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A Political Economy Reinterpretation of Bangladesh's Development Trajectory: From Structural Fragility to Transformative Growth

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Abstract

This paper develops a comprehensive and analytically rigorous reinterpretation of Bangladesh's development trajectory through the lens of political economy and structural transformation theory. It examines the transition from post-war economic fragility to sustained growth, emphasizing macroeconomic stability, export-led industrialization, remittance dynamics, agricultural modernization, and social development outcomes. Drawing on the full body of existing literature cited in the original manuscript, the analysis integrates institutional, structural, and global dimensions into a unified explanatory framework. While Bangladesh's development record reflects resilience and adaptive policy capacity, enduring constraints related to governance, inequality, environmental vulnerability, and institutional quality raise important questions regarding the long-term sustainability of its growth model.

1. Introduction

Since its emergence as an independent nation in 1971, Bangladesh has undergone a profound and multidimensional transformation encompassing economic restructuring, institutional evolution, and social progress. Initially characterized by

extreme poverty, infrastructural collapse, and administrative fragility, the country has progressively repositioned itself as one of the fastest-growing economies in South Asia (Raghavan, 2013; Mujeri & Mujeri, 2020). This transformation constitutes a notable empirical paradox, whereby strong developmental outcomes have been realized despite adverse initial conditions.

Mainstream interpretations often attribute this progress to macroeconomic stability and export expansion; however, such explanations tend to understate deeper political economy dynamics, including institutional adaptation, state-market interactions, and global integration processes. This study therefore seeks to provide a more comprehensive and theoretically grounded account of Bangladesh's development trajectory.

2. Objectives of the Study

The central objective of this study is to undertake a systematic and multidimensional analysis of Bangladesh's development process by integrating historical, macroeconomic, sectoral, and social perspectives. Specifically, the study examines the evolution of economic policy, evaluates structural drivers of growth, and identifies persistent constraints affecting long-term sustainability.

3. Historical Context

The creation of Bangladesh in 1971 was the culmination of longstanding economic and political disparities between East and West Pakistan (Alam, 1991; Raghavan, 2013). The immediate post-independence period was marked by severe economic dislocation, necessitating state-led reconstruction and centralized economic planning (Helal & Hossain, 2013). However, inefficiencies and governance challenges associated with nationalization gradually led to the adoption of market-oriented reforms.

From the late 1970s onward, Bangladesh implemented structural adjustment policies supported by international institutions such as the IMF and World Bank, emphasizing trade liberalization, privatization, and private sector development

(Commission on Growth, 2008). These reforms laid the foundation for export-oriented industrialization and global integration.

4. Economic Growth and Macroeconomic Stability

Bangladesh's economic expansion has been underpinned by consistent macroeconomic management characterized by fiscal discipline, inflation control, and exchange rate stability (Younus & Prince, 2017; Ito & Shimizu, 2015). Export-led growth—particularly through the Ready-Made Garment (RMG) sector—has played a dominant role (Rahman & Siddiqui, 2015), complemented by agricultural productivity gains and remittance inflows (Prince et al., 2022; Barai, 2012).

5. Export-Led Industrialization

The RMG sector represents the cornerstone of Bangladesh's industrialization strategy, contributing significantly to export earnings and employment generation, particularly for women. However, the concentration of exports in a single sector exposes the economy to external shocks and highlights the need for diversification.

6. Foreign Direct Investment

Foreign Direct Investment has contributed to industrial development and technological upgrading, supported by policy incentives and economic zones. Nonetheless, structural constraints such as bureaucratic inefficiencies and infrastructure deficits continue to limit its full potential (Shah, 2013).

7. Agricultural Development

Agriculture remains central to Bangladesh's economy, ensuring food security and employment. Technological innovations, including high-yielding varieties and irrigation expansion, have improved productivity. However, challenges related to

climate change, land fragmentation, and market inefficiencies persist (Prince et al., 2022; Barmon et al., 2025).

8. Remittances

Remittances constitute a critical component of Bangladesh's external sector, supporting household income, reducing poverty, and strengthening foreign exchange reserves (Javid et al., 2012; Barai, 2012; Newland & Patrick, 2004).

9. Social Development

Significant progress has been achieved in education, healthcare, and gender inclusion (Chowdhury et al., 2013; Kabeer, 2011). However, disparities in quality and access remain important concerns.

10. Structural Constraints

Despite notable achievements, Bangladesh faces persistent challenges including inequality, governance deficits, environmental vulnerability, and limited economic diversification.

11. Conclusion

Bangladesh's development trajectory illustrates the potential for rapid growth under adverse initial conditions. Sustaining this progress requires institutional strengthening, diversification, and investment in human capital.

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