

Clearing the air

One often hears the call to ban all harmful emissions and/or to use the power of governmental regulatory enforcement to punish all lawbreakers. Unfortunately, such "cease and desist" practices, which fall under the rubric "command and control," have not always worked even in developed countries.

ABDULLAH SHIBLI

THE recently concluded conference on river pollution held at the Daily Star premises was an important step for bringing some important policy issues to the national spotlight. In the past, both the government and our civil society had identified our major environmental problems, and the government had taken some steps to mitigate them. The effectiveness of these initiatives has been mixed.

Given these twin macro-level problems, i.e., unmitigated environmental degradation and well-intentioned but ineffective policies adopted in the past, we need to take a fresh look at our environmental policy. What policy instruments need to be in place to steer us towards a cleaner environment?

Pitfalls of "one size fits all" policy
A few years ago, I worked as an Environmental Economist for USAID and UNDP on the National Environmental Action Plan (NEMAP) of Bangladesh. During my conversations with the department of environment and other stakeholders in Bangladesh, it was clear to me that all parties accepted the fact that the cost of implementing many of the available technological solutions and alternative lifestyles were considerably higher than the "business as usual" practices.

For example, to reduce emissions, if a

"scrubber" is fitted to a sulphur-emitting power plant, the cost of generating electricity goes up. Similarly, the cost of growing food using cleaner technologies is higher than current practices that rely on chemical fertilisers and pesticides. The unanimous verdict was, "we need cleaner technology, but the cost is too high."

Fortunately, this last conclusion is not as pessimistic as it might first appear. Historically, all developed countries that have assessed the costs and benefits of cleaner standards and practices, basically reached the same conclusion in the first round of what is known as Regulatory Impact Assessment (RIA), if that is any consolation.

Secondly, many countries today face similar ecological issues, and Bangladesh can pick and choose from policy instruments that have been tested in earlier times or in other countries. The theme heard at various international forums is universal: How can developing countries promote cleaner environment and balance the needs of faster economic growth at the same time?

In this context, one often hears the call to ban all harmful emissions and/or to use the power of governmental regulatory enforcement to punish all lawbreakers. Unfortunately, such "cease and desist" practices, which fall under the rubric "command and control," have not always worked even in developed countries. In US, Congress passed the Clean Air Act in

1970, and the Environmental Protection Agency (EPA) subsequently issued numerous rules and regulations to control pollution. However, they were largely ignored by the polluters. Many powerful industries, such as automotive, agrobusiness and power generation, resorted to lobbying for exemptions, or sought leniency in courts when faced with fines.

The cost of implementation of many of these regulations was high and often outweighed the resultant benefits. Another problem with many of these so-called "command and control" measures is that they often do not discriminate between large factories and the smaller ones. Larger units enjoy the "economies of scale," but this fundamental principle is sometimes overlooked when policy issues are debated and regulators try to enforce a "one size fits all" policy.

In my earlier work at Harvard University on the tanneries in South India, it was amply clear that the industries would not buy into a policy of "one size fits all," and did their utmost to bypass any such initiative. Such heavy-handed practices also breed corruption. After all, if it costs you Tk.5 crores to comply with a regulation whereas you can pay Tk.50 lakh to buy a compliance certificate, one does not have to be a rocket scientist to figure out which course will be preferred by the perpetrators.

The experience of US paper and pulp industry is also extremely illustrative in this respect. This industry was discharging wastewater that was found to contain dioxin, a known carcinogen. It was given a time frame to take actions but to no avail. The crucial question facing the EPA was: how to provide a regulatory framework that was enforceable but also cost effective. Eventually, an incentive-based system allowed the industry to voluntarily meet the deadline and standards adopted by EPA.



JOHN FOX

Suffocating the world.

Incentives-based policy

Incentives-based policy instruments include tax, subsidies, and tradable permits. While many might shudder at the thought of using tax instruments to promote a cleaner environment, policy makers around the globe are now gradually warming up to the use of these Pigovian Taxes (named after economist A.C. Pigou) to curtail consumption of fossil fuel and to affect human behaviour.

The current crisis in the world economy has given global leaders and policy makers in all countries a chance to take a

hard look at the major economic and regulatory institutions and their role in the economic development of a country. We all recognise that some of the major challenges in the coming years are global warming, cleaner air, water, and earth, and the promotion of greener technology.

