the case of Bangladesh, the weak and extractive institutions play the key role in why corruption has become so entrenched and systemic in the government and public sector in general. The weak and extractive institutions, lack of accountability, instability and deteriorating state capacity all play a significant role in how corruption spreads.

Corruption has not always been a current issue but it has been one from the very beginning of Bangladesh’s birth as a nation in 1971. One of the reasons why Sheikh Mujibur was assassinated in 1975 by military officers was because people thought his administration was corrupt and they blamed it for the economy doing poorly and the people starving. Corruption can be studied by itself but its connections with other aspects also helps one understand why it has reached such a level in Bangladesh. One of these aspects, is the historical impact of colonialism. Bangladesh was first an Indian colony of the British Raj or British India before it became East Pakistan in 1947 and then Bangladesh in 1971. Colonialism has extensive ties to corrupt and extractive institutions which will be explored in the next section.
III. Colonialism and its Historical Impact

Colonialism covers a distinct part of world history and writers like Thomas Freidman (2005) refer to it as the first stage of globalization (nytimes.com). Colonialism is almost as old as history and can be dated back to the second century to the Roman Empire. It exists in variety of places, time periods and ethnicities from the Aztec, Mongol, Ottoman, Persian, Mughal empires to the British one. Politically, it involved extraction of resources and in some areas colonization, which had drastic economic and development repercussions on the natives and the land in those regions. Countries such as England, France, Portugal, Spain and others were conducting imperial conquests, which Freidman refers to as globalization for resources.

Colonialism not only has political and economic impact on a region but also culture and identity. After decolonization, many thought colonialism was no longer an issue in the modern era, however studies have shown that there were long term implication on the countries that suffered under it. Studies by Memmi (1965), Said (1978) and Fanon (1961) to name just a few, address colonial and post-colonial issues and its impact on identity, culture and society. A variety of authors, which will be illustrated below, examine how colonialism has had adverse effects on the various institutions in the colonized countries. The central idea is that many of the colonized nations adopted the colonizer’s extractive system which caused weak institutions and corruption to develop.
The historical context of colonialism had a long-term effect on the governments and economic systems in various countries in the regions of Africa, South Asia and South America. Therefore this issue is not only present in Bangladesh but also in other countries. Colonialism is not entirely to blame, but it is the legacy left behind that still affects how the institutions operate in these regions. An analysis of the history of colonialism will clarify current institutional conditions which will be explored below.

First, the definition of colonialism and its impact on colonized regions will be offered. Colonialism can generally be seen as a regime of imperial conquest where countries extracted resources from colonies for the benefit of their own economy and nation. Emerson (1969) simply defines colonialism as the imposition of western white rule on alien peoples inhabiting lands separated by water from the imperial center (p. 3). He goes onto distinguish the power relationship and gap between the growth of developed countries with the developing ones and it is profoundly large in the sense of science, technology, transportation, services, wealth and power. The phenomenon of colonialism is not a simple matter of just resource extraction but it had a variety of consequences which affected the generations to come of the colonized population (p. 14). This is particularly present in the South Asian and African regions where new institutions were built upon the colonial institutions.

Some state that colonialism is a phenomenon that occurs when a nation’s growth rate, population and industrial economy can no longer sustain itself, therefore they have to search elsewhere for survival. This is especially the case if the colonizing nation is agriculturally-challenged due to cold climates and geographic location. This is the reason why sugar plantations were located in the Caribbean, cotton farms in South of the United States and tea estates in the
South Eastern parts of India. The lack of raw materials is another factor, many African and South American countries have an abundance of salt, diamond, gold, iron, copper, silver, petroleum, cocoa beans and so on.

Colonialism in certain regions like South Asia, were highly bureaucratized with administrative systems that governed regions and extracted resources. It also encouraged mass migration of people from different areas with the purpose of trade and profit. This exchange of people, knowledge and systems interacted with one another to form the kind of history we read about and the kind of societies we see today. This also meant that Europeans, who were migrating to the colonized regions, began to infiltrate the economy and political system. Instead of the indigenous population, the Europeans controlled political institutions and economic resources. This left many of the indigenous not only poor but also without equal rights.

European dominance and rule affected a variety of aspects of the colonized regions and countries. Abernethy (2002) states that the European rule affected not only the colonized but their own development and this in turn had an impact on worldwide patterns of thought and action, particularly in the industrialization era. This worldwide impact consists of psychology, politics, economics, culture and societal patterns. Many post-colonial theorists even question post-colonialism as their findings suggests that colonialism left a long legacy and not only that, there is a new form of it called neo-colonialism. Neo-colonialism describes a situation where a nation is politically sovereign but economically and culturally influenced by stronger and wealthier countries; it is geo-politics that uses capitalism and business and market globalization.

The question of how colonialism has a part to play as the first issue to corruption and development is illustrated below. Colonialism affected the kind of institutions the colonized country had. Abernethy (2002) states that even when the nationalists inside the colonies wanted
independence, they still wanted to reserve the main aspects of the public administration that the European colonizers set up. Thus numerous features of colonial governance and systems were passed on to the inheriting regimes which resulted in the current post-colonial systems, which is a combined “product of nationalism and colonialism” (Abernethy, 2002, p. 365).

The colonized demanded sovereignty but they did not change the structure entirely because the idea was to capture the state for themselves, not to reorganize or demolish it after obtaining independence. It was less risky to work with what they had than to begin something wholly new which may not function. Therefore ironically, European dominance was expelled politically but the governance and economic model remained intact. It is not surprising that the colonized nations chose to keep these models, seeing the extent of power and capability the western imperialism exerted upon the world.

Unfortunately, the same systems and model of institutions that were adopted by the ex-colonies became ineffective and illegitimate. Systems are prone to fail when government systems are formed by external entities versus domestic forces because the model that the external force imposes do not reflect the needs of the nation. People are then disenfranchised with the system and they are not as unified when it comes to civil responsibilities. This causes an imbalance of the relationship between the general public and the political systems in place. If there is an issue of legitimacy than there is also the issue of accountability because the people in the position of power do not feel responsible for their citizens. This in turn can perpetuate corruption and inefficient functioning of government and sets focus on personal gain rather than public good.

With these extractive institutions in place, political and economic elites will only look after their own needs rather than the general population as a whole. This pertains to the issue of profit earned only by the elites of a country rather than dispersing the benefits across the population. One
of the many examples of the harm it causes is the Rana Plaza accident of 2013 that killed over one thousand people due to unsafe working conditions in Bangladesh. The building’s capacity of people was much less than the number of people actually working there and the cheaply acquired construction and illegally built extra floors was also the issue.

