Independent University **Bangladesh (IUB)**

IUB Academic Repository

Independent Business Review Volume: 02, No: 1, January 2009

2009-01-01

Approaches to Economic Development, Growth, HDI and Bangladesh: A Methodological Shift

Kazi, Mazharul Haque

School of Business, Independent University,Bangladesh

http://ar.iub.edu.bd/handle/11348/355

Downloaded from IUB Academic Repository

Approaches to Economic Development, Growth, HDI and Bangladesh: A Methodological Shift

Mazharul Haque Kazi
Australian College of Kuwait-University of Tasmania, Kuwait

ABSTRACT

This paper briefly investigates the traditional approaches to economic development, growth, poverty reduction initiatives and the rank of Bangladesh within the human development index (HDI) of UNDP. The traditional approaches deal with basic economic questions that relate only to the structure of an economic system ignoring altogether the human and other non-economic aspects into their models. Yet, in reality noneconomic issues are equally important in measuring sustainable long-term well beings of citizens. The shortcomings of conventional approaches are evident from incremental gaps between developed and developing countries as well as sub-national regions of any country. However, recent trends are to consider relevant non-economic issues in addition to economic variables as adopted in HDI for measuring a nation's development status. Accordingly, policymakers around the globe are looking for alternative approaches that are capable of addressing all relevant issues in their national development planning and policymaking for achieving sustainable long-term development. As an indicator for measuring real economic development that captures broad spectrum of human needs and attributes the HDI seems superior to GDP per capita. This is a methodological shift. In this regard, Bangladesh is not lagging behind in recognizing the prime HDI parameters and adopting the same in its various projects and policies that consider more than the traditional economic development issues.

JEL Classifications: O1, O15

Keywords: Economic Development, Growth, HDI, Bangladesh.

INTRODUCTION

Independent of the hierarchical position of a nation in terms of wealth or development, every nation strives after economic development and growth. For rich nations it is important to maintain their development and growth, whereas for poor nations it is vital for achieving their sustained growth and development. This

notion is becoming clearer due to the oil price shocks of the 1970s, 2000s the foreign debt crisis of the 1980s, the environmental concerns, Asian crisis of the 1990s, security threats and Iraq war in early 2000s, the current global debt crisis, financial market crash and recession that the dependence of rich nations on poor and the interdependence of all nations and peoples within the global socio-economic and financial system are integrated. What happens to peoples' life in Kolkata, Kuwait City, or Dhaka in one way or another has important implications for citizens in New York, London, or Sydney.

Development economics is a distinct and very important extension of both traditional economics and political economy. Necessarily it is concerned with more than efficient resource allocation and steady growth of aggregate output over time. Additionally, as a social science, economics is concerned with people and how best to provide them with the material means to help they realize their full human potentials. Any realistic analysis of development problems necessitates the supplementation of strictly economic variables such as income, prices, and savings with equally relevant noneconomic institutional factors including the nature of land tenure arrangements; the influence of social and class stratification; the structure of credit, education, and health systems; the organization and motivation of government bureaucracies; the machinery of public administration; the nature of popular attitudes toward work, leisure, and self improvement; and the values, roles, and attitudes of the political and economic elite.

Accordingly, this paper reviews the traditional approaches of economic development, alternative paradigm that proposes via the composition of HDI and the status of Bangladesh within the HDI rankings. The structure of this paper follows: Section 2 reviews the traditional approaches of economic development and growth; Section 3 investigates the recent paradigm shift in development economics and the HDI composition technique; while Section 4 overviews the issues relevant to Bangladesh and its ranking within HDI; Section 5 reviews the action programs of Bangladesh that are in conformity with the HDI; and Section 6 concludes the paper.

ECONOMIC DEVELOPMENT AND GROWTH

To understand economic development of any country, at the outset, one needs to know how its economic system works. Any economic system is made-up of some interdependent variables that interact to determine what is produced in the economy; how it is produced; and for whom it is produced (Colman, 1968). Any

economy normally performs five basic functions. These functions are: (i) the composition of output being produced; (ii) allocation of resources; (iii) distribution of the output; (iv) determination of growth potentials; and (v) creating a scope for economic adjustment to the system. Evaluations of economic performances include some consideration of these functions, though not all are of equal importance at any given point of time for any specific economy.

