

**International Conference on Modelling of
Growth, Development and Poverty
Kathmandu, Nepal**

December 16-18, 2007

Conference Venue

**KATHMANDU UNIVERSITY SCHOOL OF MANAGEMENT
BALKUMARI, LALITPUR, NEPAL**

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International Conference on Modelling of Growth, Development and Poverty Alleviation, Kathmandu, Nepal: December 16-18, 2007

Aims and Objectives of GDP2007

There are many questions that bother people in a developing economy. How to provide basic needs for majority of population living below the poverty line? How can poverty be alleviated in a shortest span of time? What sort of policies can guarantee education and health for all? What sort of policies can create gainful employment? How can these economies solve gender biases in economic opportunities particularly in relation to access to education and jobs? How can they resolve conflicts and maintain cooperation required for peaceful structural transformation of their economies? How can they learn from the experience of advanced economies in the West and in the East? How can they learn from emerging giants such as China and India? What are the roles of households, firms and government in process of rapid economic growth? How can they choose optimal trade and tax policies? How can they develop natural recourses such as hydro-electricity and massive manpower? How can developing economies raise regional and international cooperation? What are the problems of running efficient business organisations or making national and local government more efficient? How can private corporations adopt better production techniques? How can they train their work for to raise productivity? What sorts of financial sector policies are helpful in assuring the efficient mobilisation of resources? How should these economies resolve mergers and acquisition, union-firm bargaining, marketing issues? What are strategic choices of these economies in a competitive global economy? How can they gain efficiency from privatisation? What sort of model can explain the process of national development clearly? How can they develop skills for negotiations and settlements, incentives and mechanism on important issues? What kind of models explain dynamics of consumption, saving, investment or rural credits in these economies? What sorts of models can be used for settlement of disputes relating to political economy? What sort models can be used to explain links between nations, states, regions, or across countries?

The GDP2007 conference has brought intellectuals who have worked in these issues for many years struggling to find more accurate and efficient answers to these difficult questions from around the world. Kathmandu University School of Management has provided an excellent venue for the conference. The conference has initiated a Journal of Growth, Development and Poverty in order to continue exchange of ideas of professional working on this more urgent human problems and the exchange of ideas is likely to continue in the future.

Organisers of GDP2007

16 December 2007

**International Conference on Modelling of Growth, Development and Poverty
Alleviation, Kathmandu, Nepal: December 16-18, 2007**

List of Papers Submitted to the Conference

Khandoker Shuvo Bakar, Institute of Statistical Research and Training
(ISRT), University of Dhaka, Dhaka-1000, Bangladesh.

Paper: Trade and Income Inequality in SAARC: A Spatial Analysis

Keshab Bhattarai, Business School, University of Hull UK

Paper: Strategic and General Equilibrium Models in Poverty Measurement Studies.

**Paper: Bargaining, Coalitions, Signalling And Repeated Games For Economic Development And
Poverty Alleviation**

**Paper: Welfare and Distributional Impacts of Financial Liberalization in an Open Economy:
Lessons from a Multi-Sectoral Dynamic Model for Nepal**

Ravshanbek Dalimov, National University of Uzbekistan

Paper: From Poverty to Personal Growth and Healthy Development

Shirou Kuwahara, Graduate School of Systems and Information
Engineering, University of Tsukuba

Katsunori Yamada, Japan Society for the Promotion of Science and
Graduate School of Economics, Osaka University

**Paper: Population Growth and Local Home Environment Externality in an
Endogenous Growth Model with Two Engines of Growth**

P. Abdul Kareem, Department Of Economics, University Of Calicut,
Kerala, India-680 618

Paper: Growth, Development And Poverty In India And Nepal

Safia Qamar Minhaj, Roohi Azeem and Seema Siddiqua Hai, Department of
Economics, University of Karachi.

