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This is a study on the problems and the strategy of industrialisation for Bangladesh. An understanding of the problem necessitates a certain perspective on the forces that inhibit industrialisation in less developed countries. The popular approach has been to highlight the supply constraints on the mistaken idea that Say's law is operative in the developing countries. Our approach to this problem has instead been based on the contrary conviction that it is the market-size constraint which inhibits industrialisation. This conviction arises from an analysis of the factors influencing location of most modern industries. Industries are pulled towards centres with high income and price elasticity of demand enabling them to enjoy the benefits of economies-of-scale. Most developing countries are characterised by narrow markets which do not attract investment in modern industries.

Market size is defined in terms of population density and income distribution. In developing countries the majority of the people are too poor to consume anything besides the basics, while the few rich fritter it away on conspicuous consumption. As a case study, it highlights the problems which are peculiar to small overpopulated countries, the size of the nation exacerbating the market problem. The limited scope for domestic expansion of markets in such countries would mean circumvention of the problem through external markets. The success stories of export-orientation of small countries fall into two categories: i) those who possess a
resource which is in great demand; among these are the oil-producing countries; ii) countries with a locational or strategic advantage -- examples are Hong Kong, Korea and Taiwan. Admittedly the latter have industrialised at a faster pace than the former. There is yet a third category of small countries who possess neither resource nor locational advantage, which includes Bangladesh, relegated as marginal to the system lying outside the purview of mainstream discussion on industrialisation and economic growth. The proliferation of small nation states has however, given rise to the need for understanding the problems of economic development of such countries. This study is a modest attempt to fill the gap.

The chapter sequence is divided into two parts -- the theoretical and practical. In the first part (Chapters I and II), a model of trade and industrialisation has been formulated. In the second part (Chapter III and IV) the model has been tested for Bangladesh. In Chapter III industrialisation through investment in heavy industry has been studied to highlight the market size constraint which is operative in developing countries. In Chapter V the alternative of trade-based industrialisation has been applied. The last chapter analyses the possibility of this strategy to ensure rapid industrialisation.

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Yeeba Gouri
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