

Book Review

Macro-Econometric Model of a Developing Economy: A Case Study of Bangladesh

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Reviewer: Dr Victoria Wise, Deakin Business School, Australia.

This book seeks to present a macro-econometric model of Bangladesh's developing economy across a 28 year period from 1975 to 2003. Two distinct periods are identified and examined: macro-economic policy under administrative control (1975- 1990); and macro-economic policy under reform measures (1990-2003). The author argues that although the economic structural adjustment process was introduced in the 1980s, real financial liberalisation did not occur until 1990.

The book is structured in six chapters. Each chapter addresses a separate issue and is logically presented. Chapter one provides an introduction to the economy of Bangladesh and the underlying study. A comprehensive and useful review of relevant literature has been compiled and is also presented in chapter one. The aim of this compilation is to identify possible determinants of the real, monetary and external economic sectors and any inter-relatedness between these sectors. The outcome is an extensive and relevant coverage of the pertinent literature which will undoubtedly prove useful to other researchers in this area.

The author has subdivided the macro-economic sectors of Bangladesh's economy into three sectors: real; monetary; and external. These sectors are each dealt with separately in chapters two, three and four. In these three chapters, the econometric model is specified; the statistical approach is outlined and results are analysed; and a concise discussion is presented. Chapter two reveals that the use of fiscal policy is insufficient to fully control and improve the economic condition of the country. Chapter three reveals that monetary policy in isolation also is insufficient to fully control or improve Bangladesh's economic condition. Chapter four provides a discussion of the impact of the external sector on Bangladesh's economic condition and recognises the multi-flow effect of this sector on other sectors of the country's economy.

In chapter five, the author examines the nexus between the three economic sectors and argues for vertical and horizontal coordination between the sectors to reduce or eradicate demand and supply side problems detected in the study. Chapter six seeks to draw conclusions from the analysis presented in the previous chapters. Policy recommendations drawn from the analysis of study data and the relevant literature are also provided in chapter six. The findings presented in this book include that GDP is the main determining factor in the real economy of Bangladesh. The author concludes that neither the Keynesian nor the Monetarist view of the macroeconomic model is fully applicable to the case of Bangladesh. To attain sustainable development, a good coordination between fiscal and monetary policies is required so that reliance on the external sector is reduced, stability within the financial sector is enhanced and economic growth is accelerated.

This book is the culmination of an exhaustive study of the effect of financial sector reform measures in the economy of Bangladesh. The planning and conduct of the research is appropriate. The output shows evidence of good research methodologies and technical adroitness. The review of literature is comprehensive. The book makes a valuable contribution to existing paradigms and practices in the economics literature.

I recommend the book for economic policymakers as it provides a useful and current view of the outcomes of the structural reform process implemented in Bangladesh and suggests ways in which the economic model might be improved. The book is also of value to researchers as it provides empirical findings in a research context that is not yet significantly examined in the economics literature. It references and connects very well to the findings of other similar studies. While the reliability of the study data must be considered in light of the significant use made of secondary data sources, it nonetheless presents a rational, intellectually rigorous and thoughtful treatise on the impact of economic restructuring in a developing economy.

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