**Paper: Globalization, Foreign Direct Investment And The Human
Development Index: The Case Of Pakistan**

Safia Qamar Minhaj and Seema Siddiqua Hai, *Department of Economics, University
of Karachi, Pakistan*

Paper: A Comparative Study Of The Channels Of Globalization In Pakistan

Celso Pereira Nunes, Madeira University and CEEAplA

**Paper: The Evolution of the Economic Thought about Poverty
Measurement**

Nishith Prakash, University of Houston

**Paper: Does Political Reservation for Minorities Reduce Poverty?
Evidence from India**

Muhammad Saifur Rahman, Department of Economics,
Indiana University, Bloomington

**Paper: Demographic Uncertainty and Welfare in a Life-cycle Model
under Alternative Public Pension Systems**

Prabirjit Sarkar, Jadavpur University, Kolkata-700032, India

**Paper: Capital Accumulation and Growth in India since 1950: What Role
the Stock Market Plays**

Seema Siddiqua Hai, Safia Qamar Minhaj and Roohi Azeem, Department of Economics, University of Karachi

Paper: Implementation of Basel II: Issues, Challenges and Implications for Developing Countries

Somesh.K.Mathur, Lecturer-Department of Economics, Jamia Millia Islamia (Central University), New Delhi-25

Economic Growth & Conditional Convergence: Its Speed for Selected Regions for 1961-2001,

Manoj Panda and A. Ganesh-Kumar, Indira Gandhi Institute of Development Research, Mumbai, India.

Paper: Impact of Economic Growth on Achieving MDGs

Sagar Raj Sharma, Human and Natural Resources Studies Centre, Kathmandu University

Paper: Role of Private Sector in Nepal's Transformation

Shreshna Basnet and Dr. Sagar Raj Sharma, Human and Natural Resources Studies Centre, Kathmandu University

Paper: Groundwater Resource Development and Management for Urban Poverty Alleviation: A Case of Kathmandu Valley, Nepal

Alex Trew, University of St Andrews, Scotland, UK

Paper: Endogenous Financial Development and Industrial Takeoff

AKM Ahsan Ullah, City University of Hong Kong

Paper: The State of Female Migration Flow in International Labour Market: How is Bangladesh Doing?

Yong Wang, Department of Economics University of Chicago, USA

Paper: Institutional Barrier, Learning Externality, and Catching Up

Abstracts of GDP2007 Conference Papers

Trade and Income Inequality in SAARC: A Spatial Analysis **Khandoker Shuvo Bakar, Institute of Statistical Research and Training (ISRT), University of Dhaka, Dhaka-1000, Bangladesh.**

This paper aims to study the spatial dependency of trade and per capita income among the countries of SAARC. Here, both trade and income inequality has been estimated for the SAARC countries over the years 1989 to 2003 using Theil's index and has been decomposed indicating the least developed countries (LDCs) and non-LDCs of the region. It has been seen that the within group inequality dominates the between group inequality for both the cases. And the output of polarization index has pointed the change of within group inequality for the year 1995. In this analysis, spatial autocorrelation has also been measured and compared with the inequality pattern. For income negative and for trade strong positive spatial autocorrelation has observed, but in some particular years data has shown no spatial dependency for both the variables.

Strategic and General Equilibrium Models in Poverty Measurement Studies **Keshab Bhattarai, Business School, University of Hull UK**

Incentive compatibility in poverty alleviation game for the most efficient and just allocation of resources and maximisation of social welfare requires cooperation from both rich and poor households, governments and the global community. Non-cooperation among them only deepens poverty with socially, economically and morally unacceptable magnitudes of malnutrition, hunger-disease-illness, tensions and conflicts, illiteracy and lack of education and skills. Scientific analyses and systematic implementation of poverty reduction initiatives require strategic and multi-household general equilibrium models to compliment standard Booth-Rowntree, Sen-Atkinson and FGT or Jenkins-Lambert type absolute, relative, chronic or intensity measures of poverty in order to evaluate dynamic impacts actions taken for alleviation of poverty. Bad game results in poverty and good game results in prosperity. No analyses of poverty can be considered complete without evaluating income and substitution effects on welfare of these households based on the price mechanism and allocation of resources in the wider economy.

