

## BASIC bank bail out

### What about corrective measures?

BASIC Bank is a very good example of a how a well-functioning public bank can be turned into a non-functioning unit by unscrupulous self-serving people. The scam-ridden BASIC bank has just been given a new lease in life with fresh capital infusion of Tk 1,000 crore. It has so far received Tk 3,390 crore for recapitalisation. The taxpayers have the right to know why money is being put into a bank that is progressively going downhill. Bailing out a government bank without removing the major internal defects and bringing back discipline in the management will mean the more of the same – further waste of public money.

The bank has been in the headlines since 2010, and particularly in 2013 when it approved loans of Tk 4,500 crore, mostly without proper documents and scrutiny. Reportedly, the bank's board and top management were found to have helped the scam. We are not aware if any action has been taken on the Bangladesh Bank's recommendation against the board. As such one may ask why more of taxpayers' money is being thrown in to bolster a bank with a record of poor performance without ensuring necessary remedial measures of its management.

We feel allowing for fresh infusion of capital using taxpayers' money is injudicious. The unconditional recapitalisation of badly managed banks, we believe, is sending the wrong signal to a sector that has been rocked repeatedly by scams. It is imperative that there is an internal reform in the bank that will restore the discipline in loan disbursement without which the move for recapitalisation is bound to be a total waste of taxpayers' money. And those responsible for the bank's current state should also be held to account.

## Flat VAT on weavers

### Harmful for the industry

THE decision to impose a flat 15 percent VAT on weavers is utterly baffling. As the VAT and Supplementary Duty Act, 2012 comes into effect July 1, it seems the traditional weaving industry is set to incur heavy losses. Our market is already flooded with cheap saris and other woven products from India, increasing competition for the local ones. With the imposition of the flat VAT, the prices of these products will increase, leading to a further fall in demand.

It has been reported that local fashion boutiques, which have been the primary promoters and sellers of our local handloom, are also going to be brought under the 15 percent VAT. Whereas we should be promoting and encouraging growth of our local heritage, the flat VAT will serve only to disincentivise the industry as a whole. The National Board of Revenue (NBR) has defended the VAT saying that there are provisions for rebates for the weavers. But here too the formalities are beyond the scope of most weavers since they involve obtaining a Business Identification Number (BIN) online, keeping records of their purchases and filing returns with the NBR regularly. These hurdles make the rebate process complex and thus, not an effective solution.

Countries around the world seek to protect heritage businesses such as that our weavers have practised for generations. They are incentivised and are branded nationally. Our handloom industry, after languishing for decades, recently saw a rise in demand through small and medium industries and fashion houses which promoted these products. Subsidising the industry would not go amiss, while instead the flat VAT decision will in all likelihood destroy it. For these reasons, we urge that weavers and our national handloom industry be kept VAT-free so that it does not perish from pressure of imported products.

## LETTERS TO THE EDITOR

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### The horrible state of our International Airport

In anyone wants to enter the the International Airport in Dhaka to receive guests coming from abroad, s/he has to buy a ticket for TK 300 to walk through an open air pathway. Inside the premises, the monitor displaying flight schedules is too dimly lit and stationed too far away for anyone to be able to check whether a flight has landed or departed. This monitor should have been hung mid-way from the ceiling, with the display bright enough for everyone to read the flight details.

The Exit pathway leading to the parking area is horribly unclean. One can easily trip in the mud, especially after it has rained, given that there is no overhead canopy. The condition of the washrooms is worse than those in railway stations.

The concerned authorities must look into these matters and improve the pitiable standards maintained in our International Airport. It is the first impression that foreigners get upon entering Bangladesh.

Siraj Islam  
Paribagh

### Grief stricken by the London Tower inferno

We are deeply shocked and saddened by the incident at the Grenfell Tower in London, the 24 storey building which was engulfed by fire. The fire that spread swiftly, devouring everything in its path, has killed at least 30 people, with more than 70 still unaccounted for, according to the police. We pray and hope that they are alive and safe.

We pray to The Almighty to save mankind from this sort of horrible fate.

Nur Jahan  
Chittagong

# A sweet budget turns sour



five components. In sequential order, we can determine: i) the current spending and the next; and (ii) development spending. By adding the first and second components, we can then take a look at the third component, (iii) revenue collection, which always falls short of the total budget with components (i) and (ii) for any developing nation, necessitating the presence of the most critical fourth component, (iv) deficit financing. The fifth or the top component of the pentagon is (v) economic growth that the government targets to achieve its goal of welfare through tackling unemployment and poverty.

