

Bilateral instrument signed for repatriation

Must follow a timeline

THE foreign minister will hold a press briefing today on the MoU on Rohingya repatriation. This is our preliminary reaction to what is known so far. A statement of the foreign ministry issued on November 23 said that the first batch of Rohingyas would begin returning to Myanmar in two months' time. There has been a signing of an instrument on the repatriation of more than 620,000 Rohingyas who have been forced to flee to Bangladesh recently.

A joint working group is to be formed within three weeks from the signing of the instrument and we understand that Myanmar has expressed its willingness to take back its "displaced residents." Echoing what the prime minister has already stated, we expect Myanmar to start taking back its nationals immediately. It is imperative that this is not an open-ended affair and that there should be a specific timeline for repatriation without any preconditions from the Myanmar side.

What is of import for both Bangladesh and the international community at large is that the Rohingyas do not end up in a ghetto after repatriation and are guaranteed all rights as citizens of that country. There must be guarantees from Myanmar that order will be restored in the Rakhine State and that there will be no repetition of the widespread violence witnessed by the Rohingya people that had forced them to flee in the first place. Such guarantees are mandatory, without which we will simply be putting off another large-scale exodus of Rohingyas into Bangladesh in the future.

A field day for syndicates

Permit-less autorickshaws in Dhaka

ACCORDING to a report published in this newspaper on Thursday, there are currently about 23,000 autorickshaws plying the streets of Dhaka. Surprisingly, almost half of them, that is about 10,000, are doing so without permission from the authorities concerned. Even worse, as our report reveals, is the reason that these autorickshaws can run in the city—a systematic structure of corruption involving middlemen, traffic policemen and high-ranking police officials. The magnitude of the corruption can be gauged by the estimates of bribe that is passing hands every month: a figure around Tk 5 to 6 crore.

The problems here are many, from the congestion that the influx of vehicles causes to the abuse of authority and power that is taking place. Through interviews, everything from how much bribe is paid to traffic policemen to allow these vehicles to enter Dhaka, the points through which they enter, the details of who to call when there is trouble were all reported. And when asked, the authorities, predictably, have denied all allegations, but the claims of drivers interviewed were collaborated by our reporters first hand.

That the drivers are willing to pay large sums so that they can operate in the capital city is understandable. But that our law enforcers are willing to allow this speaks of blatant disregard for their duties. It is imperative that the police authorities conduct an investigation into the matter. For at the heart of it is not only the issue of thousands of permit-less vehicles, but the ethical integrity of a force which is supposed to be the upholders of the law.

LETTERS TO THE EDITOR

letters@thedadlystar.net

Tackle drug problem

Nowadays, too many young people from high school to university are taking drugs of different types such as marijuana, phensedyl, etc. I saw with my own eyes children aged 15-17 smoking in public places. I personally know some students who regularly go to bars. Despite the fact that there are laws that put restrictions on the sale of tobacco products to underage individuals, nobody seems to care.

Parents need to keep an eye on their children. They must check where their children go and what they do. Government and non-government organisations working on social issues should also join hands to tackle the drug problem.

Mohammad Masum, *By email*

JnU should offer engineering courses

If Bangladesh can continue its current economic progress, it will soon join the league of middle-income nations. But the shortage of technical professionals in the country may be an impediment to our desired growth. Bangladesh must, therefore, focus more on technical and engineering education to produce a skilled workforce.

Jagannath University (JnU) has recently acquired land in Keraniganj to build a large campus. I think the university should introduce engineering courses. Keraniganj is known for the many indigenous technicians who live there. Engineering and technology departments at JnU can help the local industries in a lot of ways. If we want to develop our local industries, we must be able to produce graduates who will have the expertise to manage them.

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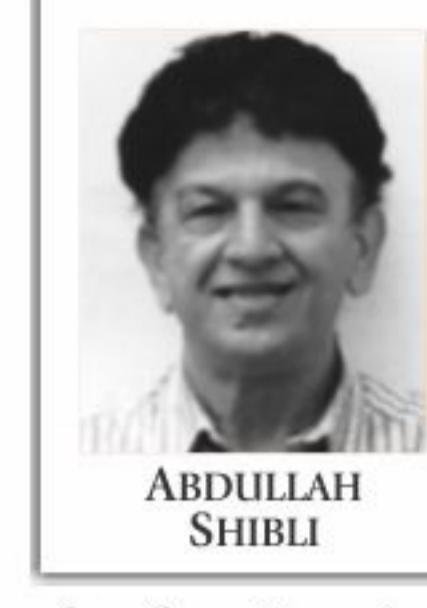
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Why tax cuts don't always boost GDP Lessons from US economy



A T a recent event in Dhaka, Dr Mirza Azizul Islam, the former finance adviser to caretaker government, identified a key dilemma that policymakers often face. He voiced his frustration at the lack of credible research on the impact of tax holidays in Bangladesh. Needless to say, important policy decisions, both in developing and advanced countries, have to be grounded on good data and measured analysis. Unfortunately, in a developed country on the other side of the globe, we can now see that a massive policy overhaul is in progress without much "evidence-based analysis," to quote Dr Islam.