Bargaining, Coalitions, Signalling And Repeated Games For Economic Development And Poverty Alleviation **Keshab Bhattarai, University of Hull, Business School**

How economic agents with conflicting interests can analyse gains from bargaining, coalition, signalling and repeated games and how their pivotal positions influences the outcome of the game is illustrated using numerical examples. Dynamic Poverty game is proposed for alleviation of poverty that requires cooperation from tax payers, transfer recipients and the democratic government and the international community. These concepts are applied to analyse how the incorporation of growth pact in the constitution can set a mechanism for cooperative solution required for peaceful and prosperous Nepal without harmful conflicts that had upset the growth process over the years.

Welfare and Distributional Impacts of Financial Liberalization in an Open Economy: Lessons from a Multi-Sectoral Dynamic Model for Nepal, **Keshab Bhattarai, Business School, University of Hull UK**

Nepal is going through series of conflicts and troubles in last 20 years. These are caused by lack of implementation of growth and redistribution policies aimed at reducing poverty. Wide-ranging impacts of financial sector policies are assessed in an open economy framework to show how this brings higher rates of growth and better distribution of income with applied forward-looking multi-sectoral general equilibrium model. By equalizing rates of return across sectors, financial liberalization improves efficiency and equalizes the distribution of income, moves resources from unproductive assets such as gold, jewellery, urban land, and foreign exchange to more productive accumulation of physical assets, allowing up to a 19 percent expansion in production and employment, raising the wage rate of rural labor than for urban labor as the rural labor-intensive sectors invest more with increased access to

financial institutions and demand more labor to complement additional capital employed in these sectors. More demand for unskilled labor than for the skilled ones raises the ratio of rural to urban wage rate significantly in the liberalized regime. Redistribution occurred through the labor market ultimately resulting in larger welfare gains for rural households than for urban households.

From Poverty to Personal Growth and Healthy Development
Ravshanbek Dalimov, National University of Uzbekistan

The article discusses both personal and social aspects of poverty, together with means to change the status of poor which consist of charity, skills training and entrepreneurship as well as social security benefits. Healthy development is provided in this case by through health insurance systems.

Population Growth and Local Home Environment Externality in an Endogenous Growth Model
with Two Engines of Growth

Shirou Kuwahara, Graduate School of Systems and Information Engineering, University of Tsukuba

Katsunori Yamada, Japan Society for the Promotion of Science and Graduate School of Economics, Osaka University

Under the presumption that population grows in the real world, this paper presents an endogenous growth model which is useful to analyze the relationship between the population growth rate and the per capita GDP growth rate. We will consider the "local home environment externality"; conceptualized by Galor and Tsiddon (1997a). Then, aggregate human capital in our model can augment automatically with births of new agents, which effect has been neglected in the endogenous growth literature. The intensity of the externality is considered to reflect the society's attitude toward home education. If it is high, then the economy has cultural or institutional backgrounds in favor of home education. Depending on the intensity of the externality, the model will generate a negative relationship between the population growth rate and the per capita GDP growth rate, which is also present in the data. Furthermore, with our model that has multiple equilibrium paths, we obtain a paradoxical result that the economy with stronger externality may be trapped in a slowly growing path. With this outcome, we argue that policies that encourage home education are not always beneficial for economic growth.

