

## **In Memory of Dr. Shahabuddin M. Hossain: A Personal Tribute**

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The news that Dr. Shahabuddin M. Hossain has passed away on November 11, 2007 (Saturday morning) deeply saddens us. Dr. Hossain was affectionately known as “Munir bhai” to many of us.

I met first Munir bhai during the summer of 1996 when I as an intern at the International Monetary Fund (IMF) in Washington DC. At that time Munir Bhai was an Economist at the IMF. I had earlier come across his Bangladesh-related VAT paper (Hossain 1994) which had appeared in the *IMF Staff Papers*. As soon as I called him to introduce myself, he kindly offered to meet me for lunch the following day, even though he was about to leave soon for a demanding mission in Africa.

Though he was several years senior to me we quickly become friends. We remained in touch since then even after I left Washington DC. I was very impressed by his warmth, his intelligence, his convivial demeanor, and his lively and engaging conversations. He was an eager discussant of the key economic issues of our times. He was always smartly dressed. Munir bhai and bhabi were well known among Bangladeshis in Washington DC metro area as excellent hosts.

Munir bhai had been actively in Marxist politics when he was a student in the Department of Economics at the University of Dhaka, I learnt from his colleagues among the Bank/Fund staff. However, by the time that I met him at the IMF, he had switched from being a leftist to a centrist. Although it was clear that his change of opinion was due to a genuine conviction on his part that oftentimes market-based solutions are superior than government interventions, I would often joke with him that he had made the psychologically easy task of switching from Marxist dogma to IMF-inspired market mantra! He would retort that usually markets work efficiently and better than governments. He would then cite numerous examples where government interventions do not work, especially in developing countries. He remained very much committed to the

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cause of eliminating poverty and redressing income inequality in developing countries. This is quite apparent in his research on the income distribution effects of VAT. He emphasized the importance of designing tax policy reforms in a manner that ensures a progressive tax structure, so that the lower income classes and the poor are not adversely affected by such reforms.

Munir bhai was a man of many fine qualities. He had a wonderful smile on him. His smile accurately conveyed his cheerful disposition. Those of us who attended his wonderful dinner parties shall always remember how much he enjoyed life and amicable conversations. He was always kind and affectionate to his friends. He was also willing to listen to young people.

The last time that my wife and I met Munir bhai, Shaan bhabi, and their daughter was in the summer of 2005 when he had moved to Dhaka with his family to work as an Advisor to the Governor of Bangladesh Bank. His warmth and deep commitment to sound analysis of economic policies was quite apparent once again. He told us of the work that he was doing at the Bangladesh Bank on developing a system for carefully monitoring recent economic developments. He was very active in organizing an international conference at the Bangladesh Bank on the development of the bond market in Bangladesh. He also keen about obtaining preliminary assessments from international rating agencies so that Bangladesh would be able to take advantage of global capital markets by issuing sovereign debts to finance its development goals. At that time, I was working for a major credit rating agency. He asked pertinent and perceptive questions about sovereign credit rating process and the business model and incentives of credit rating agencies.

Munir bhai always wanted to contribute substantively to the policy debates of the day. Hence, instead of elaborating further on his excellent personal qualities, which really are too numerous to list, I think the best tribute that I can pay is to briefly review his professional papers, which provide a glimpse of his much larger intellectual contributions and his prowess as a policy economist.

### **Intellectual Contributions**

Munir bhai's *Bangladesh Development Studies* paper (1993) is an early and pioneering discussion of the problems of state-owned power industry in Bangladesh. He argued that state-owned monopoly in the power sector has resulted in colossal inefficiency and chronic financial losses to the national exchequer. Hence, he advocated the privatization of some of the operations of

the power industry as a way of reforming the sector and imposing market discipline.

His paper (Hossain 1994) on the equity impact of VAT in Bangladesh suggested that for non-marginal tax reforms an approach based on equivalent variation measure is superior to an approach using computable general equilibrium modeling, particularly since there is heterogeneity in the population. He argued that a single, uniform VAT rate for all commodities could be regressive. He supported an alternative approach that would exempt certain foodstuffs but would levy additional excise taxes on products such as tobacco, commercial energy, and sugar.

He extended the same argument on his paper (Hossain 2003b) on assessing the poverty and social impact of structural adjustment and stabilization policies. He maintained that the distributional effect of basic rate VAT with exemptions and exercise tax is superior to that of a revenue-neutral uniform VAT.

In his paper (Hossain 2003a) in taxation and pricing of petroleum products, he argued that besides efficiency and equity considerations, issues related to various externalities and market imperfections should be addressed. He presented an operational framework to not just correct the externalities but also address equity and revenue considerations in setting prices and taxes of petroleum products. The paper was motivated by policy issues in Nigeria.

## **Conclusion**

Besides his publications that are currently available in the public domain, Munir bhai was a regular and active participant in Association for Economic and Development Studies on Bangladesh (AEDSB) policy seminars in Washington DC. He was an active member of the AEDSB particularly in the mid-to-late 1990s and early 2000s. He took part in various AEDSB presentations to senior policymakers.

In Munir's bhai untimely death, we not only lose a dear and much beloved friend and a mentor of young economists, but also a person who was deeply committed to informed and reasoned discussions of development issues in Bangladesh and elsewhere.

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