

What America's economy needs from Trump



BUSINESS & FINANCE
DONALD Trump's astonishing victory in the United States presidential election has made one thing abundantly clear: too many Americans – particularly white male Americans – feel left behind. It is not just a feeling; many Americans really have been left behind. It can be seen in the data no less clearly than in their anger. And, as I have argued repeatedly, an economic system that doesn't "deliver" for large parts of the population is a failed economic system. So what should President-elect Trump do about it?

Over the last third of a century, the rules of America's economic system have been rewritten in ways that serve a few at the top, while harming the economy as a whole, and especially the bottom 80 percent. The irony of Trump's victory is that it was the Republican Party he now leads that pushed for extreme globalisation and against the policy frameworks that would have mitigated the trauma associated with it. But history matters: China and India are now integrated into the global economy. Besides, technology has been advancing so fast that the number of jobs globally in manufacturing is declining.

The implication is that there is no way Trump can bring a significant number of well-paying manufacturing jobs back to the US. He can bring manufacturing back, through advanced manufacturing, but there will be few jobs. And he

can bring jobs back, but they will be low-wage jobs, not the high-paying jobs of the 1950s.

If Trump is serious about tackling inequality, he must rewrite the rules yet again, in a way that serves all of society, not just people like him.

The first order of business is to boost investment, thereby restoring robust long-term growth. Specifically, Trump should emphasise spending on infrastructure and research. Shockingly for a country whose economic success is based on technological innovation, the GDP share of investment in basic research is lower today than it was a half-century ago.

Improved infrastructure would enhance the returns from private investment, which has been lagging as well. Ensuring greater financial access for small and medium-size enterprises, including those headed by women, would also stimulate private investment. A carbon tax would provide a welfare trifecta: higher growth as firms retrofit to reflect the increased costs of carbon dioxide emissions; a cleaner environment; and revenue that could be used to finance infrastructure and direct efforts to narrow America's economic divide. But, given Trump's position as a climate change denier, he is unlikely to take advantage of this (which could also induce the world to start imposing tariffs against US products made in ways that violate global climate-change rules).

A comprehensive approach is also needed to improve America's income distribution, which is one of the worst among advanced economies.

While Trump has promised to raise the minimum wage, he is unlikely to undertake other critical changes, like strengthening workers' collective-bargaining rights and negotiating power, and restraining CEO compensation and financialisation.

Regulatory reform must move beyond limiting the damage that the financial sector can do and ensure that the sector genuinely serves society.

rich (but no one else) get richer – must also be reformed. An obvious target should be to eliminate the special treatment of capital gains and dividends. Another is to ensure that companies pay taxes – perhaps by lowering the corporate-tax rate for companies that invest and create jobs in America, and raising it for those that do not. As a major beneficiary of this system, however, Trump's pledges to pursue reforms that benefit

Restoring shared prosperity would require policies that expand access to affordable housing and medical care, secure retirement with a modicum of dignity, and allow every American, regardless of family wealth, to afford a post-secondary education commensurate with his or her abilities and interests. But while I could see Trump, a real-estate magnate, supporting a massive housing programme (with most of the benefits going to developers like himself), his promised repeal of the Affordable Care Act (Obamacare) would leave millions of Americans without health insurance. (Soon after the election, he suggested he may move cautiously in this area.)

The problems posed by the disaffected Americans – resulting from decades of neglect – will not be solved quickly or by conventional tools. An effective strategy will need to consider more unconventional solutions, which Republican corporate interests are unlikely to favour. For example, individuals could be allowed to increase their retirement security by putting more money into their Social Security accounts, with commensurate increases in pension benefits. And comprehensive family and sick leave policies would help Americans achieve a less stressful work/life balance.

Likewise, a public option for housing finance could entitle anyone who has paid taxes regularly to a 20 percent down-payment mortgage, commensurate with their ability to service the debt, at an interest rate slightly higher than that at which the government can borrow and service

its own debt. Payments would be channeled through the income-tax system.

Much has changed since President Ronald Reagan began hollowing out the middle class and skewing the benefits of growth to those at the top, and US policies and institutions have not kept pace. From the role of women in the workforce to the rise of the internet to increasing cultural diversity, twenty-first century America is fundamentally different from the America of the 1980s.

If Trump actually wants to help those who have been left behind, he must go beyond the ideological battles of the past. The agenda I have just sketched is not only about the economy: it is about nurturing a dynamic, open, and just society that fulfills the promise of Americans' most cherished values. But while it is, in some ways, somewhat consistent with Trump's campaign promises, in many other ways, it is the antithesis of them.