This was not the only case though, there has been factory fires such as the Tazreen Fashion Factory fire in 2012 that killed 112 people and many more similar cases dating back to 2005 (cbc.com). Building safety regulations such as proper fire exits and safe conditions that do not result in overheat and crowding of workers were all ignored. This is all due to maintaining profits rather than safe working conditions, which also points to the issue of not upholding the standard minimum wage for garment workers. These garment factories are mainly owned by the country’s business and political elites.

Returning to colonialism and its impact, decolonization also had a major effect on the already existing institutions and the new ones built upon the old ones. Although decolonizing suggests a new beginning for countries that have been oppressed and colonized, certain procedures and systems remained intact. For some countries, the conditions became worse after decolonization due to lack of innovative policies that addressed key issues. Easterly (2006) proclaims that decolonization was much worse than colonization because it imposed boundaries with no consideration for the locals or their culture and ethnicity which also contributed to present day issues of previously colonized nations (p. 290).

These borders separated different tribes, caused ethnic cleavages and instigated ethnic conflicts in order to capture control over the newly formed states. The borders have been arbitrarily drawn and does not represent specific culture or ethnicity. Different colonizing countries had different economic goals therefore the region represented the economic interests, an example in
the African region would be Somalia. The north was occupied by the British and the South by the Italians and the south had an economic plan led by the Italians. This left out the Northern British part and caused difference in infrastructure and wealth which later created more rivalry between the north and south in the late nineteenth century. These disparities not only create ethnic and class tensions but is the breeding ground for corruption to occur.

Colonialism and weak and extractive institutions are also linked because of the patterns of the kinds of settlements set up in different regions. If there were settlements then likely political and bureaucratic institutions were set up for better administration of the region. If an area only had economic benefits than extractive institutions were setup since settlements would not be beneficial. Acemoglu et al. (2001) asserts that the Europeans adopted different colonization policies in different areas which are associated with different institutions contingent to whether the area was livable. If it was not conducive for settlement, then extractive institutions were set up and these institutions persist even to this day (p. 1369). It affects the ex-colonized country’s economic development and performance because if settlements were set up than better institutions were built for better bureaucratic control over the region, which some cities in the Indian colonies had. Previously, Somalia was given as an example to demonstrate the issue of different economic policies between the north and south by different colonizers and the disparities it causes.

This contrast of settlement colonization versus extractive institutions can also be compared to the colonial experiences in Latin America in the seventeenth and eighteenth centuries and other Asian and African colonies in the nineteenth and twentieth century (Acemoglu et al, 2001, p. 1375). The colonial conquest by the Spanish and Portuguese were very extractive in the Latin America region as their main objective was to collect gold and other precious minerals (p. 1375).
Certain regions in Africa experienced the same kind of extractive agenda such as the Ivory Coast, Gold Coast, Congo to name a few (p. 1375).

The main goals of colonizers were solidifying control, authority and facilitating the extraction of resources, consequently the system they set up reflected that agenda. Acemoglu et al. (2001) states that this occurs because setting up new institutions that restrict government power is expensive. The size of the domestic elite that profit from the extractions may also be too large to oppose and even if it is small, they may have unopposable power. Sometimes, the investments towards the existing or previously set up institutions are irretrievable and the most economical decision would be to keep them (Acemoglu et al., 2001, p. 1376). Such has happened to institutions that were part of the textile and other raw material producing and extracting institutions.

First, decolonization prompted colonizers to give territories to certain groups which another thought was theirs, second the West drew boundaries that split ethnic groups creating minority issues and third it combined groups that were historically enemies in different regions of the world (Easterly, 2006, p. 291). According to Easterly’s data collection, these borders caused internal strife culturally, economically and politically so colonies that contained high numbers of partitioned people were doing worse in democracy, government service, rule of law, corruption, infant mortality, illiteracy and public services (p. 292).

This explains some of the issues of partition because the Indian colonies were also split into India, Pakistan and Bangladesh with the first two having border issues in the Kashmir region. That region had Muslims and Hindus coexisting for years but the partition separated them. The Indian and Pakistani partition was wanted by Jinnah and his followers who feared the treatment of the minority Muslims in the majority Hindu India, however the Pakistanis were displeased with their territory. Whilst, a huge population of Muslim Bengalis were shrunk into the tiny area of
what constitutes the borders of Bangladesh today. Arbitrary borders and formations of new states after decolonization has its various impacts on the region, especially the institutions that govern them due to various social and political disruptions. Overall, colonization and decolonization caused great instability socially, economically and politically and some nations have not been able to pursue the right kind of policies for development and stability since then.

If one was to understand the detrimental effects of colonization and decolonization, the best way is to compare it to countries that have never been colonized. The stark differences in growth, development, innovation and economic strategies and policies are profound. Easterly (2006) highlights the benefits of not being colonized giving the examples of the successes China, Japan, Taiwan and Thailand has achieved. He compares the income ratio between non-colonies versus the non-settlement colonies over the period of fifty-one years, from 1950 to 2001, which shows that the income level is 2.4 times greater in non-colonies compared to former non-settlement colonies (p. 284).

The growth of non-colonies such as China, Taiwan, Japan and other East Asian countries has also been positive compared to previously colonized countries (p.284). This comparison was to draw out the differences of economic development of the ex-colonies versus the non-colonized. Although this comparison can be highly simplistic as many other factors affect economic performances, it draws out a significant distinction. One other factor of the difference is highlighted by Rodrik (2011) who points out that countries like South Korea and China benefitted from globalization because they retained their sovereignty. This increased their wealth as progressive policies were pursued in the best interest of the entire population. Countries like South Korea also did not have institutions that were extractive, which is the other factor that affects the economic development of a country. South Korea is an interesting case because it was colonized
by Japan but the border that the UN imposed has caused major turmoil between the North and South. The chapter on extractive institutions will elaborate on South Korea’s specific situation.

The arbitrary borders are not only an issue in the African region, the institutions are equally troublesome, especially with the prevalence of neo-patrimonialism and clan loyalties. Mulinge and Lesetedi (1998) connects corruption to colonialism by stating that corruption is an extensive issue in the African continent because of its connection to its colonial past and institutionalization (p. 15). Corruption was entrenched when colonial representatives or leaders systematically used “material inducements” to sway African chiefs and administrators to collaborate and create alliances in order to exploit and extract resources (p. 15). The post-colonial practice of corruption by the bureaucratic elites are just an extension of colonial policies which has been institutionally entrenched in the system.

There has been two exceptions to the issue of colonization, Singapore and Hong Kong have fared much better than other colonies. The reason behind it is that these regions were unoccupied by the British and voluntary migrants lived there (Easterly, 2006, p. 348). These two major trading areas depended on migration hence exploitation did not occur and free trade emerged in these areas. The Chinese communities in these areas were mostly left alone to govern themselves and Chinese representatives sat on colonial council seats from 1889 in Singapore and 1880 in Hong Kong; the British only got involved when there were social upheavals (Easterly, 2006, p. 348). These differences formed a different outcome for these previously colonized nations.

