

Neo-liberal rally drags on

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With a big outlay of Tk 163,589 crore, Finance Minister AMA Muhith placed the national budget for fiscal 2011-12. The budget, like before, has triggered huge discussion and debate. As the Awami League-led government is now in the middle of its tenure, the finance minister has tried to strike a balance between several pressures. To do this, he had to take a lot of risks.

But, this is not the entire story of the proposed budget. Rather, the budget needs to be reviewed by economic philosophy as well as historical trend. In the budget for the current fiscal year, Awami League clearly uncovered their biasness towards neo-liberalism. Now, the proposed budget for the next fiscal year appeared as an extension of neo-liberal rally. The extension is backed by the government's move to get \$1 billion loan from the International Monetary Fund (IMF) as balance of payments support. Moreover, corporate lobbies put pressure on the government to give them free market.

Neo-liberalism underscores superiority of market as the best ways for the maximisation of growth and minimal role of state in the development process. It has allowed the liberalisation of labour rules, privatisation of state assets and budget cuts in the social sectors.

In the proposed budget, the finance minister drastically cut the allocation of agricultural subsidy by 21 percent to Tk 4,200 crore from Tk 5,700 crore in the revised budget of FY2011. This is an alarming move when the country is struggling to ensure food security. Interestingly, there is no explanation on rationale of such reduction. When poor farmers have just started to get some benefit of subsidy, cutting the allocation will hurt them in near future.

Of the total budget allocation for the agriculture ministry, 85 percent will be for non-development expenditure in the next fiscal year. Thus, the development focus on agriculture has actually been reduced. Is it to promote corporatisation of agriculture as big businesses are gradually entering the sector?

The proportional reduction of budgetary allocation on social safety net is another area of concern. Though Tk 22,566 crore has been allocated for social safety net, which is 13.8 percent of the total budget, the portion was 16 percent in the outgoing fiscal year's revised budget. The total number of targeted beneficiaries of the safety net programmes has been decreased by 5 percent and five programmes have been discontinued although two new projects were included.

The trend analysis of social safety net programmes revealed that on an average, the annual allocation on development has increased by 17 percent, while the average increment rate of non-development budget is 36 percent.

Interestingly, the latest Household Income and Expenditure Survey (HIES-2010), prepared by the Bangladesh Bureau of Statistics, identified the social safety net programmes as one of the con-



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Social welfare plans help cut poverty, according to Bangladesh Bureau of Statistics.

tributing factors to poverty reduction. Being that true, how does the government opt for cutting down the real allocation for these programmes?

Moreover, when inflation is jumping and limited income and poor people are losing their real income very rapidly, ignoring the increase and expansion of safety net programmes clearly signals that neo-liberal policy is driving the government.

A tricky step in the budget is cutting income tax rate at source of profit originated from national savings instruments. The finance minister reduced the tax rate to 5 percent from previous year's 10 percent but brought all types of savings instruments under the source tax. So far, profit on family and pensioner savings instrument was tax-

free.

On the other hand, individual investors in the capital market get unbind tax benefit. Any amount of capital gain of an individual stock investor was kept tax-free. Moreover, tax identification number (TIN) for a beneficiary owner's (BO) account holder was not made mandatory.

Clearly, the finance minister bowed down to pressure from speculators and gamblers in the name of stability in the stockmarket and continued huge tax discrimination. A pensioner has to pay Tk 5,000 for earning Tk 1 lakh by investing into a savings instrument. But a share trader or speculator would not pay a single paisa for earning Tk 10 lakh as profit or capital gain by investing in the capital market. It is totally an injustice and

unacceptable but obviously in line with neo-liberalism. Neo-liberalism encourages risky but speculative activities to consolidate finance capital at the expenses of the taxpayers.

When most of the people are suffering due to a lack of health services, proportional allocation of health budget has been decreased to 5.4 percent of the total budgetary allocation, while it was 6 percent in the outgoing budget. Thus the per capita allocation in healthcare is still below Tk 600, according to an estimate prepared by local research organisation Unnayan Onneshan. Moreover, there are no specific and well planned budgetary steps for the rural population, who has less access to health services. All these indicate that people has to resort to privately run commercial healthcare system and pay more for one of their basic rights.

Public transport is totally in mess due to an aggressive domination of the private sector. The budget also makes effort to keep the road transport as well as the private sector cheerful at the expenses of the people's hard earned money. Rail communication is ignored again and mega constructions like bridges and expressways get priority. Big firms will extract a huge profit through these contracts, while influential policymakers and politicians will get their 'commission'.

In the name of lowering losses in the power sector, allocation for subsidies has been reduced by Tk 1,000 crore. And the finance minister clearly mentioned in his budget speech that price adjustment is a must. That means the prices of electricity will increase in near future.

In fact, the government is gradually relying on rental power plants, run by the private sector and paying very high charges. Over the years, ignoring the state-owned power generation capacity makes the reliance on costly private sector unavoidable and a few companies virtually took the power sector in their grip. This will ultimately increase cost of living and industrialisation.

The role of the state in ensuring basic rights such as healthcare, education and housing, is gradually shrinking. Obviously, people with limited income have not enough earnings to pay for the higher charges of different utilities and public services. So, they will have to earn more beyond their means, or compromise with their living standards.

