This is the published version of:

Wise, Victoria 2006-12-10, Macro-econometric model of a developing economy: a case study of Bangladesh, *Star campus, the daily star Bangladesh*, vol. 1, no. 18.

Available from Deakin Research Online:  
[http://hdl.handle.net/10536/DRO/DU:30025415](http://hdl.handle.net/10536/DRO/DU:30025415)

Every reasonable effort has been made to ensure that permission has been obtained for items included in DRO. If you believe that your rights have been infringed by this repository, please contact drosupport@deakin.edu.au

**Copyright**: 2006, The Daily Star
Book Review

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

-Muhammad Mahboob Ali Ph.D

ISBN: 984-8491-09-0
Reviewer: Dr Victoria Wise, Associate Professor, School of Accounting and Finance, Victoria University, Melbourne, 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

Dr. Muhammad Mahboob Ali is currently serving as an Associate Professor and Chairman, School of Business Administration, The People's University of Bangladesh. He also earlier served as an Associate Professor of Department of Business Studies, State University of Bangladesh. Before that he served in various financial institutions of the country. He worked as an Assistant General Manager, In-charge of International Department of Bangladesh Shilpa Rin
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.

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.

Copyright (R) thedailystar.net 2006