With the history of colonization and the impact of corrupt bureaucracy, policies that improve the lives of the general public and innovative economic plans are abandoned and extractive institutions become a normal part of society. The political and business elites become more powerful and begin to set processes where they benefit the most. This causes huge
discrepancies in wealth and power distribution, especially in democratic countries where the power is supposed to lie with the people. How and why extractive institutions have been set up were discussed, but not their current roles. The following section will highlight the roles of extractive institutions.
IV. Extractive Institutions and their Role

Institutions encompasses a nation, and acts like the backbone of the body or the engine of a machine. Globalization and the neoliberal market have roles to play in the wealth disparities of nations and citizens, however institutions are equally important in controlling, managing and processing various internal and external conditions. It also has a major role in the long term economic development and the state of democracy if the country is democratic. Economic and political institutions make or break a nation; if they are inclusive like the ones in South Korea and the United States then the nation operates properly and everyone will have the ability and incentive to be part of the economy. If the institutions are mostly extractive, such as the ones in Congo and Haiti, then only a small amount of people, such as an elite group, benefit as a whole which not only increases the wealth disparity and class distinctions but decreases opportunities, incentives and progressive modernization.

Historically, it is evident that colonialism had an adverse effect on the colonized subjects and institutions of those regions. It created systems of hierarchy socially and affected locale politics and economy depending whether it was a settlement or resource based colony. Hence, colonialism and extractive institutions have strong connections which create economic and political disparities and this allows corruption to proliferate in the system. It has been demonstrated through the history of colonized countries how colonialism affects institutions and this in turn raises the issue of corruption which spreads through the elites monopolizing power and profit.
However extractive institutions and their roles in current societies are more dynamic and complicated which will be discussed in this section.

The issue with extractive institutions is that it aims to create wealth for extraction and nothing further. Colonial history is one aspect as to why it occurs but there are other factors as well. It is not uncommon for a developing or under-developed country to adopt extractive institutions through a leader who wants to monopolize their political power. They can adopt a system that reflects law, order and rules in order to stimulate economic activity but is actually extractive (Acemoglu & Robinson, 2012 p. 124). However, it is important to point out that Acemoglu and Robinson (2012) state that a nation can have both extractive and inclusive political and economic systems or they can have one that is inclusive and another extractive. They can also be partially extractive or inclusive as well.

In order to understand extractive institutions wholly, inclusive ones have to be analyzed as well. Inclusive economic institutions are defined by “innovation and participation, secure private property, unbiased system of law, provision of public services, and the allowance of new businesses and investments (Acemoglu & Robinson, 2012, p. 75).” If the institutions fail to have all of the traits described above then they are fully extractive. Inclusive markets are generated by inclusive economic institutions where everyone has the opportunity and is allowed to participate, however this does not necessarily or solely mean free markets. They are supposed to promote technological innovation, invest in people and mobilize talent and skills as well as harness the potentials of inclusive markets (Acemoglu & Robinson, 2012, p. 79).

The Bangladesh garment industry has been able to create more inclusivity to a certain extent. As mentioned before, it has a major presence because it employs almost four million workers and provides approximately 77% of export earnings to Bangladesh (Sikdar et al., 2014, p.
It consists 85% of women, presenting the perception that it is an industry that empowers women in developing nations by giving them earning abilities and socio-economic power over themselves (Sikdar et al, 2014). Multinational companies such as H&M, Walmart, Gap, Zara, etc. are attracted to these readymade garment factories (RMG) due to the availability of extremely cheap labor as mentioned before. Bangladesh is second only to China when it comes to the apparel and textile industry in the world. However, there are rising concerns related to female garment workers who suffer excessive long hours of work, get paid less than their male counterparts, work in conditions that are hazardous to health and safety, suffer gender discrimination and job insecurities.

Hence, there are also shortcomings in the case of garment factories in Bangladesh. On the one hand it has created a positive impact by employing mostly women regardless of educational background and utilizing skills; on the other hand one can also regard this as exploitation of cheap labor based on a large population of mostly uneducated women who come from villages who do not earn equally or enough. The Asian Development Bank reported that “brisk exports” has made it possible to sustain growth in Bangladesh but political blockades and violence during early 2014 and 2015 will restrain growth and turn the current account of the fiscal year into a small deficit (adb.org). But if the political turmoil subsides in 2016 than there will be higher growth (adb.org). There are also other obstacles to overall sustainable growth in Bangladesh, such as issues related to poor infrastructure, overpopulation, and lack of implementing economic reforms that exacerbate the instability and hinder development. Despite all the issues and shortcomings, it falls under a developing country though more than one third of the population of approximately 157 million people still live in extreme poverty (tradingeconomics.com).
A significant example that exhibits instability, extractive tendencies and corruption is the stock market crash in Bangladesh in 2010-11. The Daily Star, one of the leading English newspapers in Bangladesh, reported that all the institutions that were involved with the stock market crash were responsible along with sixty individuals, many of whom are associated with the two leading parties, the Awami League and the Bangladesh Nationalist Party (dailystar.net). These individuals made a fortune through stock market manipulation, two of whom were well-known, namely a business tycoon and the other a former president of the Dhaka Stock Exchange (DSE), alongside with multiple influential businessmen and traders (dailystar.net).

This form of corruption pertains to collusion, where a certain group, such as an elite group, collaborate for self-enrichment which is usually common in business and government contract procurement, bid-rigging, kickbacks and so on (Lanyi & Azfar, 2005 p. 8). The former president of the DSE was known for the 1996 stock market crash as well, therefore corruption and collusion to this scale has occurred before within a similar group. In the end, the masterminds behind this ruse made a total of BDT 50 billion or $667 million while thousands of normal citizens lost all their investment (Indiatimes.com). This not only demonstrates extractive behavior by elites but also the kind of corruption that occurs which prohibits economic development in the long run on a large scale.

Politics on the other hand is the process where a society chooses the kind of rules that govern it, how the government is chosen, which part has what power, how much power and what kinds of rights it can exercise (Acemoglu & Robinson, 2012, p. 80). Political institutions encompass these processes and inclusive political institutions are “sufficiently centralized and pluralistic” and can enhance economic prosperity by governing economic incentives (Acemoglu & Robinson, 2012, p. 81). Political institutions are key to distribution of power in the game of
politics, if it is too narrow then it becomes an absolutist system e.g. North Korea. Those who hold power in a narrow political system have the ability to arrange economic institutions to enrich and benefit themselves rather than the nation as a whole, thus creating corrupt and extractive institutions.