If we assume this budget of Tk 4 trillion to be equivalent to Tk 400, the reader can estimate the actual figures in the real budget by adding ten zeroes after each number. Tk 400 has two major components: Tk 241 for the current (which budget-makers still erroneously term as 'non-development') and Tk 159 for development allocations. The ratio of current to development budget then turns out to be approximately 60:40 – a good selling point for the government because the ratio was 65:35 a few years ago. It implies that the government is heading in the right direction of increasing the relative share of the development budget gradually. The government can collect Tk 248 through the National Board of Revenue (NBR) and Tk 40 from non-NBR sources, creating a revenue support of Tk 288 (248 + 40), thus generating a deficit of Tk 112 (400 - 288).

The government has to now devise ways on how to finance this gap and we often forget that this is the most arduous task of the ministry of finance. The manner of financing matters a lot to the nation and here we see that the government succumbs to the monster that is *Sanchaypatra* – the most expensive way of financing for which the people have to pay the price. This is the weakest side of the budget that portends a bitter

future for the country. The excise duty on savings turned out to be the sourest innovation of the budget and has since dominated discussions of the budget. Unfortunately, the excise-on-deposit discussion hid the main weakness of the budget – a non-market way of handling *Sanchaypatra*, thus ballooning the interest liability.

The government plans to borrow Tk 60 from domestic sources and Tk 46 from foreign sources. There is still a shortfall of Tk 6 (112 - 60 - 46) which the authorities will make up from an expected amount of foreign grant of Tk 6, completing the total math of the budget.

100 comprising of Tk 60 for current spending and Tk 40 for development projects. The government can earn Tk 72, facing a deficit of Tk 28 which is equivalent to five percent of GDP – a shortfall seen as safe and usual for Bangladesh. These percentage numbers are not at all off track given the budgets of the past five years. This regime started with Tk 1 trillion and now has a budget of Tk 4 trillion in eight years, registering an annual growth rate of 19 percent. This growth is desirable and needed to support four things: annual GDP growth, inflation rate, a natural progression of the budget to gradually cover a larger share of GDP over time, and finally, the

numbers and justify the aspirations of the leadership.

Although the budget was otherwise rightly designed based on the past track record, three things have made this budget sour: (i) excise on bank deposits; (ii) allocation for failing state banks; and (iii) non-market way of financing along with improper numbers in domestic financing.

First, the interest rate on deposit fell from close to 10 percent to below five percent. As a result, even existing excise duties are now unfair. Second, recapitalisation is considered an unethical default-culture fee paid off with taxpayers' money. Third, financing



SOURCE: CROPMIND.BLOGSPOT

In a household, we first look at our earnings and then our expenses. This works in reverse for the state. If we view the budget from the point of view of a household, the government would earn Tk 288, borrow Tk 106 (60 + 46), and receive grants worth Tk 6 making the total collection equivalent to Tk 400 (288 + 106 + 6). It essentially splits the fund into a 60:40 ratio (as discussed above) so we can keep Tk 241 for current spending and Tk 159 for development projects – the numbers that would help achieve the targeted 7.4 percent growth for FY2018.

The budget math becomes even simpler if we think of it in terms of Tk

political ambition premium.

Last year's budget was targeted to be 17 percent of GDP and it finally came out to be 16 percent. This year's target is 18 percent and we hope that it will be 17 percent after realisation – a natural progression rate to become 25 percent of GDP in seven years or so.

A considerable rise that the budget saw this year was actually jacked up by a steep growth in VAT estimates which will jumpstart a new era of revenue collection. The government failed to sell these good points to the public because it lacks economic 'attorneys' who can speak independently to analytically interpret the budget

figures are essentially ridiculous. How can we assume that the government will collect only Tk 30 thousand crore from *Sanchaypatra* at the end of FY2018 whereas its sale has already touched Tk 50 thousand crore? This seems to be a cosmetic dressing to conceal the plague of expensive non-market financing through *Sanchaypatra*. And that damages credibility too. One can only hope that these aspects are removed before the budget gets approved in Parliament.

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## PROJECT ■ SYNDICATE

# How populists win when they lose



wave has suddenly receded: following Emmanuel Macron's big wins in France's presidential and legislative elections, we are supposedly living in a "post-populist moment."