My very cloudy crystal ball shows a rewriting of the rules, but not to correct the grave mistakes of the Reagan revolution, a milestone on the sordid journey that left so many behind. Rather, the new rules will make the situation worse, excluding even more people from the American dream.

The writer, a Nobel laureate in economics, is University Professor at Columbia University and Chief Economist at the Roosevelt Institute. His most recent book is *The Euro: How a Common Currency Threatens the Future of Europe*.

Copyright: Project Syndicate, 2016. www.project-syndicate.org (Exclusive to The Daily Star)

The problems posed by the disaffected Americans – resulting from decades of neglect – will not be solved quickly or by conventional tools. An effective strategy will need to consider more unconventional solutions, which Republican corporate interests are unlikely to favour.

In April, President Barack Obama's Council of Economic Advisers released a brief showing increasing market concentration in many sectors. That means less competition and higher prices – as sure a way to lower real incomes as lowering wages directly. The US needs to tackle these concentrations of market power, including the newest manifestations in the so-called sharing economy.

America's regressive tax system – which fuels inequality by helping the

ordinary Americans are not credible; as usual with Republicans, tax changes will largely benefit the rich.

Trump will probably also fall short on enhancing equality of opportunity. Ensuring preschool education for all and investing more in public schools is essential if the US is to avoid becoming a neo-feudal country where advantages and disadvantages are passed on from one generation to the next. But Trump has been virtually silent on this topic.

How Bangladesh can become more competitive

DR. ABDULLAH SHIBLI

ACCORDING to the recently published "Global Competitiveness Report (GCR) 2016-2017", Bangladesh is now ranked 106th among the 138 countries included in the survey. Our ranking jumped one notch since the previous year's report came out. We were in the 107th position last year, and 109th the year before. That's good news since progression is always better than retrogression. Not all countries have been able to accomplish that feat, and we only have to turn to China, Vietnam, and Brazil, which either declined or stagnated in the ratings to draw some comfort from our onward march. But what does it all mean, and how come we became more competitive and Vietnam did not? I discuss this because our national press has made a big deal since the publication of this report and to caution the powers that be to pause before we can rest on our laurels.

Let me reiterate that according to Global Competitive Index, we have become more competitive in a year. Bangladesh can hope to be recognised in the near distant future for great infrastructure, business-friendly investment climate, and efficient bureaucratic levers, as well as for the availability of cheap and technically savvy labour force. However, it seems that we still have a long way to go if we read the fine print of GCR. According to the World Economic Forum (WEF), which funds this report, there is a positive correlation between GCI and per capita GDP, i.e. countries which are higher on the competitiveness scale appear to have higher per capita income. Is there any causality here? Apparently so, argues the Switzerland based group. Greater competitiveness generates greater investment and higher per capita income. In his new book, *The Fourth Industrial Revolution*, Professor Klaus Schwab, founder and Executive Chairman of WEF, argues that we are now going through a major change in the global economic system, and expresses fear that many of the world's economies might find themselves ill prepared for this change. Both GCR and GCI are based on the premise that there are twelve pillars that will provide support for the new industrial revolution, and these are: institutions,

infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technologies readiness, market size, business sophistication, and innovation. These twelve factors are the forces driving productivity and prosperity in the global economy, and the competitiveness index is the weighted average of these pillars.

Now, why does competitiveness matter? First of all, from a policymaker's perspective, it gives us a clue as to how the investment climate is changing for the private sector.

for the next tranche of Chinese surplus cash as it looks for safe and high returns. While Bangladesh has negotiated major deals with China in the wake of President Xi Jinping's visit, only a few months ago it was reported that one of China's most prominent developers, Dalian Wanda Group, signed a Memorandum of Understanding (MoU) earlier this year with the northern state of Haryana to develop 'Wanda Industrial New City'. Incidentally, India had jumped by 16 places to 39 in the GCI ranking!

If we look at the detailed report, we notice that Bangladesh moved up in some of the 12

transport infrastructure in Bangladesh via rail, road and waterways has not improved much. "The government should gradually focus on efficiency enhancing factors along with ensuring basic requirements," he added. CPD's own research has shown that private investment as a percentage of GDP has been declining since the AL government took over, and productivity of capital has been going through a roller-coaster ride, but has generally declined over the same period.

This is not to deny that according to a survey of business leaders, about 37.1 percent of all respondents indicated positive changes

rights, ethics and corruption, undue influence, public-sector performance, and security. Respondents also ranked institutions in the private sector, and these include corporate ethics, ethical behaviour of firms, accountability, strength of auditing and reporting standards, efficacy of corporate boards, protection of minority shareholders' interests, and strength of investor protection. We rank very low in all these areas.