Extractive economic institutions and extractive political institutions have a strong relationship, which is where corruption comes into play. The country of Congo is an example of how political institutions determine economic institutions. Through the lack of incentives to improve the economy and narrow political system, it has led to an impoverished society and a stagnant economy with only elites gaining money (Acemoglu & Robinson, 2012, p. 91). This happens particularly in places where only a few benefit while the rest suffers, it ends up decreasing the economic incentives of the nation. Political and economic institutions enable and maintain one another and the gaps it causes is where corruption takes root.

In the case of Bangladesh, it has a partially inclusive economic institution with extractive attributes along with an extractive political institution based on Acemoglu and Robinson’s definition. Although there is a heavy dependence on the garment industry, which a number of business and political elites own, it is partially inclusive economically due to its expansion to shipbuilding and ship breaking, pharmaceutical, information, leather, steel and light engineering industries. Hence more people have opportunities and there is more diversity in the economy which makes it partially inclusive. According to Acemoglu and Robinson’s definition, participation and the allowance of new businesses and investments are attributes of inclusive economic institutions. However, Bangladesh still lacks in innovation, secure private property, unbiased system of law, provision of public services which are the other attributes of an inclusive economic institution.
The lack of skills and education has and will be a setback for Bangladesh since it aspires to move into more advanced technology based manufacturing and production. It needs better educational programs and participation for both males and females as well. In accordance with Acemoglu and Robinson’s definition, Bangladesh has an extractive political institutions because although it has a centralized government, it is still not pluralistic. The unstable democratic system and the suppression of opposing multiple parties makes the political institutions of Bangladesh extractive even though it is centralized and one party is in power, which is currently the Awami League (AL). The question of whether it is even democratic has been fervently raised during the most recent election in January 2014 where the opposing party, BNP, boycotted the elections due to unfair competition, allowing AL to come into power with a majority due to uncontested 154 of 300 parliament seats (Aljazeera.com).

A significant historical example of mixed institutions is South Korea, which had an authoritarian or extractive political regime at one point of its history but generally had an inclusive economic system (Acemoglu & Robinson, 2012, p. 93). The conditions were diverse which resulted in a transition from extractive to inclusive political institutions. This was the case because the political leader at that time, General Park, felt his power and authority was secure as it was not supported solely by extractive economic institutions, unlike the Soviet Union, which will be discussed later. The dynamic at work in South Korea was the relationship between politics, the economy and income distribution.

Economic institutions became inclusive in South Korea during the 1970s to the point where politics began to become more inclusive as well. This is because the economic elites did not have much to gain from their own dominance and equality of income distribution meant elites were less fearful of pluralism and democracy (Acemoglu & Robinson, 2012, p. 93). Additionally, political
reform led by Roh Tae-Woo and influence by the United States and the threat of North Korea all had an impact in transforming South Korea from partially extractive to fully inclusive. So there are a variety of conditions that could mold institutions to transform from extractive to inclusive but these are not the sole conditions or way it can become so.

Mixed institutions exist, however there are some places that continue to use only extractive means to run their nation. Now we can be sure that the extractive agendas for the colonized areas set up institutions that reflected resource-motivated agendas and this have continued in some places. The same analysis was made by Young (1994), who state that some colonized states that emerged after decolonization or independence were not new states in the sense that they adopted the same institutional structure as the colonial regime along with the routine, practices and governance (p. 283). This occurs because setting up new institutions that will restrict government power is expensive, or the size of the domestic elite that profit from the extractions may be too large to oppose or when irretrievable investments have been made to previously set up institutions (Acemoglu et al. 2001, p. 1376).

Extractive institutions are fairly common in history, it uses the rationality of investing and getting others to invest so that the state can extract resources from them but the growth they foster is limited. Acemoglu and Robinson uses the Soviet Union and the Caribbean islands such as Barbados, Cuba, Haiti and Jamaica as examples of countries that are mostly extractive (Acemoglu & Robinson, 2012, p. 126). Unfortunately this system is unsustainable and completely different from countries that have inclusive institutions such as the United States, United Kingdom, France, Germany, South Korea and so on.

It can be questioned as to why these kinds of systems continued in the first place since they do more harm than good for the nation and the future of the citizens. Some have theorized it is the
nation’s culture and others have stated that it is ignorance of the leaders, however, these decisions are made rationally. They are chosen to be made as a certain group of people highly benefit from it however the ordinary citizens suffer from it the most. Due to its commonality in history, instances of extractive institutions have repeated themselves and have failed, one such example would be the Soviet Union, which will be discussed below.

An extractive-based institutions that can be analyzed and compared is the example of Soviet Union and their form of industrialization. They had a national income growth of 6% per year from 1928 to 1960. Acemoglu and Robinson (2012) describes how the Stalinist industrialization opened a competing force by reallocating labor and capital saving with creation of new tools and factories and this was possible due to high political centralization (p. 127). At one point economists thought the Soviet system was better than capitalism and predicted that it would surpass the American national income (Acemoglu & Robinson, 2012, p. 127). Of course, that was not the case and the Soviet Union collapsed, the only reason they were able to grow was because of strong political centralization which enabled many of the resources and production to be allocated and divided fairly quickly (Acemoglu & Robinson, 2012, p. 94).

Despite the Soviet’s extractive methods and rapid economic growth policies that were brought about by Stalin and other leaders, it was unsustainable which proved two points according to Acemoglu and Robinson. It showed that extractive institutions are unable to produce sustained technological change due to lack of economic incentives and resistance by elites (Acemoglu & Robinson, 2012, p. 128). State centralization also has a significant part in extractive institutions and yielding profits for one group by imposing law and order that achieves limited growth (Acemoglu & Robinson, 2012, p. 149). Therefore, growth is not impossible under extractive political institutions but it is limited.
Bangladesh’s extractive institutions focus mainly on yielding economic wealth through a variety of means, one of the largest being the garment industries, which a significant portion of the politicians and business-elites own. This puts it at risk of unsustainable development as political figures have a stake in this industry and are likely to monopolize in way that they may benefit factory-owners instead of creating needed policies for workers. The Economist verified that about twenty four individuals who are members of parliament own garment factories, which is an issue as it may result to bias on factory related policies (economist.com).

Focusing on the garment and textile industry is important as the clothing industries or ready-made garments (RMG), is one the primary suppliers of economic growth for Bangladesh as a developing country. It is largely an agriculture based country which is the largest amount of the employment sector but it is used for domestic consumption. Exporting garments is the main source of trade earnings, it is a $19 billion per year industry and has been considered a solution over foreign aid since studies have shown that foreign direct investment has always had positive impact long term-wise (worldbank.org). More than 95% of garment factories are owned by Bangladeshi companies or families thus the profits raised remain within the country thus it is important to make sure that the profits are dispersed through corporate tax rather than only an elite group benefitting. The World Bank has reported that industrial growth in Bangladesh has lowered from 10.3 Fiscal Year 2013 (FY13) to 8.7 FY14 (worldbank.org).