Unfortunately, this view of populism's rise and fall merits the label often attached to populism itself: simplistic. The notion of an unstoppable wave took for

the polity. Think of Farage claiming that Brexit was a "victory for real people." The 48 percent who voted to remain in the European Union, he implied, might not be part of the "real" British people at all.

Or think of Trump announcing at a campaign rally last year: "The only important thing is the unification of the people – because the other people don't mean anything." In other words, the populist decides who the real people are, and whoever refuses to be unified on the populist's terms is excluded – even if they happen to have a British or a US passport.

Populism is thus a form of anti-pluralism. To say that "the people" are rising up against "the establishment" is not a neutral description of political developments; it's actually populist language. It accepts the populists' claim that they authentically represent "the people."

In fact, figures like Farage or the Dutch far-right

by himself. He needed the help of established Conservatives such as Boris Johnson and Michael Gove (both now serve as Prime Minister Theresa May's post-election cabinet). Likewise Trump was not elected as the candidate of a grassroots protest movement of the white working class; he represented a very established party and received the blessing of Republican heavyweights such as Rudy Giuliani and Newt Gingrich.

In fact, if anything, Trump's election was a confirmation of how partisan US politics has become: 90 percent of self-identified Republicans voted for Trump; they clearly could not fathom voting for a Democrat, even if many Republicans in surveys registered deep doubts about the party's nominee. To this day, no right-wing populist has come to power in Western Europe or North America without the collaboration of established conservative elites.

The idea that the Dutch and the French elections heralded the arrival of a "post-populist moment" fails to appreciate the distinction between populism as a claim to a moral monopoly on representation and the policies – think of restrictions on immigration – typically promoted by populists as part of their exclusionary identity politics. For example, Wilders, who really is a populist, did less well than expected in March. But his main competitor, centre-right Prime Minister Mark Rutte, adopted Wilders-like rhetoric – telling immigrants that they should leave the country if they do not want to behave "normally."

Rutte has not become a populist – he does not claim to be the sole legitimate representative of the authentic Dutch people. But political culture is shifting to the right, without any kind of proper democratic authorisation by citizens. Populists may be winning, even though they are nominally losing, as conservatives simply copy their ideas.

This dynamic was evident in the UK's recent election as well. May, who called the snap election when the Conservatives had a 20-point lead in opinion polls, bet that she could destroy Farage's UKIP by imitating it. She succeeded in that goal, but alienated many citizens with her Trump-like rhetoric calling for Britons to unify behind her "strong and stable" government – or else.

As Harvard University's Daniel Ziblatt has pointed out, the consolidation of democracies in Europe has depended crucially on the behaviour of conservative elites. During the interwar period, when conservatives opted to collaborate with authoritarian and fascist parties, democracy died as a result. After World War II, they chose to stick to the rules of the democratic game, even if core conservative interests were not faring well.

Our own era is not remotely comparable to the interwar period, and today's populists are not fascists. But the lesson still holds: the choices made by established elites, as much as the challenges posed by insurgent outsiders, determine the fate of democracy. Those who collaborate with populists – or copy their ideas – must be held accountable.

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US President Donald Trump greets United Kingdom Independence Party interim leader Nigel Farage during a campaign rally in Jackson, Mississippi, on August 24, 2016.

PHOTO: AFP

granted that both the United Kingdom's Brexit referendum and Donald Trump's election in the United States were triumphs for populism, rather than for establishment conservatives.

To be sure, both Farage and Trump are populists, but not because they criticise elites. After all, vigilance toward elites can in fact be a sign of democratic engagement. What distinguishes populists is their claim that they alone represent the "real people" or "the silent majority." For populists, an election is never just about opposing policy views; it is about the personal corruption, immorality, and fundamental illegitimacy of all other contenders for power.

Less obvious, but more pernicious, is the insinuation that citizens who do not share the populist's conception of "the people," and hence do not support the populist politically, are less than legitimate members of

populist Geert Wilders come nowhere close to attracting even a majority of the electorate. When politicians and journalists lazily concede that populists articulate people's "real concerns," they are betraying a deep misunderstanding of how democratic representation actually works.

Democratic representation is not the mechanical reproduction of objectively given interests and identities. Interests and identities are dynamically formed as politicians make offers of representation and citizens respond. Trump, for example, undoubtedly succeeded in persuading some Americans to see themselves as part of something like a white identity movement. But that identity – and the way its adherents frame their interests – could change again.

The image of an irresistible populist "wave" was always misleading. Farage did not bring about Brexit all