Growth, Development And Poverty In India And Nepal,
P. Abdul Kareem, Department Of Economics,
University Of Calicut, Kerala, India-680 618

Economic growth and development in developing countries has been a much debated theme. Now the widespread belief is that higher economic growth rates in developing countries would lead to better economic welfare. This is especially so after the early 1990s. The developing economies like India has experienced a very consistent higher economic growth rates after 1991. This high economic growth resulted in reduction of poverty rates in a big way. This paper discusses the growth, development and poverty in India and Nepal. Firstly, we have discussed growth, development and poverty experience in the case of India. We have found that economy is growing at a faster rate of around 8% in India. Also, the acute poverty India faced during the early decades like 1960s, 1970s, and 1980s has been reduced and the poverty rate in India has come down to a miracle rate of below 20% in 2007. Next, we have compared the Indian scenario with that of Nepal. Both India and Nepal are immediate neighbours and they have to learn experience from both. In Nepal also the sluggish nature of economy during early periods has changed. The degree of openness measured as $\text{export} + \text{import} / \text{GDP}$ is more than 60% for the recent years in Nepal. The higher economic growth and higher trade openness has resulted in reduction of poverty rates very substantially in Nepal. Therefore, the study draws the inference that higher economic growth and better economic development result in eradication of poverty in India and Nepal.

Globalization, Foreign Direct Investment And The Human Development Index: The Case Of Pakistan

Safia Qamar Minhaj, Roohi Azeem and Seema Siddiqua Hai
Department of Economics, University of Karachi.

This paper seeks to elucidate how foreign direct investment in Pakistan is affecting Human Development index in response to the challenges posed by the globalization. It explores the impact of globalization mainly through increased foreign direct investment on the Pakistan's social and economic sector and its implications for the Pakistan's economy in future. The paper analyses the data from 1973 till 2004, covering the era of economic and financial liberalization under globalization. The paper will end with a look at the challenges ahead and ways forward.

A Comparative Study Of The Channels Of Globalization In Pakistan

Safia Qamar Minhaj and Seema Siddiqua Hai, *Department of Economics, University of Karachi, Pakistan*

There are four key channels of globalization viz trade openness, financial liberalization, international migration and technological diffusion. The trade dimension of globalization has perhaps been the most prominent and effective channels over the last two decades. Empirical evidence suggests that growth in trade in many countries has out pace the growth in output. On the other hand, the global financial system has undergone some rapid changes over the last few decades. In some countries the positive impact of globalization is much more pronounced than negative impact depending on the relative strength of the channels of globalization. With globalization, increased integration of the world economy provides tremendous opportunities for developing countries such as Pakistan. However, it also exposes the countries to substantial risk. There is dire need to take the full advantage of these opportunities by making the right institution. Only in that case the benefits of globalization can outweigh the potential risk and cost. This paper will investigate the potential threat of globalization confronting the economy of Pakistan by using the OLS approach over the period of 1982 to 2004. This study will estimate the relative effectiveness of the trade channel and financial liberalization of globalization. The paper will conclude by providing some important insights to the policy makers about the real issues of globalization in Pakistan.

The Evolution of the Economic Thought about Poverty Measurement **Celso Pereira Nunes, Madeira University and CEEAplA**

This essay describes the evolution of the Economics of Poverty. It shows how the leading objectives of its authors changed over the decades. The description is roughly exhaustive from the end of the nineteenth-century to the "rediscovering poverty era" in the 1960s. After that, it concentrates in the fundamental ideas that constitute the existing theoretical framework of the poverty measurement, with an extended comment on the more relevant issues.

Reviewing the economic literature about poverty since the end of the nineteenth-century, we may find the discussion of theoretical and practical issues as the causes of poverty, the concept of poverty and how to measure poverty.

In Section I, major works written about poverty in the transition from the nineteenth- to the twentieth-century are presented, from Charles Booth to Benjamin Rowntree. In Section II, the rediscovery of poverty era is described and commented and in Section III the key works since 1965 on the poverty measurement are summarized and commented. Some concluding remarks on the evolution of the leading objectives of the authors in the final section try to point out the idea that these objectives varied a lot since the 1960s, being predominantly academic only since that decade.

Impact of Economic Growth on Achieving MDGs
Manoj Panda and A. Ganesh-Kumar, Indira Gandhi Institute of
Development Research, Mumbai, India.