Neo-liberalism actually encourages people to be involved in corruption and irregularities, while marginalisation of the mass is prompted. The result is social instability and disparity.

Although the national poverty rate declined to 31.5 percent in 2010 from 40 percent in 2005, the inequality, as represented by GINI-Coefficient is almost unchanged. In 2005, national GINI was 0.467, while in 2010 it slightly declined to 0.458. Thus, neo-liberalism has continued to dim the poverty reduction efforts.

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Unemployment is the real price of war

GREGG EASTERBROOK

The cost of ongoing US wars in Afghanistan, Iraq and Libya is up to at least \$1.2 trillion. What would the economic recovery look like if that money hadn't been spent?

The GDP was about \$10.1 trillion when US forces invaded Afghanistan, and is \$14.7 trillion now, an annualised growth rate at around 2 percent. That the US economy still was able to grow despite war cost -- every penny of it borrowed -- other runaway borrowing, and the 2008 revelation of systemic perfidy on Wall Street, at the big banks and at Fannie Mae is testimony to America's vibrancy.

But imagine if \$1.2 trillion had been added to the economy, rather than spent on war. Of course lower military spending does not translate one-for-one into increased economic growth -- the two aren't directly correlated. But they are related, and as Harvard economist Martin Feldstein said last week, "each dollar of extra deficit adds much less than a dollar to GDP."

So imagine that \$1.2 trillion had not been spent smashing things, including America's own military hardware, in Iraq, Afghanistan and now Libya. War, after all, is about killing people and destroying resources. Economic growth is about empowering people and creating value.

Add war costs back into the economy and the US GDP would be around \$16 trillion today, an annualised growth rate of roughly 3

percent for the last decade. At that level of growth, unemployment would be lower, deficits would be lower and the national mood brighter.

Not having spent money on war would be no panacea. If there'd been no Afghanistan, Iraq or Libya wars, the United States nevertheless would have felt the economic turbulence all the West has flown through. The European Union spent almost nothing

on these wars, and its economies cooled, too.

But without at least \$1.2 trillion spent on the last decade's wars, the United States would be in much better economic and fiscal condition. And the true cost may be higher. The 2010 book "The Three Trillion Dollar War" by Joseph Stiglitz, a Nobel-winning economist, and by Linda Bilmes estimates that long-term expenses such as disability

payments will drive the number to that level. Destroying resources gets expensive fast. Last week, the White House acknowledged that US air strikes in Libya have already cost \$1 billion.

While the Base Realignment and Closure Commission has been engaged in a two-decades-long tooth-pulling exercise to shutter military installations within the United States, we've been furiously

opening new ones overseas -- nearly 100 US military facilities now operating in Iraq and Afghanistan. The value of the dollars that funds these bases leaves the United States, weakening the US economy.

It is far from clear that United States wars in Iraq, Afghanistan and now Libya were national security requirements, or morally defensible. Outgoing Defence Secretary Robert Gates, a Republican and lifelong pillar of the military and intelligence establishments, just told Thom Shanker and Elisabeth Bumiller of the New York Times the country should avoid "wars of choice."

After 9/11, the United States was justified in counterattacking Afghanistan in self-defense. Al Qaeda there is long since routed and Osama bin-Laden is dead, yet a huge US military force remains -- doing what, exactly? The White House can't even explain what the Afghanistan war is supposed to be achieving.

Eight year later, no coherent explanation for the invasion of Iraq has been offered by presidents of either party. Saddam Hussein is long since dead, and Saddam's purported atomic weapons program has long since been shown nonexistent by Pentagon investigators in conquered Iraq. Yet the United States still spends lavishly in Iraq, including, the Washington Post just reported, by giving the Iraqi army American M-1 tanks, the best -- and by far most expensive -- tank in the United States arsenal.

One of the original stated reasons for invasion of Iraq was to disarm it. Now Iraq is receiving powerful advanced

armaments at American expense. Set aside whether this makes any sense; the cost is depressing the US economy.

Ninety days ago, the United States began bombing Libya. President Barack Obama has already become sufficiently Nixonian in that he just told Congress three months of bombing does not constitute "hostilities" under the War Powers Act. The stated reason a US-led NATO force began bombing Libya was to prevent the Qaddafi government from killing civilians. Now NATO is killing civilians in Libya. Set aside whether this makes any sense; the cost is depressing the US economy.

Not only does the \$1.2 trillion represent money invested in destruction rather than creation: as borrowed money, it gives business reason to think the nation's future is dim. Businesses that think the US future is dim are investing their capital outside the United States, in nations not engaged in budget-busting military adventures their own leaders can't explain.

In 1781, George Washington said the cost of the Revolutionary War must be repaid immediately, lest his peers "ungenerously throw upon posterity the burden which we ourselves ought to bear." The Revolutionary War bought something of great value, liberty. America's three ongoing wars are buying what, exactly?

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REUTERS

US Army soldiers from the 2nd Platoon, B battery 2-8 field artillery, fire a howitzer artillery piece at Seprwan Ghar forward fire base in Panjwai district in Kandahar province, Afghanistan, on June 12.