Overall the Asian Development Bank economic projections are positive but if it were to maintain its overall economic progress and sustain development and become a middle-income country by 2020, economic institutions need to become fully inclusive rather than partial. As asserted before, political and economic institutions enable one another, whether it is extractive or inclusive. If one kind of institution is extractive and the other is inclusive, it is hard for a nation,
especially a developing one, to maintain the balance. The 6% growth it currently enjoys will become unsustainable if political institutions remain extractive. Extractive political institutions is directly related to the democratic conditions of a country. The issues and discussion of democracy and development will be discussed in the next section.
V. Democracy and Development

There are significant connections between colonialism, extractive institutions and corruption and the role they play in a nation’s development. This chapter will explore how issues related to corruption, colonialism and extractive institutions affect the state of democracy of a nation. Democratic regimes are upheld by political institutions and if these bodies are extractive then it weakens the democratic system of the nation. Zakaria (1997) wrote about the rise of illiberal democracies all over the world and how it is dangerous since they gain legitimacy but discredit liberal democracy itself (foreignaffairs.com). He goes onto to state that democracy has become the fashion of modernity being the most promoted government system and that political pluralism in the past ensures pluralism in the present (foreignaffairs.com). Pluralism is one of the main attributes of inclusive political institutions based on Acemoglu and Robinson’s definition.

The argument Zakaria proclaims can be supported by Tilly since historically, many countries have undergone democratization while others de-democratized by either becoming more liberal or less liberal. Due to the synergistic relationship between economic and political institutions which was discussed in the earlier sections, the state of democracy comes into question, especially when corruption is systemic and entrenched on multiple levels of institutions like it is in Bangladesh. It can be argued that a nation does not necessarily have to be a democracy for economic development, especially with the right kinds of economic reforms e.g. China and Singapore; however, democracy offers the most liberties, rights and participation for its citizens compared to autocracies, dictatorships and so on.
Democracy is a broad and complex topic and it has various forms. It is one of the main forms of governments which ranges from monarchy, oligarchy, military-rule and dictatorship. Within these ranges there are subcategories and variations such as presidential, parliamentary or republic. Thus democracies, such as the one in India, appear and operate very differently from Japan’s, France’s or the United States. Political regimes are essential to the type and quality of lives citizens experience because it is directly based on the regime’s laws, rights and liberties. Democracy may not be the perfect government system but it allows the citizens to participate and freely express themselves and choose their leader through fair elections. This enhances better living conditions with better access to legal protection, health care and education not to mention better transparency, accountability towards citizens and government capacity.

Democracy has diverse meanings and functions based on the regime type. Tilly (2007) defines democracy through four main categories, constitutional, substantive, procedural and process-oriented and based on these observations, different aspects are signified (p. 7). Whereas Dahl classifies five process-oriented criteria for democracy which are effective participation, voting equality, enlightened understanding, control of the agenda and inclusion of adults (Tilly, 2007, p. 9). Dahl goes further by specifying democratic institutions which include elected officials; free, fair and frequent elections; freedom of expression; alternative sources of information; associational autonomy and inclusive citizenship (Tilly, 2007, p. 10). It is asserted that competitive elections is an important trait of democracy because it gives people a choice and the voice to assert themselves but issues of corruption such as bribing, patron-client networks, election-rigging, campaign sabotaging and kinship ties obscures this process. In the case of Bangladesh, its democracy is in a fragile state which will be explored below.
If a nation has a stable democracy then economic development or reforms are easier to pursue as political turmoil or instability is not a constant threat to national peace and security. In a proper democracy, citizens have rights and liberties protected which is otherwise fragile if there are extractive political institutions and corruption. Siegle et al. (2004) asserts that democracy facilitates political and economic flourishing in poor countries because autocratic countries preserve political structures that perpetuate poverty, conflict and oppression (p.71). Institutional democracy-centered development “induces political checks and balances, openness and self-correcting mechanisms which contribute to steady growth and better living conditions (Siegle et al., p. 71).” Siegle’s article focuses on the benefits of democracy and illustrates the positive implications of achieving a democratic state as it is seen to generally improve the lives of the masses. If that democratic state is in transition or unstable then the positive aspects of democracy are not amplified but exploited.

Nations are categorized as either developed, developing or under-developed based on specific economic and political standards. Numerous organizations have been established to promote and expand development for nations considered poor or underdeveloped, such as the World Bank, World Trade Organization and USAID and so on. Development on the other hand is self-explanatory and may not always coincide with a regime and a nation’s economic policies. Goulet (1996) states the ethics behind development,

Although development can be fruitfully studied as an economic, political, or social phenomenon, its ultimate goals are those of existence itself: to provide all humans with the opportunity to live full human lives…development is the ascent of all persons and societies in their total humanity (p. 6).

This goes beyond the elementary understanding of development of merely acquiring basic needs. Goulet’s kind of development is related to better standard of living where there are
opportunities for citizens not only to improve their own lives but have the capability to pursue them as well. Democracy is the type of regime that is considered to promote the most opportunities for citizens as it offers equality, diversity and liberty. However, if the nation is a developing one and democratic conditions are unstable and remains so, instead of a flourishing environment for development, economic growth becomes stagnant. Issues of corruption, extractive institutions and its effects on democracy will be illustrated below.

One of the most important aspect that enhances democratization is the nation’s existing institutions even though formation of these democratic institutions do not always guarantee the achievement of democratization. Curtis (1997) asserts the importance of these institutions by using the example of democratic institutions such as labor unions and business associations in Japan, which were fostered by US occupation and later propagated by the Japanese government officials (p.141). Essentially, Curtis states that strong civil society, commitment of leaders, innovative institutions, social equity and supportive international environment interacting with the nation’s history determine the rate and depth of democratization (1997, p. 145). In this case, one could see how corruption could prevent the main aspects of democratization due to its ability to effect leadership, strong civil society, and social equity and so on.

Extractive and exploitative institutions influenced by the colonial past does not allow the conditions needed for the practice of free and equal citizenship to arise, which is an essential part of a functioning democracy. Instead elites inherit the country after decolonization and act on behalf of the people. Elite classes are inevitable, even in a developed country like the United States has it, but it becomes detrimental when the country is run by the elites and only for the elites rather than the nation as a whole. In the case of Bangladesh, it became a democracy after secession but experienced fifteen years of military rule in between before it democratized.
Abernethy (2002) makes an interesting claim that after achieving independence, there are certain aspects that lead countries to become a democracy or authoritarian rule. The transition to democracy is based upon whether the representative institutions that were placed during colonization were effectively functional. If the colonizer’s top-down properties of government were inherited, than decisions are made without any accountability to the local people and the same oppressive behavior would be carried out by the successive regime.