The MDGs have taken centre stage in setting the global development agenda since 2000. The community of nations have specified a set of targets to be achieved by 2015. Interesting debate continues on the policy instruments to achieve these targets. An influential section believes that economic growth could serve well the purpose while others argue for emphasis on non-income factors. Against this background, this paper examines the factors that affect some of the MDG indicators relating to poverty, education, gender parity and health, and quantifies the extent to which economic growth alone can help in achieving the MDG targets. Income elasticity of the MDG indicators have been estimated using cross-country data from the Asia-Pacific region. Our income elasticity estimates suggest a less than proportionate response for all the indicators including measures of income poverty. We find substantial shortfall from the MDG target is likely to occur for the MDG indicators if the countries depend on only the economic growth process.

Does Political Reservation for Minorities Reduce Poverty? Evidence from India
Nishith Prakash, University of Houston

Affirmative action policies have been used in both developed and developing countries to improve the well-being of disadvantaged minority groups. Among the most radical of these policies has been to mandate political representation for minorities. For example, in India, the Constitution stipulates that a certain share of seats in legislative assemblies be set aside for scheduled castes (SC) and scheduled tribes (ST). Specifically, the policy rule is that the share of seats reserved for each minority group must equal the group's population share according to the most recent decennial census. Although there has been research on whether political reservation for minorities affects policy choices, it remains an open question whether it reduces poverty. In this paper, I examine the impact of political reservation for minorities on poverty in India using state-level panel data.

A general problem when estimating the effect of minority political representation on outcomes is that the representation variable is likely endogenous. For example, states that elect more minorities to office might also treat minorities better in schools and the labor market; consequently the estimated effect would not be the causal effect of minority political representation on the outcome. In this paper, I take advantage of the state-time variation in minority political representation generated by the aforementioned policy rule in the Indian Constitution and the timing of elections to address the endogeneity problem.

Using data on sixteen Indian states for the period 1960-1992, I find that increasing the share of seats reserved for ST significantly reduces poverty in both urban and rural areas. Increasing the share reserved for SC significantly reduces urban poverty but has no impact on rural poverty. Interestingly, it appears to be people just below the poverty line, not those far below it, who are benefiting. These findings survive a variety of robustness checks.

Demographic Uncertainty and Welfare in a Life-cycle Model under Alternative Public Pension Systems

Muhammad Saifur Rahman, Department of Economics, Indiana University, Bloomington

In this paper, I analyzed consumption, aggregate savings, output and welfare implications of five different social security arrangements whenever there is demographic uncertainty. Following Bohn(2002), I analyzed the effect of an uncertain population growth in an extended version of a modified Life-cycle model developed by Gertler(1999). Population growth dampens savings and output under all arrangements. Pay-as-you-go-Defined Benefit appears to fare better than all other alternatives, falling short of the private annuity market with no pension system. But social security in general increases social welfare, with Fully Funded systems faring the best. Thus there appears to be a clear tradeoffs between growth and social welfare. The social security system also reduces the volatility of the economy.

Capital Accumulation and Growth in India since 1950: What Role the Stock Market Plays?
Prabirjit Sarkar Jadavpur University, Kolkata-700032, India

This study examines whether there exists a long-term relationship between Indian share price movements and growth through capital accumulation over more than half a century period since 1951. Using the Autoregressive Distributive Lag (ARDL) approach to cointegration developed by Pesaran and Shin, our study shows that no long-term relationship exists between the gross-fixed capital formation (total as well as private) as percentage of GDP and nominal or real share price. There is also no relationship between the growth rate and share prices (both nominal and real). There is also no relationship if we consider the growth rates in share price.

Implementation of Basel II: Issues, Challenges and Implications for Developing Countries
Seema Siddiqua Hai, Safia Qamar Minhaj and Roohi Azeem,
Department of Economics, University of Karachi

This paper investigates the issues, challenges and implication of Basel II implementation for developing countries with a focus on Pakistan. The main objective of this paper is to identify the problems confronted by the regulators in their journey to Basel II implementation. The paper shows that the right balance between regulation, supervision and market discipline requires the mutual cooperation and assistance amongst the central Banks. The paper also emphasizes the role of educational institutions, banks training institution in developing the human resources in this regard. Our findings highlight the need for home and host supervisors of internationally active banking organization to develop and enhance the pragmatic communication and cooperation with regard to banks' Basel II implementation plans. This is necessary to reduce the burden on the banking industry and making it more efficient.

