



Why knowledge-based economies are richer



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IT is inarguable that education is important, as it opens the door to a better life for everyone. But when it comes to what higher education means for the economic growth of a country like Bangladesh, we cannot reach a conclusive decision. However, developed countries have made a shift from industrial to knowledge-based societies. They view the economy as culture, not just as financial and material capital, giving due consideration to the other dimensions as well. This concept of the knowledge-based economy, which is opposed to the conventional material-based capital one, has been implemented in those countries.

Education systems for the knowledge-driven economy reach larger segments of the population. These systems produce a workforce equipped with higher-level skills and creative quality, and foster lifelong learning for them. They acquire adaptation to the changing demands of the knowledge-based economy and promote international recognition of the credentials granted by the country's educational institutions.

Before making any structural transformation in the economic sectors in Bangladesh, we need to know how countries like China, India, South Korea, Singapore, Taiwan, Malaysia, Japan, and Chile have fostered their economic growth. Historically, the expansion of industrial activities, particularly manufacturing industries has been associated with rapid growth in economic development. There are also many service activities that are tradeable and many non-traditional natural-resource based products that provide the potential for high growth. It is noteworthy that rapid growth depends on how fast the rate is at which labour would move from low-

productive informal activities to high productive sectors. The expansion of non-traditional agriculture has played an important role in economic development in Chile (Ha-Joon Chang, 2002).

Therefore, the modernisation of traditional agriculture can be a significant source of productivity gain. India has benefited tremendously from exports of Information Technology and Business Processing Outsourcing services and Chile has successfully diversified from copper into advanced fisheries and fruit products. The software outsourcing

engineering and otherwise appropriating foreign knowledge), macroeconomic stability, high investment rates, economic incentive and an institutional regime that demanded improved performance. Most of the fast developing countries in Asia except for Korea and India are using Foreign Direct Investment extensively as a way to acquire foreign knowledge and to penetrate export markets. These countries have been producing an increasing variety of goods and services by applying new technology and advanced knowledge. This has happened because

supportive enabling environment (UNO 2007). Technological advance is complementary with higher skills and more education. Therefore, education and skills are becoming more important in the context of global competitiveness.

The government of Bangladesh is working on reaching a developed country status by 2041 by increasing GDP per capita to USD 12,000 from USD 1,700 over the next 22 years. By forging a path towards creating a knowledge-based economy and society, Bangladesh will possibly achieve that status by 2041.



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industry in India earns USD 175 billion, whereas software earning in Bangladesh is about USD 700 million. Fast economic development happened in India and China not primarily because their labour-endowment advantage gave them the ability to compete in labour-intensive manufactures. But because they were able to quickly diversify into more sophisticated, technically-demanding activities that supported higher rates of economic growth.

The development story of Singapore, South Korea, and Taiwan is different and interesting. It is an example of moving the economy quickly from a cheap, unskilled workforce to becoming a knowledge-based economy. The top priority sector of their governments was education. They invested a lot in secondary, vocational and tertiary education, in upgrading the skills of the workers in order to remain competitive. Their strategies of economies included strong outward orientation, heavy use of foreign knowledge (including copying and reverse

of the increasing importance of new manufactured products and services in trade. Interestingly, in this century, the demand for manufactured products is more income-elastic than for primary commodities.

The key strengths of both India and China are their large domestic market, their young generation, a strong business sector with experience in the market institutions, and also a well-developed legal and financial system. In addition, from the perspective of the knowledge economy, another source of strength is a large mass of highly trained English-speaking engineers, businessmen, economists, scientists and other professionals, who have been the dynamo behind the growth of the service sector. Nowadays, competitiveness does not just depend on the cost of factors of production, or on a specific technological advantage. Rather, it depends on continuous innovation, high-level skills and learning, efficient communications and transport infrastructure, and a

But it won't be an easy task, and the country will face many challenges in the increasingly competitive and fast-changing global economy.

At this stage, Bangladesh's population has average educational attainment. And the supply of highly trained knowledgeable workers required for the knowledge-based economy is very limited. The higher education system in Bangladesh is traditional, and it is not future-oriented. Present teaching pedagogy encourages memorisation, and learning is mainly classroom teaching. Students are passive recipients of this methodology. Teaching is deeply teacher-centred. It should be student-centred.

Universities should develop expertise in fields essential to human flourishing. And the government needs to invest heavily in the education sector in order to produce highly skilled and innovative workers to meet the nation's perceived economic needs.