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**Trade, Growth and Wage Inequality in Bangladesh**

Hiranya K Nath and Khawaja A. Mamun

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**Abstract:**

Using model selection technique based on out-of-sample predictive ability criterion in Vector Autoregression (VAR) framework to identify the 'best' model for growth, trade and wage inequality this paper examines the causal relations between these variables in Bangladesh between 1971 and 2000. There is some evidence of bi-directional causality between growth and inequality, and between trade and growth. That growth causes trade and that trade causes inequality are two robust results. Furthermore, evidence strongly suggests that investment is important for trade, and the terms of trade between agricultural products and manufacturing products is an important causal determinant of both growth and trade.