Economic Growth & Conditional Convergence: Its Speed for Selected Regions for 1961—2001,
Somesh.K.Mathur, Lecturer-Department of Economics, Jamia Millia Islamia (Central University), New
Delhi-25

The study gives the theoretical justification for the per capita growth equations using Solovian model(1956) and its factor accumulation assumptions. The different forms of the per capita growth equation is used to test for 'conditional convergence' hypotheses and also work out the speed of conditional convergence for EU, East Asian and South Asian regions together from 1961-2001. Conditional convergence is prevalent among almost all pairs of regions in our sample except East Asian and South Asian nations together. Speed of conditional convergence ranges from 0.2 % in an year to 22%. Countries that are poor relative to their own steady state do tend to grow more rapidly. It does not mean that all countries in the world are converging to the same steady state, only that they are converging to their own steady states(conditional convergence)

Role of Private Sector in Nepal's Transformation
Sagar Raj Sharma, Human and Natural Resources Studies Centre, Kathmandu University

The purpose of this paper is to initiate a debate about the role of private sector and foreign direct investment in conflict transformation. Development in Nepal has miserably failed so far because of various factors, such as over dependence on foreign aid, failure of donors to ensure the proper use of their funds and effective coordination of their activities, centralisation in Kathmandu of both government and private structures, widespread corruption and abuse of authority by bureaucrats and politicians, and the exclusion of large sections of the population from a role in devising policy and program development, to name a few. This paper argues that instead of continuing to rely heavily on foreign aid, Nepal should now focus on the roles private sector actors can play in transforming this country and mitigating possibilities of future conflicts. It argues that effective and positive roles for the private sector can be learned from the experience of countries like Sri Lanka, where, in a crippling economic scenario, businesses in the southern part of the country established a campaign called Sri

Lanka First, which was able to contribute—to some extent—to stability through investment and campaigning strategies.

The paper thus argues that private sector actors in Nepal should also ensure that their activities are consonant with sustainable peace, which has not always been the case. They should concentrate on finding ways to support efforts to develop suitable conflict prevention policies and practices, recognizing the interrelationships between conflict and social, political, economic and cultural factors. The debate on this topic has got to a stage at which there is a degree of consensus that business has a role to play in a sphere of activity that remains dominated by civil society and government actors. Private companies are both part of the problem and also potentially part of the solution.

Groundwater Resource Development and Management for Urban Poverty Alleviation: A Case of Kathmandu Valley, Nepal

**Shreshna Basnet and Dr. Sagar Raj Sharma, Human and Natural Resources Studies Centre,
Kathmandu University**

Kathmandu Valley and the Terai Belt in Nepal have high groundwater potential. The valley water has recharge areas in the surrounding hills and the Terai Belt in the Bhabar forests. Of the Terai groundwater potential, only about 10 percent is exploited with primary use in irrigation and domestic purposes. The concern lies in Kathmandu with rapid urbanization and increasing and inevitable migration into the valley. The groundwater aquifers and groundwater supply system developed centuries ago are under great threat from haphazard construction and urban pollution. If the resource and the system are not further developed and managed, this could have irrecoverable socio-economic impacts.