In terms of our trust in the efficiency of legal framework in settling and efficiency of legal framework in challenging regulations, and transparency of government policymaking, we are in the lower rungs of the ladder, although it appears that since the last year, our score in the last category has improved. In terms of "irregular payments and bribes", we are #135, one of the last. Why are we not making progress on this front? At a recent forum in Boston, expatriates were asking the same question: how can we be sure we will receive a fair treatment when we apply for permits? Why do we still notice that our corruption level, in terms of amount needed to secure a permit, is going up every year and that licenses are harder to get unless you grease the palm or know someone in the corridors of power?

Two final points. We can, and ought to, use the index not as a black box, but to identify factors that impact our economic development and to raise our collective consciousness and critical thinking. For example, in the category of innovation, we are ranked 121st, but we rank much higher, 72nd, in terms of availability of scientists and engineers. So the puzzle that we need to solve is how come we have the skills but the "scientists and engineers" are not too innovative? Is that a reflection on the quality of our higher education system and the professional environment?

Secondly, the report also sheds light on the performance of some of the key regulatory bodies and government institutions. I might sound like a broken record, but public debate is essential on the issues raised by this report. It's not only about the business climate but also about our identity and the opening up of the opportunity set for the average person.

The writer is an economist and writes on public policy issues.

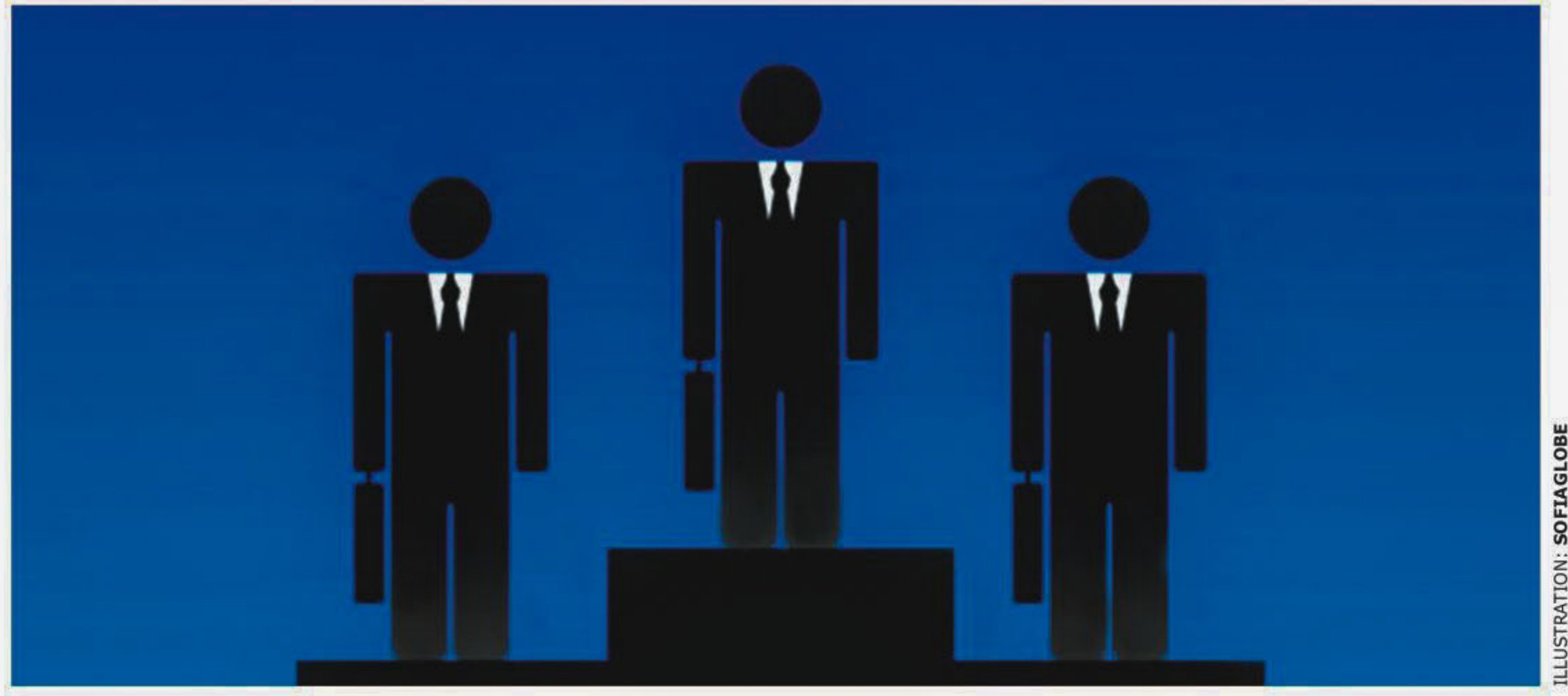


ILLUSTRATION: SOFIAGLOBE

Secondly, the movement in GCI, the scores, and the global ranking provide a valuable signal to foreign investors that Bangladesh is open for business and it provides a safe environment for foreign investment. Just to take an example, if our infrastructure is crumbling and our macroeconomic stability is going downhill, it would be difficult for Nestle to consider Bangladesh seriously as a possible location for the next plant to manufacture Maggi noodles. Needless to point out that investment determines growth and employment, and we are in a way competing with India, Myanmar and Vietnam