The debate in the USA surrounding President Donald Trump's proposed tax plan, which will cut down corporate tax from the current maximum rate of 35 percent to 20 percent when it is fully implemented, hinges on whether or not the changes in the tax code will increase economic growth and create more jobs. On the one side are Jeffrey Sachs of Columbia and Larry Summers of Harvard, who have expressed serious doubts about its effectiveness. Aligned against them on the opposite side are Martin Feldstein of Harvard and Larry Kotlikoff of Boston University. These two camps are at loggerheads over a very basic and fundamental question: will the reduction in corporate tax provide an incentive to business owners to boost investment and accelerate GDP growth, create jobs, and increase wages? This is not the first time that economists have disagreed over fiscal or monetary policy matters. However, the current debate is unique in that both sides agree on most issues, but the divergence centres around when and how. When will the reduction in tax rates boost investment and job growth, and what is the mechanism for this to happen?

The practice of providing tax incentives to lure new businesses to invest in a country or in a certain industry is an age-old trick. Who gains and who loses if only the rich get tax breaks is another matter. Those in favour of lower taxes for businesses often argue that what's good for business is good for the economy since "a rising tide lifts all boats," as some would like everyone to believe. However, evidence on the efficacy of tax breaks to spur investment is mixed. The last major tax cut in the USA happened

in the late 1980s when President Reagan signed the Tax Reform Act (TRA) of 1986 with bipartisan support. Reagan was a big champion of a hypothesis first proposed by an economist named Arthur Laffer to justify lower taxes. Laffer is considered by some as the guru of supply-side economics, and the eponymous Laffer Curve that bears his name shows that if a government taxes the corporations at a high rate, the actual tax revenue goes down since employment goes down along with it and tax evasion becomes prevalent. And vice versa, i.e. if you lower the corporate tax rate, even though there might be a short run drop in tax collections, lower tax rate motivates businesses to invest more, thus raising employment, income, and eventually government revenue.

Ironically, in 1991, while he was testifying before the US Congress, Donald

incentives and job losses."

What is the moral of the above story? A tax cut might give the economy a shot in the arm but only under certain unique circumstances! Would it work under present conditions? Let us look at the more recent past for some clues. Evidence from the George W Bush-era tax cuts and the 2008 financial incentives reveals that businesses don't always expend the additional revenue from a tax cut on creating jobs. Instead, they save it, send it out to stockholders as dividends, repurchase their stocks, or invest overseas. Once again, Arthur Laffer's predictions did not quite pan out.

President Trump's tax plan includes, besides the reduction in corporate tax, a reduction in taxes across the board, especially for working and middle-income Americans. Now, here is the catch. Trump has also railed repeatedly



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Trump the real-estate businessman strongly condemned Reagan's tax reforms as a disaster, and fumed that "this tax act was just an absolute catastrophe for the country." However, while his recent about-face only shows that President Trump has changed his mind, economists have a much clearer assessment of the results of TRA. According to estimates made by the World Bank, after the implementation of TRA, while GDP growth witnessed a short spike in 1988, US economy was soon hit by a recession during 1990-1991 leading to the defeat of Republican incumbent George Bush. According to the study, "the recession was blamed in part to the 1986 tax reforms, which busted the real estate boom, resulting in sinking property prices, lower investment

against the growing national debt levels, and it needs to be seen if his tax plans, infrastructure building, and other expenditure measures can all be accomplished without a sky-rocketing national debt level! Federal Reserve chief Janet Yellen had already warned Congress earlier that Trump's plan would stoke inflation and create massive debt problems.

Some of the uncertainties surrounding the current tax plan boil down to a few unknowns:

1. What will be its impact on budget deficit and how might that affect the financial market and cost of borrowing?
2. Would it dissipate the "lock-out effect," i.e. the practice of US companies to stash their profits overseas in tax haven to avoid US tax?

3. Will the additional revenue on their bottom line force the US companies to change their behaviour and coax them to invest more rather than save it?

4. Are US companies investing less because investment is not profitable and/or are they starved of adequate resources/profits to reinvest?

To answer these questions, powerful and complicated models have cropped up in every university and government departments to project how key variables such as tax revenues, the federal deficit, and other key macroeconomic variables would track over the next ten years. At this juncture, the most elusive model is one that would predict the most desirable outcome, i.e. "the tax cut will pay for itself." Republicans and advocates for Trump tax cut use a model known as "dynamic scoring models" popularised by Alan Auerbach of Berkeley to show that tax cuts generate more revenue and growth, by extending the time horizon in the calculations. They also argue that the USD 1.5 trillion tax cut over the next 10 years will not increase the national debt.

