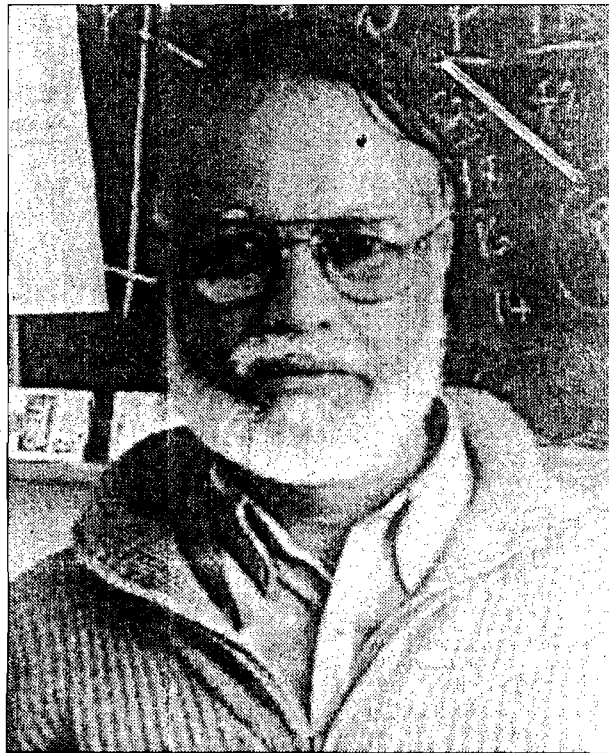


Professional Recognition of a Bangladeshi Economist

Professor Mohammed Sharif's theory recognised internationally. Item presentation by the Registrar's Office, East West University

INCLUSION Foundation, a research organization based in the Netherlands, in collaboration with the University of Utrecht and Technical University of Delft also of the Netherlands, has undertaken a project to test for various policy implications of the Theory of Forward-Falling Labor Supply for the mitigation of poverty. They call it 'Poverty Eradication by Micropartnership.' The theory of Forward-Falling Labor Supply was developed in the early nineteen eighties by Professor Mohammed Sharif a Bangladeshi economist, at the time of doing his graduate studies at Boston University.

Conventionally, economists assume that workers display an upward-sloping labor supply curve with a backward-bending segment at higher wages. This is true for workers in developed countries and generally for workers in the organized sectors of developing countries. But for workers in the unorganized sectors of developing countries where there is no legal minimum wage, no trade union, unemployment compensation, and welfare benefits, and wage rate remains pitifully low, this behavior does not hold. Investigators observed that poor workers in developing countries display a negative-sloping supply curve -- increasing their work-time with reduced wage rates, or alternatively, decreasing their work-time with rising wage rates. Since the only negative-sloping supply curve these economists were familiar with was the backward-bending curve, they ascribed that behavior to these poor workers. But they failed to understand



why these poor workers working at pitifully low wage rates and living a very poor life would display backward-bending behavior. They simplistically dubbed this as target income behavior of third world workers resulting from subsistence mentality and limited aspiration for better living. They ignored the physically exerting jobs poor workers engage in, the very low wage rate they earn, and the economic distress under poverty they suffer. Hence, their explanations came to be known as subsistence mentality, target income, or limited aspiration behavior theory.

Professor Sharif challenged these contentions and argued that poor workers in third world countries work long hard hours at unbelievably low

wage rates. Thus, when the wage rate goes down, they are forced to work longer in their attempt to maintain their minimum subsistence standard of living, measured mainly in food consumption. But as they already work long hours, they fail to expand their work-hours sufficiently to maintain their subsistence standard of living. At low levels of living, physical rest is as important as food; thus, the workers try to draw a balance between food and physical rest consumption. This results in a distress situation when poor workers suffer deficiency in the consumption of both food and physical rest. Professor Sharif calls this negative wage-labor relationship a forward-falling supply behavior resulting from a situation

of distress sale of labor.

Professor Sharif tested this theory using Indian National Sample Survey data and his own collected data from rural Bangladesh. Both the sets of data provided strong support to the theory. The findings of the research were published in various journals including World Development, Journal of Development Studies, and Cambridge Journal of Economics, and in a book (entitled Work Behavior of the World's Poor) published by the Ashgate publishers.

This theory has two important policy implications: the determination of subsistence income and the lowest level of survival income of the workers. The highest point on the forward-falling supply curve provides the subsistence income of the worker-at this point the curve turns from forward-falling to upward-sloping. Below this point the worker survives with continuously declining incomes and increasing hours of work, obviously with shrinking physical rest. The lowest point of this supply curve indicates the lowest level of physical survival with the least amount of food and most hours of labor constrained by the worker's maximum limit of physical tolerance. This is what Professor Sharif calls the pauperization point when the worker decides to give up her/his social identity and become a beggar.

Professor Sharif joined the University of Rhode Island, USA, after completing his Ph.D. in 1984 and taught there until he retired as a full professor in 2006. He is currently a Professor Emeritus of the University of Rhode Island and the Vice Chancellor of East West University.