Economic Systems, however, vary according to the source of decision making process involved in determining the way they perform the basic economic functions. Broadly these functions are of three pure types: (i) subsistence or traditional economy; (ii) planned or command economy; and (iii) market economy (Vijoen, 1974). The economic system of a country often needs to be understood from a much broader perspective both within its overall social and global context.

Since no single definition is entirely satisfactory, meaning of the term economic development differs to people with different backgrounds and attitude. Traditionally, economic development has meant to us the capacity of a national economy, whose initial economic condition has been static for a long period of time, and which can generate and sustain an annual increase in its gross national product (GDP) at rates of from 5% to 7% or more (Todaro, 1994).

An alternative economic index of development has been the rate of growth in income per capita or per capita GDP to take into account the ability of a nation to grow its output at a rate faster than its population (Samuel & Das Gupta, 1993). Levels and rates of growth of real per capita GDP are normally used to measure the overall economic well-being of a country's population. There is a tendency to use the term economic development parallel to economic growth since, the term is often used as a synonym for growth or advancement. The term economic growth refers to a rise in national or per capita income and product. A concise and popular definition of economic development is a process whereby the real per capita income of a country increases over a long period of time (Meier, 1970). Yet, economic development should imply more. In addition to economic growth, economic development implies fundamental changes in the structure of a country's economy. Accordingly, Daly and Cobb (1989) defines growth as quantitative expansion in scale of the physical dimensions of the economic system, and development as qualitative change of physically non-growing economic system in dynamic disequilibrium with the environment.

Economic development in the past has also been seen in terms of the planned alternation of the structure of production and employment of various economic sectors. To achieve economic development, typically agriculture's share in terms

of both production and employment has to decline compared to those of manufacturing and service industries. Development strategies have therefore been focused on rapid industrialisation, often at the cost of agriculture and rural development.

Reviews of a wide range of competing thoughts and theories of economic development show that there exists controversy, be it ideological, theoretical, or empirical that makes the study of economic development both challenging and exciting, even more than other fields of economics. At the present time, development economics has no universally accepted doctrine or paradigm; instead we have a continually evolving pattern of insights and understandings that together provide the basis of examining the contemporary development of diverse nations (Rostow, 1990; Dorfman, 1991).

Despite the array of theories, frequently evident problems of economic development of nations have been accompanied by shortcomings of these theories and to a greater extent shortcoming of their associated policymaking approaches. The most widely debated controversy between Keynesian and Monetarist policy approaches which has been persisting since post-World War II period to date.

Conventional approaches to development issues of different countries under prevailing world conditions have not always provided desired results. The criteria that are used to assess a country's economic development have been often found to be invalid. A disparity in development both between countries and across regions in the present world is the end result of this. As such, searches for alternative approaches are still in progress for solutions to long-term development problems (Solow, 1994, 1995; Stieglitz, 2002; Arrow et al., 1997; Marshal, 1987).

The shortcomings of traditional approaches of economic development are apparent through observation of their after-effects. Those consequences may be summarised under the headings: Development Gap; Uneven Development; and Long Wave in Development (Cole, 1981; Smith, 1991; Clark, 1944; Mandel, 1964; Kondratiev, 1935; Rostow, 1975, 1978; VanDuijn, 1983; Schumpeter, 1939; Mensch, 1975; Forrester, 1977).

Additionally, many economists including Glismann, Rodemer, and Wolter (Freeman, 1983), argue that all economies whether developed or not, socialist or capitalist, exhibit long waves of economic activity. This proposition has been tested empirically for a limited sample of industrial countries (Germany, France, UK, Sweden, Italy, and USA), and it has been observed that fluctuations are caused by corresponding waves of investment, which in turn are induced by long-run changes in incentives.

Empirical work has tested the hypotheses that the development of incentives is endogenous to long-term changes in the distribution of factoral incomes, in the level of government interventions and in the intensity of international competition. Prototypical hypotheses argue that economic development is not only subject to short and medium run cycles, but in addition follow a long-run wave-like pattern, which can be classified under the headings: structural capital shortage, structural overproduction, and innovation. Kondratiev (1935) maintained that periodically occurring capital shortages were a significant cause of long waves in economic development.

To date, besides the mainstream growth approach, not many optional approaches are found readily available to nations in overcoming their long-term developmental shortcomings. The search for a suitable alternative approach is therefore seems an ongoing process to all nations around the globe.