A carbon tax

A few years ago, while working as a TOKTEN consultant for the National Bureau of Revenue in Bangladesh, I suggested that our policy-makers consider a market-based policy to reduce carbon emissions. According to my estimates, a

tax of Tk.500 per ton of coal and Tk.1,000 per MT of crude oil would enable Bangladesh to raise Tk.193 crores in additional revenue. Some of the factors that make a carbon tax a serious contender are its international acceptability, high elasticity and transparency. It is also easy to implement, and offers an incentive for the development of alternative and renewable sources of energy in Bangladesh.

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No more feather duster approach, please

The proposed three year long tax concession on undisclosed money will simply not work. Concessions lasting for three years will certainly end up with feather dusting the surface, like the schemes introduced in 2000-01 and 2004-05.

MOAZZEM HOSSAIN

THE first budget of the incumbent Finance Minister, A.M.A. Muhith certainly stirred an intense debate at least in two areas: the projected growth estimate for the 2009-10 (5.5-6.0%) fiscal year and about the proposed approach to whitening black money. Sensing the discord among leading economists and former finance advisers, the FM was on the back foot on both the issues the next day when other economists also addressed the media.

Almost all commentators have been suggesting that the growth forecast is at the lower end of the scale compared to the actual growth achieved during the caretaker government, even when the economy was in turmoil due to Cyclone Sidr, high world food and fuel prices and domestic political uncertainty before the general election in 2008.

The honourable minister made it clear

to the media that the growth rate figure of 5.5 was a printing error, it was meant to be 5.5% to 6.0%. Unfortunately, such an error caused a major confusion and was very costly indeed for the ministry.

Most of the economists are of the view that, even if the upper limit of the rate is 6%, it is certainly a low estimate given the resilient performance (relatively) of the Bangladesh economy during a time of great economic slowdown globally. One of the former advisers even suggested that a figure between 6 and 6.5% is appropriate, given the growth expected in the current year (5.9%).

While it is true that 5.5% to 6% is low, one is convinced that this was not the outcome of the performance barometer of only one year (2008-09). I am sure the finance ministry has a mechanism in place to work out the year-to-year rate. One also expects that at least the major think tanks will keep tabs on the macro-economic issues, and know about the method used by the ministry for this

purpose.

Generally, there are major categories for such a short-term forecast: conservative, stable and optimistic. It appears from the press conference that 5.5% to 6% growth next year is a conservative estimate, given the great global recession. Being conservative in uncertain eco-

nomics times is not a weakness.

The honourable minister is perhaps cautious and likes to play on a back foot, which is fine. One should be mindful about sudden external factors, which could drag the economy down without warning.

It is whitening of black money that is



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Whiten your money at 10%!

the most contentious issue. Even this daily, in its editorial on the 14, appealed to the government for a review or revision of the proposal. Personally, I made my position on whitening black money clear via a *Daily Star* op-ed published on April 1.

Among other things (including his personal preference), the finance minister was of the view that this measure was driven more by politics than economics or business ethics. Why was it driven by politics only? Certainly, this was not elaborated in the press conference, hence, it created confusion among the commentators, experts and the media.

While one sympathises with, or can see some merits in, the opposing views to the approach the budget proposed to realise additional resources and create employment out of the whitening scheme spreading over three years, one still is not convinced that a popular government should keep such a clean-up process on the back burner on ethical or other grounds during a global crisis. Is not every dime precious now? For this nation, cleaning up of corruption should start in earnest in order to seal the sources of undisclosed money once and for all.

Let us summarise the objections before concluding. First, it has been mentioned that in the past such a mea-

sure brought minimum response, hence it cannot be economically beneficial or sound. Second, without a provision for penalties, such a tax concession to the offenders is morally unacceptable. Third, if at all tax concession has been allowed, this should be only for the honest earnings. Last but not least, the whitening measure proposes an age-old "feather duster" approach and is doomed to fail.

To be fair, it appears that both the commentators and the budget missed the fundamental point on this issue. The point here is to start a genuine attempt to clean the black money mess accumulated over a long period of time. The approach proposed by the budget, in fact, raised more questions than answers -- it allows a feather duster, instead of carrot and stick, approach.