This has occurred in many occasions where newly independent countries behaved similarly to their predecessors who were the colonizers. Abernethy (2002) describes some traits such as intolerance to criticism or opposition, suspicion and fearful of sharing authority and strict labelling of any opposition as treason (p. 367). This directly relates to corrupt behavior that pertains to lack of accountability. When it comes to accountability and the state, Fukuyama (2004) gives an in depth insight on the history of how political institutions formed strong sense of accountability which will be discussed later.

Lack of state capacity is another issue along with accountability in developing countries with unstable democracies and extractive political institutions. Freedom House uses political rights and civil liberties to measure freedom and they assert that a nation’s capacity on carrying out laws and protecting citizens is one of the paramount features of good governance and democracy. State capacity is defined as an “interventions of state agents in existing non-state resources, activities, and interpersonal connections as well as relations among those distributions” e.g. state-directed redistribution of resources across population (Tilly, 2007, p. 16). State capacity and democracy are correlated and when both increases simultaneously, it creates a high-capacity democracy such as the ones in Norway and Japan; however there are countries that have high capacity but is undemocratic such as Iran and Kazakhstan (Tilly, 2007, p. 18). Using Tilly’s definition,
Bangladesh would fall under low capacity but democratic which is related to its political administrative issues.

Tilly (2007) describes a low capacity democratic regime as having frequent social movements, interest group activities, formal consultations and competitive elections but have less effective state monitoring, higher involvement of semi-legal and illegal actors in public politics and lethal violence in public politics (p. 20). This description of a low capacity democratic regime matches the past and current situation of Bangladesh politics and governance. Corruption in Bangladesh has caused weak institutions and state capacity. If bribery continues, public officials will not be able implement tasks or policies that are needed which reduces state capacity and efficiency and will favor those who benefit from the status quo. Bangladesh already had several political upheavals with coups and military take overs hence its reinstated parliamentary democratic system is quite fragile.

With the issue of low accountability and capacity, government competence becomes a struggle between power and survival. Capacity is directly contingent upon the structure of the administrative system. Ahmed (2012) describes the administrative maladies that plague the Bangladesh government system. He raises the concern of decentralization of power because although Bangladesh is known to be a parliamentary democracy, can be considered a “prime-ministerial dictatorship” because all the power is concentrated on the Prime Minister to the point where the ministers hardly have any influence and cannot act independently (p. 15). Rahman and Zafarullah (2008) also blames corruption such as bribery, patrimonial politics and lack of accountability for the impairment of state capacity.

Under Acemoglu and Robinson’s definitions, Bangladesh has extractive political institutions and partially inclusive economic institutions. The previous chapter discussed how
extractive political and economic institutions enable and maintain one another, thus when a nation has partially or fully extractive institutions, like Bangladesh, there is an imbalance of power, wealth and liberties. Extractive institutional structures and corruption undermine the state of democracy and ultimately economic development in the long run. This not only causes political instability, but it diminishes political accountability and capacity.

Historically, Bangladesh has had a troubled and unstable democratic regime since its secession from Pakistan. It began as a parliamentary democracy in 1971 right after independence but was taken over by a military coup in 1975 (Schendel, 2009). Due to economic crisis, which normally happens during and post war, there was a bifurcation of opinions on how to optimize growth for Bangladesh. One side called for land reform and state socialism while the other side wanted to promote economic liberalization and state supported private sector (Schendel, 2009). This dichotomy of opinions instigated the first constitutional coup d’état in January 1975 that established civilian autocracy after which counterforces rose and assassinated the Prime Minister Mujibur Rahman, the first Prime Minister of the country and the leader of Awami League party. A military-backed government was installed in August but the political turmoil did not end there (Schendel, 2009).

A second military coup followed the same year on November 3rd, then the third coup occurred four days later, after which Major-General Ziaur Rahman, or Zia, emerged as the dictator and leader. Zia was also assassinated in 1981 and Ershad came into power in 1982 through a military coup. This military rule regime endured from 1975 till 1990, during which nationalized enterprises were privatized, export-oriented growth encouraged and subsidies for agriculture and development projects were initiated. Schendel (2009) states that this long term military rule occurred because of the state institutions relapsing to the Pakistani model which were mainly
military dictatorships and this enabled self-appointed arbiters in state affairs and usurpers of executive power. During those fifteen years, civil rights were curtailed but a struggle for a return to parliamentary democracy in 1990 finally came into fruition with the previous dictator, Zia’s wife, Khaleda Zia leading the Bangladesh Nationalist Party (BNP) and becoming the Prime Minister.

The Awami League and the BNP emerged as the two leading parties, however the political atmosphere remained volatile. There were constant and intense clashes during the elections from 1990 onwards between the two parties which led to demonstrations, violence against citizens, damages to property and protests in the street. Ultimately in 2006 it worsened to the point that elections had to be postponed to 2008 and a military-backed interim government took over (Schendel, 2009). More recently, BNP boycotting the elections in 2014 allowed the Awami League to fill in 154 out of 300 uncontested seats in the parliament, which raised eyebrows on the state of democracy since the elections were not competitive without an opposition party participating (Aljazeera.com).

Although Bangladesh has strived for democracy since its questionable regime of military coups and dictatorship, its political system and leadership is described as based on patrimonial authority and loyalty which is sustained through a complex network of patron-client relations (Schendel, 2009). This network is supported by bribes, extortion, misappropriation and clientelism all of which are significant features of corruption. As of 2014, Freedom House considers 88 countries free, 59 partially free and 48 not free, labelling Bangladesh as a partly free country (freedhomhouse.org). It received a freedom rating of four on both political rights and civil liberties with a downward trend on political rights from three to four because national elections were boycotted by BNP and there has been widespread violence and intimidation by political parties
(freedomhouse.org). The range goes from one being most free and seven being least free. There have been recent reports on increased legal harassment, attacks on secular bloggers and deaths of multiple protestors during a demonstration over a verdict by the country’s war crimes tribunal (freedomhouse.org).

Unstable democratic conditions and corrupt patrimonial tendencies have exacerbated the consequences of extractive institutions and this prevents the nation from gaining a stronger hold on progressive economic development. Corruption, extractive institutions and unstable democracy is interlinked and in the long run stunts growth. Corruption occurs in situations where there is lack of accountability which was signified in Klitgaard’s formula and it is also one of the main features of democracy. It was mentioned before how weak norms, lack of political challenge and political accountability can be factored into the reason why corruption occurs and manifests itself in multiple ways. The idea is if the foundation of the democratic government is weak and the law is not upheld, this lowers the capacity of the government to function properly, which is to act as a neutral force protecting all of the citizen’s rights. This also decreases the political accountability a politician has towards the citizen’s they represent.