METHODOLOGICAL SHIFT AND HDI

Many nations failed to provide improved living conditions for their citizens although they achieved their targeted economic growth during the period of 1950s and 1960s. This experience signals that something is very wrong with the narrow definition of economic development. Before the 1970s, economic development was often seen as an economic phenomenon only, ignoring totally various other non-economic issues that are responsive to improving living conditions of population. Hence, even higher level of economic development failed to distribute the fair shares of benefits to their general mass. In their 1983 agenda on foreign policy and the Third World, USA used the Physical Quantity of Life Index (PQLI). The PQLI has three indicators: (i) life expectancy at age-1; (ii) infant mortality; and (iii) literacy. Additionally, during the 1970s to early 2000s various economists and international organisations including Gulet (1971), Owens (1987), Seers (1969), Kazi (1997), Sen (1990, 1993, 1999, 2001), Anand and Sen (1994), Anand (1991), Sudhir and Sen (1994), the World Bank, and the UNDP began to recognize the present time need of development. The prime need of present time is to improve the quality of life which can't be achieved through traditional economic development or growth.

In this context, Goulet (1971) viewed that at least three basic components or core values should serve as a conceptual basis and practical guidance for understanding the inner meaning of development. These core values are: (i) sustenance; (ii) self-esteem; and (iii) freedom. In their Nobel Lectures Amartya Sen (1998), Kofi Annan (2001), and Muhammad Yunus (2006) emphasised on thinking

economic development beyond its narrow traditional boundary by considering other noneconomic issues for making this world a better and peaceful place for each and every mankind. Accordingly, the economic development is to be conceptualised as both a physical reality and state of mind in which society secures the means for obtaining a quality life.

Having understood this, during the 1970s, the expression of economic development began to conceive in terms of the reduction or elimination of poverty, inequality, and unemployment. Redistribution from growth became a common slogan. The United Nations Research Institute on Social Development (UNRISD, 1970) and the United Nations Development Program (UNDP 1990), in their Human Development Reports introduced a new way to measure a country's progress by going beyond GDP or economic growth only, since a nation's total wealth is not an adequate guide to assess how its people live. In addition to their formerly introduced Human Development Index (HDI) of Sen (1973, 1976) in 1996 Human Development Report of the United Nations introduces another new measure called the Capability Poverty Measure Index (CPMI) that tries to locate hidden or potential poverty of a nation. The United Nations is in favor of using both HDI and CPMI for measuring a country's development. Yet, HDI is thought to have some merit in terms of conceptual understandability and axiomatic interpretation (Sen, 1973, 1976; Pyatt, 1976, 1987; Haq, 1995; Alkire, 2002).

It is found that calculated with appropriate price indices, a view of social welfare based on rank-order weighted individual income levels is well expressed by a Gini-correlated mean national income. That is, when G is the Gini coefficient, m is the mean national income, the average income correlated by rank-order weight W is given by:

$$W = m(1-G) \quad \ldots\ldots (1)$$

From equation (1) it may be seen that transfer of social values takes place in multiplicative way. That is, the social value of a commodity j going to individual i depends on the price of j and income level y of person i. Here, commodity j is positively related; while that of the income level of person i is negative. Furthermore, the negative relationship of i is seen in the simple terms of attaching a weight of n to each dollar of the nth richest person (i.e., a higher weight on a poorer person's dollar given by the rank in the income order), then $m(1-G)$ does indeed turn out to be quite significant. From the national view point, if one nation has a higher value of $m(1-G)$ in terms of its own price structure than another, then it can be seen as having a higher social welfare level than the latter (Sen, 1996;

Hammond, 1978; Roberts, 1980). When comparing performances of two countries, the Gini-index value of 0 represents perfect equality; while that of 1 refers to perfect inequality. Table I illustrates a simple scheme of HDI formulation.