categories and down in the others. Though infrastructure is said to have improved in Bangladesh, it still remains the major problematic factor for doing business in the country followed by corruption (or generally "Institutions") and lack of finance, according to the report. Let it be known that the Centre for Policy Development (CPD), which collaborated with WEF, has been critical of our lack of progress in some GCI areas, but it has not been vocal enough, in my opinion. To his credit, Dr. K.G. Moazzem of CPD did not mince words when he said at a press conference that besides power generation,

in the business environment in 2016, but the margin over those who thought otherwise was very narrow. It also transpires from

the survey that this confidence is contingent on the government's ability to deliver on the promised services such as setting up of Special Economic Zones (SEZ), and better access to gas, energy and other infrastructure.

Another major issue, less tangible than infrastructure but nonetheless very much potent, is the lack of faith among our business executives in our institutions. GCI queried the respondents about property

QUOTABLE Quote

CRAZY HORSE

A very great vision is needed and the man who has it must follow it as the eagle seeks the deepest blue of the sky.

CROSSWORD BY THOMAS JOSEPH

ACROSS

- 1 Mathematician Blaise
- 7 Nuisance
- 11 "The Stunt Man" star
- 12 Writer James
- 13 Disappointing
- 15 Spud
- 16 NFL players
- 18 Final, for one
- 21 Arkin or Alda
- 22 Church reading
- 24 Writer Brown
- 25 Summer cooler
- 26 Place
- 27 Uncovers
- 29 Lawyer's job
- 30 New driver, often
- 31 Cast a ballot
- 32 Once more
- 34 Recording
- 40 Lotion additive
- 41 Canadian coin
- 42 Flag waver
- 43 Straying

DOWN

- 1 Career campaigner
- 2 Feasted
- 3 Lush
- 4 Calico material
- 5 Assumed name
- 6 Easter lead-in
- 7 San Diego team
- 8 Sense of self
- 9 Put in stitches
- 10 Finger count
- 14 Board
- 16 Make pigtailed
- 17 Kitchen cooker
- 19 Impact sound
- 20 Taunt
- 21 Say further
- 22 Mountain pass
- 23 Caustic stuff
- 25 Mushrooms and truffles
- 28 Did usher's work
- 29 Andean bird
- 31 Force
- 33 Poker payment
- 34 Carpentry tool
- 35 Ivy League student
- 36 Great weight
- 37 "Put -- happy face"
- 38 Take the gold
- 39 Catch

BEETLE BAILEY by Mort Walker

WHAT A MESS! LOOK AT ALL THE FOOD YOU SPILLED ON THE TABLE!

DON'T WORRY

I ALWAYS CLEAN IT UP!

8-11

YESTERDAY'S ANSWER

P	A	W	A	I	N	S	A	C	H	O
A	W	A	I	T	I	S	L	E	T	
W	E	D	G	E	A	P	A	R	T	
					H	A	N	G	M	O
M	E	A	T	L	O	A	F			
E	R	I	C	D	R	I	F	T	S	
T	I	L	L	S	A	G	R	E	E	
E	N	S	U	E	S	H	E	A	T	
					B	L	O	T	T	E
L	O	G	E	X	E	C				
I	S	A	A	C	S	L	A	V	E	
F	L	A	I	N	T	L	U	T	E	S
T	O	N	Y	S	A	B	E	T	S	

BABY BLUES by Kirkman & Scott

IS SOMETHING ON YOUR MIND, HANMIE?

I THINK I'M TOO OLD TO KISS YOU AND MOM, BUT I'M AFRAID TO TELL MOM.

YOUR MOM IS AN ADULT. IF THAT'S HOW YOU FEEL, I'M SURE SHE'LL UNDERSTAND.

GREAT! THANKS, DAD.

SNIFF!