Bangladesh currently has the growth rate of a little higher than 6% as mentioned before, which is impressive in the current conditions but mitigation of political disorder will allow it to achieve a higher growth rate according to the Asian Development Bank (adb.org). Regardless of its significant strides in economic growth, it remains one of the poorest countries in the world with a significant portion of its population under extreme poverty. The violent protests and strikes cause political instability and to an extent undermine political capacity while corruption hinders political accountability between leaders, officials and citizens. This ensues a vicious cycle of corruption and harms development goals. Although Bangladesh has made strides in attaining some
of the Millennium Development goals, it could have done exponentially better if it did not have internal issues of corruption and political instability and disruption.

One can question what the future of Bangladesh will be like if corruption prevails and political instability, capacity and accountability are not addressed. Hagerty (2007) discusses how different issues of corruption such as cronyism, bribery and rigged elections have broken down the democratic political institutions of Bangladesh. The Foreign Policy Fund for Peace designated Bangladesh in the critical category of countries that may suffer state failure in their “Failed States Index (fundforpeace.org).” Its 6% economic growth rate will not be sustainable and if governance, development and environmental issues are not addressed, it will become harder to change it (p. 183).

So the question arises of how a country can democratizes in a healthy way. Fukuyama (2004) states that there is no automatic mechanism that produces a clean, modern government and successful liberal democracy which combines three essential elements: the state, rule of law and accountability. Central authority is kept in check by a transparent system of law and by the will of the people, none of which is a significant force in Bangladesh. When corruption is systemic, it affects the democratic conditions of the country, and in the case of Bangladesh, it has a fragile democracy and extractive political institutions which makes the situation critical. Colonialism allowed the emergence of extractive institutions in previously colonized countries which enables corruption to proliferate which then undermines the state of the regime, in this case democracy. Treisman (2000) discusses how corruption is linked to lower investment and growth and can be one of the main obstacles to consolidate democratic institutions and open market economies; however, he states that democratization do not have discernable effects not unless it has been present for decades (p. 400).
Bangladesh has declared itself democratic in 1971 and 1990, it has been a democracy for the first four and then the last twenty five years totaling to twenty nine years. With the controversial election in January 2014 where BNP boycotted the elections, the state of democracy in Bangladesh has become more questionable. The Awami League proceeded with the elections without the opposition party’s participation declaring that it needed to continue based on constitutional grounds but the legitimacy of the government is now dubious. Through the various articles examined, we can see the importance of democracy and democratizing, its main facets and by what means it is affected. Democracy and democratization needs a conducive environment to prosper and it can be hindered by colonial legacies, extractive political institutions and corruption tendencies as examined earlier in the paper.

Fukuyama (2004) asserts that there is a connection between prosperity and democracy, same as Siegle et al (2004), but he states that one does not automatically lead to the other. He warns against democracy being exported by foreign powers because Western models may have been successful in delivering justice and prosperity, however different societies with different cultures and histories should adapt towards democracy under their own conditions. They should also build on their indigenous traditions alongside with democracy not just replicate western versions. Under this case, Bangladesh has to stand on its own and maintain democracy in its own way and domestically mitigate the factors causing corruption through local means in order to infiltrate it all levels.

This issue of corruption is not only raised through the political instability, government capacity and accountability but historically as well. Corruption does not make a sudden appearance in a political system, there are inherent weaknesses and gaps in institutions and leadership that allows it to proliferate. Through the examination of the historical aspect of colonialism and
extractive institutions which causes the proliferation of corruption, it is evident that it effects
democratic conditions of a nation as well. Ultimately, the economic development is compromised
and becomes unsustainable while the state of democracy deteriorates and citizens suffer from both
sides.
VI. Conclusion

First of all, it is important to note that currently there are no perfect systems by which all kinds of economic and social issues can be alleviated which can be applied to all nations, however the proper institutions and policies can always mitigate the downsides. In a neo-liberal system, capitalism and globalization has become an economic force where every individual has a chance to participate in the market in any way they choose. However, it is well known that not everyone can truly participate if the basic necessities for survival such as food, shelter and clothing are not fulfilled. This is especially the case for a huge mass of people in the developing countries. That is just one aspect of the issue, another is the issue of appropriate institutions and governance where corruption disables agencies to function properly to implement policies and economic development goals.

This paper examined how perpetuating corruption, historical aspects of colonialism and extractive institutions are significantly linked and affect the democratic institutions and economic development of a country, using Bangladesh as an example. Its economic growth rate is currently high at 6% however through the discussion of various articles and scholars, it has been demonstrated that it will become difficult to maintain it because the issue of corruption, extractive institutions and political instability has a detrimental impact on the overall sustainable growth. A significant portion of the people are not reaping the benefits of this growth and this is directly related to corruption and extractive political institutions.
Bangladesh made great strides in the last few decades by opening its market, especially through exports and has achieved some of the Millennium Developments Goals. It has great economic potential in South Asia and the world but its population, geographical issues, political instability and social upheavals prevent it from doing better. Many are puzzled by its survival and how it maintains a high growth rate despite all the social, political and religious predicaments. Its economic institutions have become more inclusive, especially after privatization, however the political institutions still fall behind. Since the world is more globalized, how other nations function and their economies matter more than ever before.

In a globalized world, Bangladesh has much further to go in terms of development. Rodrik (2011) discusses exactly this issue. Globalization is supposed to give everyone access to capital, technology and markets, foster good governance, remove deficiencies that cause poverty when in fact the economic gaps has increased between the developed and developing. Rodrik (2011) refers to this as the great divergence and the cause is low productivity which has diverse and multiple causes such as lack of credit, lack of access to new and better technologies, lack of skills, knowledge or job opportunities, small market size or exploitive elites who block improvements that may threaten their power (p. 41).

Rodrik (2011) suggests that these countries do not need more globalization or less but a balanced intake, with strong institutions that manage economic integration so that the benefits are shared more widely. Only countries with open markets with disciplined and legitimate legal, political and social institutions ensure the benefits of capitalism extensively among the general population. This is a very important aspect to Rodrik’s argument which connects to the idea of how improved governance can substantially alleviate the economic conditions in developing nations. Strong and appropriate institutions are a great solution to mitigating the issues of
globalization but there are historical factors, such as colonialism, that prevent that from being an easy solution in developing countries.