Table I. Simplified Scheme of HDI Formation

Human Development Level	**Low**	**Medium**	**High**
Human Development Indicators	Life expectancy	Life expectancy	Life expectancy
		Under-5 mortality	Under-5 mortality
			Maternal mortality
	Adult literacy	Adult literacy	Adult literacy
		Secondary school enrolment	Secondary school enrolment
			Tertiary enrolment
	Log per capita GDP (up to international poverty line)	Log per capita GDP (up to international poverty line)	Log per capita GDP (up to international poverty line)
		Incidence of poverty	Incidence of poverty
			Gini-corrected mean national income

Source: Anand and Sen (1994). Human Development Office, UNDP, New York

The model (1) is often thought as a gross oversimplification owing to its limiting assumptions by focusing on commodities as only source of individual wellbeing or social welfare. Yet, this limitation of HDI can be supplemented by introducing other criteria that focus on other aspects of the human development to replace the per capita GDP as the sole parameter to assess a nation's state of position within the globe. Through their studies, the UN is attempting to generate standard indicators of development to supplement per capita GDP. Initially, 73 indicators were examined. In their 1996 report, UNDP considered only 16 core indicators (9 social and 7 economic).

As the concept of human development is much broader than any single composite index can measure, in addition to HDI, UN Human Development Report 2006 provides three additional indices namely, HPI (Human Poverty Index), GDI (Gender Related Development Index), and GEM (Gender Empowerment Measure). In their HDI table, three basic dimensions of human development were measured. These are: (i) a long and healthy life (measured by life expectancy); (ii) knowledge (measured by adult literacy and enrolment in primary, secondary and tertiary level); and (iii) decent standard of living (measured by purchasing power parity, PPP, income). The HDI is calculated for 177 countries based on the available data. In addition, human development indicators are presented for another 17 UN member countries for which complete data was not available. The HDI value of 1 would indicate the highest standard; while that of 0 is the worst.

Additionally, UNDP recognises that human poverty is primarily a denial of choices and lack of opportunities for living a life with reason to value. Lack of income is therefore thought far too narrow to serve as a holistic indicator. Accordingly, broader measure was devised in order to capture many dimensions of human poverty. Their poverty index is composed of two segments namely, HPI-1 and HPI-2. HPI-1 is for developing countries that measures human deprivation in the same aspect of human development as the HDI; whereas HPI-2 for developed nations that considers additional dimension of social exclusion. The GDI is another composite index that measures human development in the same dimensions as the HDI while adjusting for gender inequality in those basic dimensions. Its coverage is limited to 136 countries for which the HDI rank was recalculated. On the other hand, GEM captures gender inequality in three key areas namely, the extent of women's political participation and decision-making, economic participation and decision-making power, and the power extended by women over economic resources.

All these composite human development indices offer powerful alternatives to income as a summary measure of human well-being. They provide useful entry point into the rich information contained in indicator tables covering a wide range of human development issues. Accordingly, their Human Development Report 2006 provided 32 tables (including one with incomplete data) covering a broad range of issues relevant to most comprehensive human development indices with rankings based on the 2004 data availability. Tables 1-4 & 1a monitored human development that enlarge people's choices; Tables 5-10 evaluated long and healthy life;

Tables 11-13 reflected on acquiring knowledge; Tables 14-20 meant to have access to resources needed for a decent standard of life; while Table 21 considered issues in preserving resources for future generations; Tables 22-23 meant for protecting personal security; Table 24-29 aimed for achieving equality for all women and men; and Tables 30-31 recorded instruments of human and labour rights.

This human development report of 2006 via its tables has reviewed how some countries do better than other in turning income into education and health opportunities and therefore into higher levels of human development. Using their method one can also evaluate how a specific country's HDI relates to its GDP; and how it compares to another country.

In substance, it has to be understood that the process of economic development must be multidimensional phenomena. This involves major changes in social structures, popular attitudes, national institutions, as well as the acceleration of economic growth, the reduction of inequality, ecological balance and the eradication of poverty. In other words, economic development must address all issues relevant to every individual and community group for helping them to move forward, both materially and spiritually, from their prevailing unsatisfactory living condition to a better one.

Essentially, the purpose of development is to enlarge people's choice by putting people at the centre since people are the ultimate beneficiary not the means of development; hence Human Development which goes beyond the HDI treating it an important alternative paradigm to economic or market paradigm previously adopted by the World Bank. The Human Development Report 2007/2008 has addressed issues of climate change which is now thought to be another challenge of 21st Century for the overall well-beings of human inhabitants in this world. While, the upcoming Human Development Report (to be launched in Fall 2009) is going to emphasize further that human development is about putting people at the centre of development through realizing their potential, increasing their choices and enjoying the freedom to lead lives they value.