Another unknown is the behaviour of Fortune 500 companies such as Apple, Microsoft, Cisco, Oracle, and Google which have USD 2.6 trillion stashed away overseas. There are sceptics who doubt that Apple or Microsoft will repatriate these profits to reinvest in the USA. Two economists have estimated that corporations might lose 7 percent of their profits if they keep it hidden in Bahamas or the Cayman Islands, out of reach of the Internal Revenue Service, but that is still less than the 20 percent they would pay if the tax reforms go through, and might not eliminate the lock-out effect altogether. When President George W Bush offered a tax holiday for funds that were repatriated from overseas, firms reported an estimated USD 300 billion of additional profits in 2005. However, investment did not increase and the profits were used for other purposes, mostly for dividends and share buybacks. According to economist Josh Bivens of Economic Policy Institute (EPI), there is no evidence that rising corporate profits beget growth in real wages. And most interestingly, two economists of the prestigious National Bureau of Economic Research (NBER) have argued that there is increased monopolisation in the US, resulting in a drop in investment. The two researches, Germán Gutiérrez and Thomas Philippon of NYU, argue that big monopolies do not have any incentive to invest if they do not face any competition in the marketplace!

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PROJECT ■ SYNDICATE

Poverty is also a psychosocial problem



Being poor is a highly shameful experience, degrading one's dignity and sense of self-worth. While the manifestations and causes of poverty differ, the humiliation that accompanies it is universal. Recent research conducted at the University of Oxford found that from China to the United Kingdom, people facing economic hardship—even children—experience a nearly identical assault on their pride and self-esteem.

Yet, despite the clear evidence linking poverty to psychological distress, policies tackling poverty do not typically take shame into account. Rather, poverty reduction efforts tend to focus on tangible manifestations of deprivation such as lack of income or education. As a result, solutions to poverty often implicitly assume that more material wealth or improved living conditions will automatically translate into non-tangible benefits, including improved mental wellbeing.

This lack of focus on the "psychosocial" side of poverty—the interaction between social forces and individual attitude or behaviour—is misguided. If we are to alleviate human suffering and achieve the UN's premier Sustainable Development Goal of ending poverty "in all its forms" by 2030, addressing the intrinsic and instrumental roles that shame plays in poverty must be front and centre in our efforts.

The crippling sense of dishonour that accompanies poverty, and impedes people from taking positive action to improve their situation, has been seen around the world. In India, the shame associated with crop losses and financial stress has pushed farmers to substance abuse and, in extreme cases, suicide. In Tanzania, researchers studying bilingual education have found that a fear of being mocked can prevent students with weaker English skills from participating in class. And in Uganda, poor high-school students say the inability to pay fees, purchase uniforms, or obtain school supplies is a constant source of humiliation.

To address poverty-related shame, and adequately account for the role shame plays in perpetuating poverty, a number of steps must be taken.

For starters, policymakers should recognise the problem. Rather than seeing shame as an unfortunate by-product of living in poverty, human development planners should consider how poverty undermines human dignity. The Nobel economics laureate Amartya Sen, one of the most influential voices on poverty reduction, has long argued that shame is a driver of "absolute"

Finally, policymakers must be aware that programmes aimed at reducing poverty, if not properly implemented, can actually increase feelings of shame. For example, researchers working in India in 2005 found that Indian women stopped going to health clinics in order to avoid debasing treatment by health workers, to the detriment of their own wellbeing and that of their children. Women in South Africa applying for child support grants have reported similar experiences, as have food bank users in the UK. In fact, many



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poverty. Taking shame seriously must be part of any poverty-reduction strategy.

Moreover, shame, a lack of self-confidence, and low self-esteem can negatively impact how people view their ability to affect change, sustaining a perception of inadequacy that can be debilitating and trap them in poverty. To help people escape, human development strategies must consider how to bolster personal agency, aspiration, and self-efficacy—the belief in one's ability to influence events that affect one's life.

respondents in Britain said the stigma of receiving free food was so severe that "fear" and "embarrassment" were common emotions.

The issue of shame, and the need to take it more seriously in poverty-reduction policies, is slowly gaining traction. Academics who research human suffering have recognised that "recipient dignity" is a crucial component of successful poverty alleviation. For example, a 2016 review of cash transfer programmes in Africa found that the

when policymakers truly grasp that dignity and self-respect are unavoidable prerequisites in the struggle against deprivation—rather than outcomes of its alleviation—will the world have a fighting chance of eradicating poverty in all its forms.

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