Neoliberal capitalism and globalization can be a huge threat to nations, especially developing ones, but it can be maintained by strong state and economic institutions that are inclusive. This will not only curb corruption but will also provide fair distribution of income instead of causing vast wealth inequality. Even in a developed nation such as the United States, wealth disparities between the rich and poor have been increasing but the situation is much worse in developing nations that have incapable institutions to protect it from outside forces and unstable markets.

To be fair, Bangladesh is relatively a new nation and has made significant progress within a short time compared to advanced Western democracies during their initial formation. In a globalized world, everything is expected to be done faster, whether it is democratizing, industrializing or modernizing. In the case of Bangladesh, corruption is a significant issue that affects the politics and economy. It is linked through its colonial history and extractive institutions which effect the democratic conditions of the nation and in turn economic growth or development. The common variable that is present within all these issues is institutions, which is key to solving the issues at hand. As Rodrik affirms, it is important to cultivate strong institutions for better economic development and balancing the downsides of globalization and capitalism.

The first recommendation policy pertains to curbing corruption at a national level in Bangladesh. Since it is systemic and entrenched at multiple levels and perpetuated by extractive political institutions, there has to be a significant force acting as a watchdog and force against it to raise transparency and accountability. Bangladesh has an anti-corruption commission (ACC) which was enforced in 2004 but has not made any significant impact since then. In order to make
substantial strides, there needs to be changes made within how the commission operates and its commitment towards eradicating corruption. Ahmed (2012) describes the event in 2007 when the Caretaker Government arrested Sheikh Hasina and Khaleda Zia, the leaders of the two major parties, on corruption charges for nearly a year that ultimately could not be established due to lack of evidence (p. 14). A large number of other political leaders from both parties were arrested as well on charges of corruption and put on trial, some were even convicted and sentenced to imprisonment. However, most were acquitted due to legal loopholes and lack of evidence (p. 14). Although the arrests were not completely baseless, Ahmed asserts that it would have been more practical to collect indisputable evidence and documents of the misdeeds and alleged corruption activities and publish it instead of just arresting them directly (Ahmed, 2012, p. 14). This would have prevented these politicians from claiming to be victims of the law.

The incident described above demonstrates that need for the first recommendation which involves a policy to improve how the anticorruption commission works, it needs to be a formidable institution fighting and preventing corruption. Bolongaita (2010) gives valuable examples of how to improve the performance of anti-corruption agencies which Bangladesh is in dire need of. The first recommendation would be to provide the anti-corruption agency guaranteed and explicit legal autonomy and investigative and prosecutorial power. Bolongaita (2012) uses KPK as an example of a successful anticorruption agency in Indonesia whose joint investigative powers and prosecutorial units were increased. After which its efficiency and effectiveness in acquiring proof and producing convincing cases against those charged greatly improved and they were able to make a difference (Bolongaita, 2010, p. 26). The anti-corruption commission in Bangladesh must be given the capability to act autonomously and have the power to enforce investigative actions and prosecution power in order to be an effective and intimidating institution. Its lack of power
and capabilities disables it from being a changing force and authorizing it to acquire evidence needed for conviction. This reform will increase accountability towards citizens, allow more transparency and help reduce corruption at the national level.

Another way to increase accountability is to increase the power and significance of the civil society. This also improves the state of democracy as citizens are given the ability to express their opinions and become a strong collective force to make demands. The Freedom House rated Bangladesh as an overall four out of seven labelling it “partly free” (freedomhouse.org). Thus the second recommendation would be to have a joint task force working with the anticorruption commission that encourages civil society and create awareness programs for citizens. Meagher (2004) uses the example of how Ecuador’s CCCC (The Commission on Civic Control of Corruption) encouraged citizen participation. Not only was the commission led by several heads, they were people from universities, media, business associations, human rights groups and regular citizens (p. 93). Meagher (2004) claims that these links to a variety of public sectors counteracts the weakness that some agencies may have if it does not have that kind of diversity or depth.

Similarly by involving various figures from different public sectors in Bangladesh, the commission becomes more representative and the civil society becomes a dynamic force. The same members of this joint taskforce can recruit people from different sectors to spread awareness and create stronger support from citizens who are not always aware of these agencies and the issues. The strength of the citizen’s support and the representation from diverse public sectors will enable the Bangladesh ACC to become a stronger entity, create greater awareness with better ability to counter corruption. A stronger civil society will also increase accountability and inclusivity in political institutions which is fostered by pluralism and centralization.
The third reform pertains to improving overall institutional weakness. Fukuyama (2004) asserts that conventional wisdom says that “institutions are the critical variable to development” but the theory of institutions cannot be generalized since what works in one country maybe wholly different in another due to different political, economic and social climate (p. 22). He categorizes four aspects of state-ness that is essential to reveal what institutions are critical for economic development which are organizational design and management, political system design, basis of legitimization and last cultural structural factors (Fukuyama, 2004, p. 23). Fukuyama eloquently states that “if an incentive exists, it will motivate behavior” thus a nation must first realize, desire and demand institutional change (p. 33). However, Fukuyama (2004) states that this demand is usually created historically through crises such as recession, hyperinflation, revolution or war (p. 34).

Therefore, the lack of domestic demand is a significant impediment and even external pressure through development agents and conditionality from aid donors do not bring forth the serious reform changes needed for creating better inclusive institutions (Fukuyama, 2004, p. 37). Instead of waiting for a crisis to occur, restructuring the government or public administrations will at least encourage stronger institution-building and decrease capacity problems. Ahmed (2012) mentioned that the administration was a significant issue and how power is far too concentrated on the Prime Minister, therefore restructuring the administration could alleviate institutional-level issues.

Fukuyama advises against replicating structures based on western models as each nation has its unique social, political and economic atmosphere, however certain aspects can be borrowed. The third reform is to apply reforms for restructuring public administrations and empower local governments. The issue of incapacity and imbalance of power will be addressed and it would give
ministers more autonomy which may allow them to represent their districts better. This may be simpler to be said than done and as a whole a very broad reform but the basic idea is to give more power to the local government branches and individual ministers so they may be able to represent citizens better and create further incentives to build stronger inclusive political institutions.

Since Bangladesh has systemic corruption, partially inclusive economic institutions and extractive political institutions, the recommendations focuses on curbing corruption by improving inclusive political institutions, accountability, capacity and democratic conditions in order to counter extractive political and economic tendencies. Simultaneously, it will help move towards a more sustainable development path for Bangladesh. When these aspects are addressed, the potential of Bangladesh will not only increase but growth rate and capital flow will be much more enhanced. With less political instability and more inclusivity, distribution of wealth and equality will improve for citizens and inherently the standard of living will improve exponentially in the long run. Conclusively, this may solve the issue of corruption and concurrently improve the political conditions for a better future, for a better Bangladesh.
References