HDI RANKING FOR BANGLADESH

Since 1990 the Human Development Office of UNDP is publishing HDI that looks beyond GDP or Growth to a broader definition of human well-being of global nations. The HDI broadens prism for viewing human progress and the complex

relationship between income and well-being. The HDI value for Bangladesh is 0.53, which gives Bangladesh a rank of 137th out of 177 countries based on 2004 data. For comparing HDI to income, UNDP has used GDP per capita PPP US$ as the unit of income.

Table II. Bangladesh's Human Development Index, 2004

HDI value	Life expectancy at birth (years)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita (PPP US$)
1. Norway (0.965)	1. Japan (82.2)	1. Australia (113.2)	1. Luxembourg (69,961)
135. Bhutan (0.538)	123. Pakistan (63.4)	134. Swaziland (57.9)	138. Kyrgyzstan (1,935)
136. Ghana (0.532)	124. Bhutan (63.4)	135. Morocco (57.8)	139. Haiti (1,892)
137. Bangladesh (0.530)	125. Bangladesh (63.3)	136. Bangladesh (57.1)	140. Bangladesh (1,870)
138. Nepal (0.527)	126. São Tomé and Principe (63.2)	137. Nepal (57.0)	141. Uzbekistan (1,869)
139. Papua New Guinea (0.523)	127. Solomon Islands (62.6)	138. Madagascar (56.5)	142. Solomon Islands (1,814)
177. Niger (0.311)	177. Swaziland (31.3)	172. Niger (21.5)	172. Sierra Leone (561)

Sources: UNDP Human Development Report, 2006

Table II provides the HDI values; Life expectancy at birth; combined primary, secondary and tertiary enrolment ratio; and GDP per capita PPP USD for Bangladesh and a few selected countries based on 2004 data. The rank position for Bangladesh varies from 125 to 140. The rank in terms of life expectancy is 125, in terms of literacy 136, in terms of income 136, while the HDI is 137. Norway has the rank of 1 while Niger is at the bottom with the rank of 177.

The Human Poverty Index (HPI-1) focuses on the proportion of people below a threshold level in the same dimensions of human development as HDI. By looking beyond income deprivation, the HPI-1 represents a multi-dimensional alternative to the $1 a day (PPP USD) poverty measure. Table III shows the HPI-1 value for Bangladesh 44.2, rank 85th among 102 developing countries. When looking at the indicators in terms of children underweight , probability of not surviving 40 years, without access to improved water supply the ranks for Bangladesh are 115 (value 15.9), 82 (value 26), and 133 (value 48) respectively.

Table III. Selected Indicators of Human Poverty for Bangladesh

Human Poverty Index (HPI-1) 2004	Probability of not surviving past age 40 (%) 2004	People without accessto an improved watersource (%) 2004	Children underweight for ages 0-5 (%) 2004
1. Uruguay (3.3)	1. Hong Kong, China (SAR) (1.5)	1. Bulgaria (1)	1. Chile (1)
83. Malawi (43.0)	113. Honduras (15.8)	80. Central African Republic (25)	131. Ethiopia (47)
84. Senegal (44.0)	114. Guatemala (15.9)	81. Ghana (25)	132. India (47)
85. Bangladesh (44.2)	**115. Bangladesh (15.9)**	**82. Bangladesh (26)**	**133. Bangladesh (48)**
86. Gambia (44.7)	116. Bolivia (16.0)	83. Rwanda (26)	134. Nepal (48)
87. Zambia (45.6)	117. Pakistan (16.1)	84. Djibouti (27)	
102. Mali (60.2)	172. Swaziland (74.3)	125. Ethiopia (78)	

Sources: UNDP Human Development Report, 2006

Table IV depicts how Bangladesh's ratio of GDI to HDI compares. The ranks of Bangladesh in terms of GDI as % of HDI, life expectancy at birth, and combined