The proposed three year long tax concession on undisclosed money will simply not work. Concessions lasting for three years will certainly end up with feather dusting the surface, like the schemes introduced in 2000-01 and 2004-05. This is the last thing the nation wants from a government with unprecedented popularity and genuine engagement with the common people.

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Blood in Tehran

That angered marchers even more, and the crowd attacked the building, bringing down the fence and jumping over the wall. Then the Basij members started shooting people. I saw one person shot dead and two more injured. After that, the crowd went wild.

MAZIAR BAHARI

IT wasn't supposed to end like this, but there was blood today in Tehran. The last time I saw so many people on the streets of the city was in November 1978, when the media reported that three-million people took part in demonstrations against the Shah. Today, there were at least half that number walking along the same route from Revolution Square to Liberty Square.

"We walk along this route because from our revolution to Liberty is a long way," said Ahmad, a 54 year-old academic who didn't want to give his full name. Ahmad took part in the 1979 march as well. "I see many similarities between what happened then and now. In both cases we had a clear mandate. Then we wanted to overthrow the Shah. Today we want this little man who has stolen our votes to resign and accept people's votes."

The 'little man' is President Mahmoud Ahmadinejad, and the hundreds of thou-

sands who came to the streets today to protest his re-election and show support for defeated candidate Mir Hossein Mousavi. They ignored the government ban on public demonstrations and its consequences.

From morning until the march began around 4 p.m., the state-controlled radio and television broadcast announcements that "the Interior Ministry didn't issue any permit for today's demonstrations," and that "those who do not observe the law will be punished." Many people expected that they might get beaten up or shot at like they were on Saturday and Sunday.

I filmed the demonstration. In the beginning, people were reluctant to be filmed and asked for my press card to make sure that I was a journalist and not an intelligence officer. But as more people joined the marchers, people seemed to relax.

What may have put everyone at ease was the silence. Today's demonstration was a peaceful protest against what

Mousavi supporters call an electoral coup d'etat. People asked each other not to clap or even say Allah o Akbar (God is Great), which has become the main chant of Mousavi supporters over the past few days.

When they passed by police and security forces, who had brutally beaten them as recently as Monday morning, people smiled and even gave them flowers. When army helicopters flew over the demonstrators, they waved and flashed V signs.

Such were the early symbols of today's demonstrations. Still, whenever the crowd passed by a base of the Basij paramilitary group, there was tension in the air. "In the past few days members of the Basij have been infiltrating our group in our neighbourhood and provoked violence," says Emad who didn't give his full name. "They broke all the shop windows in my neighbourhood. When a shop owner caught one of them, he realised that he is a member of Basij."

The Basij originally started as a volunteer force to protect the security of the nation and fight against foreign enemies. Mousavi himself famously said "I'm proud to be a Basij member." But the organisation has recently become identified with hardline vigilantes. Even though many neighbourhood Basij members did not take part in the beatings of the past few days, the thugs who clubbed the young demonstrators called themselves

true members of Basij.

Along the march route, Basij members looking through the curtains at their compounds seemed wary of the passing crowd. They were right to be. As the demonstration drew to an end, some marchers gathered around a Basij base just north of Liberty Square. Basij members on the roof started shooting in the air.

The shots provoked the demonstrators, who started to chant more slogans against the Basij. And then someone threw a rock at the building and then someone else threw another rock. The Basij inside fired more shots into the air. That angered marchers even more, and the crowd attacked the building, bringing down the fence and jumping over the wall. Then the Basij members started shooting people. I saw one person shot dead and two more injured. After that, the crowd went wild.

"We'll kill those who killed our brothers," the crowd chanted and then "Death to the Islamic Republic," a slogan which was in contrast with the objective of the marchers during the day. "Hush. Be Quiet! Change the Slogan! Allah o Akbar!" screamed most people. "We haven't come here to say Death to the Islamic Republic," said one man. "We're here to support Mousavi," said a woman. "Those who chant these damaging slogans are infiltrators who



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Cracking down.

want to provoke Ahmadinejad's government to announce martial law and stop any reform."

When I tried to film the demonstrators who were chanting "Death to Islamic Republic," they tried to take my camera away from me. I managed to leave the scene only with the help of a group of silent demonstrators.

Mousavi's supporters are planning to

stage another peaceful protest tomorrow. They are also talking about a national strike on Wednesday. Tonight, it is difficult to predict what that will bring, or what the end result of the cycle of demonstrations will be.

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