For centuries the people in Kathmandu Valley have been using traditional wells and waterspouts, commonly known as *dhunge dhara* with ground water as its source. However, with the introduction of municipal piped water, the traditional waterspouts have been marginalized. Yet it has not reached all households and groundwater is one of its major source, particularly in dry season. With increasing population, migration into the valley, rapid urbanization and rampant construction, municipal water supply has been in short supply, reduced or no water flow in *dhunge dhara*, heavy groundwater extraction by municipality, hotels and industries, and increase in groundwater pollution. Private vendors have proliferated using primarily groundwater, catering high to high-middle income households. The low to middle income households have been resorting to the traditional public water supply system, namely *dhunge dhara* and common wells, because of which the poor are not overburdened with the cost of water as a basic necessity. Some communities have organized to rehabilitate and manage the waterspouts and wells in their areas. Particularly crucial is the traditional waterspouts and wells that serve the poor, who have no or minimal access to municipal supply. This paper argues that because groundwater resource is a public good, and because of the existence of externalities, the market (private water suppliers), state (municipal water supply) and community need to co-exist in a contested terrain to meet the quality and quantity of water needs of all income groups. If this is not timely addressed, Kathmandu will not only be an example of “Lost Opportunity” with infrastructural development ignoring the groundwater potential, but also the urban poor will be marginalized and deprived of their basic rights.

Endogenous Financial Development and Industrial Takeoff Alex Trew, University of St Andrews

There is a large and growing literature on the relationship between financial development and economic growth. It suggests a positive causal link running from finance to growth. We consider, in broad terms, the existing historical evidence on this connection. We demonstrate that constraints on investment finance occur primarily in the presence of fixed costs. Investments in physical transport infrastructures are prime examples of projects in which financial constraints can retard industrial growth. Furthermore, an appreciation of spatial and dynamic elements is central: Infrastructure development was privately financed by spatially concentrated coalitions of modest investors. We contrast the institutional environment in Britain with that in continental Europe. We develop a theory

of finance and growth that can account for the disaggregated and dynamic nature of the finance and development of infrastructure.

The State of Female Migration Flow in International Labour Market: How is Bangladesh Doing?
AKM Ahsan Ullah, City University of Hong Kong

Women constitute 47.5 percent of total international migration flow in today's world. However, representation of Bangladeshi female migrants in the labour market is the thinnest among all the countries in Asia. The paper tries to identify factors hindering female migration and instigate a debate on the role of religion as hindrance to female migration in Bangladesh and Indonesia. Data were collected from 13 families having sent at least one migrant abroad. The available data substantiates that religion hinders female migration process in Bangladesh to a considerable extent; however, it is not true in case of Indonesia. Under the norm of female seclusion, women have to veil themselves from the head to toe when they go out of the home. This "protects" the women's modesty and husband's family's respectability. Among the twelve factors worked out 'religion' received the highest WMI (0.846) followed by 'language' inefficiency (0.818). 'Illiteracy' received third highest WMI (0.750) followed by 'marital factor' (0.692). However, 'governance' received the least WMI (0.375) followed by less exposure to modern world (0.400). Inappropriate state policies, legislation and administrative restrictions have driven women's labour migration dissident. Last of all, it is the government who should take pains to promote international female migration because this is a matter of bilateral governmental concerns.

Institutional Barrier, Learning Externality, and Catching Up
Yong Wang, Department of Economics University of Chicago, USA

This paper develops a parsimonious theoretical model to explain the mechanics of a developing country's catching-up behaviour with endogenous institutional change. We characterize the optimal institutional adjustment scheme and how this would affect the growth experience both in the transitional dynamics and the long-run steady state. Our main results include:(1)Under perfect international credit market, the number of institution adjustment is finite and they only occur precisely when the learning barrier just becomes binding. It implies that the less developed economy keeps catching up with the developed economy continuously until no further institution adjustment is made. Permanent level difference may or may not exist on the balanced growth path, depending on the last endogenous institutional change. When the credit market is imperfect, the catching-up might occur intermittently and the institution adjustment is typically slower because of the financial constraint, which has both transient and permanent growth and level effects;(2)Both one-shot and piecemeal institution reforms could be optimal institutional adjustment schemes, depending on the initial conditions and the completeness of the credit market; (3)The size of institutional adjustment could also depend on whether the central government is politically strong enough and whether the reform is more pro-market.