Table IV. The GDI Compared to the HDI – A Measure of Gender Disparity

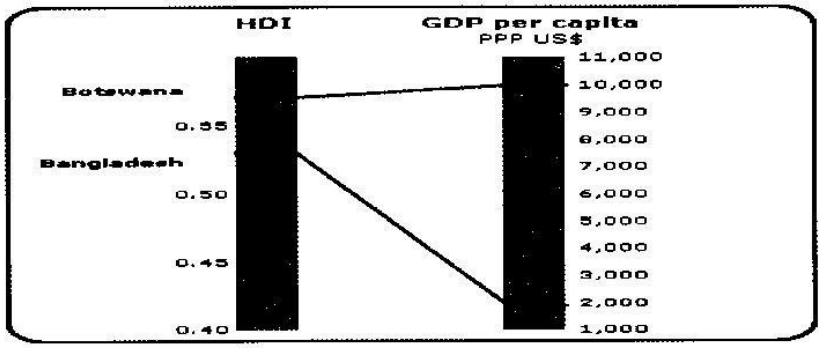
GDI as % of HDI	Life expectancy at birth (years) 2004 Female as % male	Combined primary, secondary and tertiary gross enrolment ratio 2004 Female as % male
1. Luxembourg (100.4 %)	1. Russian Federation (122.4 %)	1. United Arab Emirates (126.0 %)
92. Comoros (98.9 %)	166. Benin (102.8 %)	70. Slovakia (103.5 %)
93. Bahrain (98.9 %)	167. Mali (102.7 %)	71. Occupied Palestinian Territories (103.5 %)
94. Bangladesh (98.8 %)	168. Bangladesh (102.7 %)	72. Bangladesh (103.4 %)
95. Malaysia (98.8 %)	169. Cameroon (102.6 %)	73. Lebanon (103.3 %)
96. Costa Rica (98.8 %)	170. Gabon (102.4 %)	74. Ireland (103.2 %)
136. Yemen (94.0 %)	191. Kenya (95.8 %)	189. Afghanistan (40.9 %)

Sources: UNDP Human Development Report, 2006

enrolment ratio in educational institutions vary from 72 to 168 as viewed from the Table IV. Bangladesh's GDI value 0.526 (rank 94) compared to its HDI value of 0.530 (rank 137) is 98.9%. Out of the 136 countries with both HDI and GDI value, 93 countries have better ratio than that of Bangladesh. Differing from GDI, the

GEM (Gender Empowerment Measure) exposes inequality in opportunities in selected areas. Bangladesh ranks 67th out of 75 countries in the GME, with a value of 0.374.

However, when comparing at the HDI to income for Bangladesh in Figure - 1, it tells interesting stories. The HDI gives a more complete representation than GDP per capita measure when compared with another country. As an example, although the HDI rank and value for Bangladesh are similar to that of Botswana (rank 131; value 0.57), yet the difference in income between this two countries is significant. The GDP per capita (using PPP in USD) for Bangladesh is just USD 2,000 whereas that of for Botswana is USD 10,000. Figure - 2 depicts a comparative state of HDI positions of global regions to Bangladesh from 1975 to 2004.



Sources: UNDP Human Development Report, 2006

Figure - 1: HDI to Income comparison for Bangladesh (with Botswana)



Sources: UNDP Human Development Report, 2006

Figure - 2: Comparison of Bangladesh in global settings in terms of HDI

Accordingly, it is evident that HDI rank for Bangladesh has been improving since 1975. If Bangladesh continues improving its HDI position the future of this nation is promising.

DEVELOPMENT ACTION PROGRAMS IN BANGLADESH

Although Bangladesh's private sector has been the prime engine for economic growth and a key to poverty reduction, yet poverty has been the major challenge in Bangladesh since its independence in 1971. The private sector encompasses a range of business including micro-finance, informal enterprises, manufacturing industries, and exports. Despite confrontational party politics (that undermine the formulation and enforcement of economic policies) and corruption (that costs the nation dearly), Bangladesh has achieved an average of 5% GDP growth during the past decade. The private sector, by persistence and ingenuity, has largely made the Bangladesh economic miracle possible (EDGE, 2006).

However, to address issues relevant to Bangladesh for achieving its sustainable long-term development that goes beyond income, amongst other, Economic Development, Growth with Equity (EDGE) program is in progress. The Poverty Reduction Strategy Paper (PRSP) is the national plan to control poverty which is the result of an elaborate consultative process involving the private sector, civil society and the government of Bangladesh (GOB). The International Monetary Fund (IMF) and the World Bank, as well as bilateral donors like USAID and the United Kingdom's Department for International Development (DFID), refer to the PRSP in their lending and assistance programs. USAID/Bangladesh's Strategic Objective 12 (SO-12) that aims to expand economic opportunities through equitable growth is consistent with the objective of PRSP. The EDGE activity aims to contribute to the PRSP and SO12 by strengthening the performance of sub-sectors and addressing inequalities that adversely affect the poor.

On the basis of PRSP and ongoing discussions with several GOB ministries and USAID's development partners, the USAID activity design team (ACT) acknowledged the need for programs to promote broad-based economic growth by assisting high-potential, export-oriented sub-sectors. The EDGE activity consists of two complementary components: Poverty Reduction by Increasing the Competitiveness of Enterprises (PRICE); and Policy Analysis, Monitoring and Assessment (PAMA). While, the expected outcomes of EDGE include: (a) Increased growth of MSME sector; (b) Increased growth of non-textile commercial sub-sectors; (c) Increased pro-poor economic opportunities; (d) Improved skills of workforce; (e) Expanded database to support GOB strategic planning and policies; and (f) Improved analytical capacity of policymakers.

In addition, a gender analysis has been conducted to help support women of Bangladesh get access to all activities and benefits of livelihood as their counterpart men. Also, the environmental issues of Bangladesh are in their considerations. This necessitates developing an Environmental Management Plan (EMP). However, the exit strategy of EDGE is: raising the technical and managerial abilities of local institutions and partners so that they can take over project services once ready. The EDGE implementers are expected to collaborate with a range of public and private institutions such as the Bangladesh Board of Investment (BOI), the Export Promotion Bureau (EPB), Consumers Association of Bangladesh (CBA), Women's Business Association (WBA), Dhaka Chamber of Commerce and Industry (DCCI), and the Junior Chamber International (JCI).

SUMMARY AND CONCLUSION

Until fairly recently, both economists and economic policymakers around the globe since David Hume to the present time have been dealing with basic economic questions that relate only to the structure of an economic system ignoring altogether the spatial and other non-economic aspects of human livelihood. Nowadays, the conventional theoretical approaches are found not absolutely free from limitations in order to help ensure a nation's sustainable long-term economic development and optimal well-being of its inhabitants. These deficiencies of conventional approaches of economic development are understood better through observing: (i) the persistently increasing gaps between developed and developing countries; (ii) unevenly patterned development within sub-national regions; (iii) long-waves of development; and (iv) other economic fluctuations.

Eventually, these shortcomings are reflected in the process of any national economic policymaking. It is evident from the review of conventional economic development approaches for effective solutions of a nation's long-term economic problems, that non-economic factors also play significant roles. It is now understood that economic growth is an essential but not the only component of development. In an ultimate sense, it must encompass more than the material and financial side of people's lives. Development should therefore be understood as a multidimensional process involving the reorganization and reorientation of entire economic and social systems.

Any theory of economic development which is to be effective in the policymaking process needs to incorporate those noneconomic issues that are relevant to development as additional components. Furthermore, a suitable economic approach to development needs to be more integrated and aware of

spatial, environmental and human development issues, where needs and motives of people and their informal activities would play a pivotal role. Thus, preparatory work for the future economic order requires identification as well as adaptation of a suitable alternative and holistic approach to long-term sustainable development putting people in the centre.

As an alternative to GDP per capita, Human Development Index (HDI) seems a superior measure than GDP per capita as it reflects the true well beings of national population by capturing broad spectrum of human needs and attributes for civilized society. This is a methodological shift.

In this regard, Bangladesh is not lagging behind in recognizing the prime HDI parameters and incorporating the same in its development projects and policies that aim to address more than the traditional economic development issues. In this process various attempts are being made to get the job done predominantly through private enterprises; as the private sector organizations including NGOs seem playing sheer roles in the overall economic development process of Bangladesh.

REFERENCES

Alkire, S. (2002). *Valuing Freedoms: Sen's Capital Approach and Poverty Reduction*. Oxford: Oxford University Press.

Anand, S. (1991). *Poverty and Human Development in Asia Pacific*. UNDP, New York.

Anand, S., & Martin, R. (1992). Human Development in Poor Countries: On the role of private incomes and public services. *Journal of Economic Perspective*.

Anand, S., & Sen, A. (1994). Human Development Index: Methodology and Measurement, Occasional Paper. *Human Development Office*, UNDP, New York.

Annan, K. (2001). *Nobel Lecture*. Oslo: Sweden.

Arrow, K. (1997). *Social Choice Re-examined*, 1 & 2. New York: St Martin's Press.

Clark, C. (1944). The Economics of 1960. In: Freeman, 1983, *Long Waves in the World Economy*. UK: Butterworths.

Cole, J. (1981). *The Development Gap*. New York: John Wiley and Sons.

Coleman, J. (1968). *Comparative Economic Systems- an inquiry approach*. New York: Holt Rinehart and Winston Inc.

Daly, H., & Cobb, J. (1989). *For the Common Good*. MA: Beacon Press.

Dorfman, R. (1991). Review Article- Economic development from the beginning to Rostow. *Journal of Economic Literature, 29.*

Forrester, J. (1977). Growth Cycles. *In: De Economist, 4*, 525-543.

Freeman, C. (Eds.) (1983). *Long Wave in the World Economy*. Butterworth: UK.

Friedmann, J., & Alonso, W. (1975). *Regional Policy: Readings in Theory and Applications*. Cambridge: MIT Press.

Goulet, D. (1971). *The Cruel Choice - a new concept in the theory of development.* NY: Atheneum.

Hamond, P. (1978). Economic Welfare with Rank-Order Price Weighting. *Review of Economic Studies, 45.*

Hamond, P. (1997). Game Forms versus Social Choice Rules as Model of Rights. In: Kenneth J. arrow, Amartya K. Sen and Kotaro Suzumura, Eds., *Social Choice Re-examined, 2.* NY: St Martin's Press.

Haq, M. (1995). *Reflection on Human Development.* NY: Oxford University Press.

Kazi, M. (1997). *Economic Development in Regional Perspective: Policy Implication for Australia.* Masters (Honours) Thesis, University of Western Sydney: Australia.

Kondratiev, N. (1935). The Long Waves in Economic Life. *Review of Economic Statistics*, 105-115.

Mandel, E. (1964). The Heyday of Neo-Capitalism and its Aftermath. In, *Socialist Register*, 1964.

Marshall, M. (1987). Long Wave of Regional Development. Macmillan, Oxford: Oxford Press.

Meier, G. (1970). *Leading Issues in Development.* NY: Longman.

Mensch, G. (1975). *Das Technologische Patt.* Umschau Verlag: Amsterdam.

Owen, E. (1987). *The Future of Freedom in Developing World- Economic Development as Political Reform.* NY: Pergamon Press.

Pyatt, F. (1987). Measuring welfare, poverty and inequality. *Economic Journal, 97.*

Pyatt, F. (1976). On the interpretation and disaggregation of Gini-coefficients. *Economic Journal, 86.*

Roberts, K. (1980). Price-independent Welfare Prescriptions. *Journal of Public Economics, 13.*

Rostow, W. (1975). Kondratiev, Schumpeter and Kuznets: trend periods revisited. *Journal of Economic History, 4*, 719-753.

Rostow, W. (1978). The World Economy. *History and Prospect*, UK: Macmillan.

Rostow, W. (1990). *Theorists of Economic Growth from David Hume to the Present*. NY: Oxford University Press.

Samuel, S. & Gupta, D. (1993). *Issues in Applied Economics- an Australian text*. Macmillan Education, Australia: Melbourne.

Schumpeter, J. (1939). *Business Cycles*, McGraw-Hill: New York, Reprinted (1982), Philadelphia: Porcupine Press.

Seers, D. (1969). *The Meaning of Development*, presentation to the 11th world conference of society for international development, New Delhi.

Sen, A. (1973). *On Economic Inequality*. NY: Clarendon Press.

Sen, A. (1976). Real National Income. *Review of Economic Studies, 43*.

Sen, A. (1988). The Concept of Development. In: *Chenery and Srinivasan*, Chapter 1.

Sen, A. (1990). Human Development Index: Methodology and measures. In: *Occasional Paper of Human Development Office* (1992), UNDP, NY.

Sen, A. (1993). Life Expectancy and Inequality: Some conceptual issues. In: *Festschrift for Raj, K.*, Oxford: Oxford University Press.

Sen, A. (1998). *Nobel Lecture*. Oslo: Sweden.

Sen, A. (1999). The Possibility of Social Choice. *American Economic Review, 89* (3), 349-378.

Sen, A., (2001). Development and Freedom, New Delhi: Oxford University Press.

Smith, A. (1776). *An Inquiry into the nature and causes of wealth of nations*. Republished (1910), London: Home University.