

# How do economists regain the trust of Brexit Secretary David Davis?

## As we celebrate Victory Day...

### We must continue working for future victories

As we begin the 46th year of our independence, we pay tribute to the three million Bangalis who selflessly gave up their lives during our Liberation War in return for us to have freedom, and a country of our own. We also recall with reverence the leadership provided by the founding father of this nation, Bangabandhu Sheikh Mujibur Rahman, and the four national leaders during those turbulent days when the Pakistan army, with all its might, viciously descended upon the innocent Bangalis whose only crime was to seek the most basic of human right for themselves and their progenies—the right to self-determination. And we also remember, on this day, our foreign friends, particularly India, for their support during the crucial nine months of the war.

There is much to celebrate on this day, as Bangladesh has come a long way since those days of injustice that the people of this country suffered at the hands of a foreign occupier and their racist policies. However, as we look back and commemorate, there is still much to be desired that we must continue to strive towards in the days to come.

In spite of our tremendous economic progress, the egalitarian society that our martyrs died for is yet to materialise. Economic inequality, along with social and political imbalances continue to draw us back. The existing hostility towards freedom of expression and thought that is unseemly in any democratic society pose grave dangers to the dreams that gave birth to this nation. Large scale corruption, lack of political space for non-conformists and a parliament which cannot yet be said to fully represent the people are only some of the challenges that remain to be overcome. Moreover, transparency and accountability in governance are among some invaluable customs that we have not yet adopted, often leading to the triumph of greed over generosity and partisanship over meritocracy, in our society's independence.

Nevertheless, to fulfill the dreams of the martyrs of 1971 and those of our own, we must remain persistent in our efforts and unwavering in the face of the many challenges that are presently at hand, and of those to come.

## Economic prospects bright in 2018

### Policy reforms can only help growth

ACCORDING to the United Nations (UN) World Economic Situation and Prospects 2018 report launched on December 14, Bangladesh is set to be one of the fastest growing least developed countries (LDCs) in 2018. The report states: "The Bangladesh economy is set to continue expanding at a rapid pace, underpinned by strong domestic demand, especially large infrastructure projects and new initiatives in the energy sector." This is welcome news indeed. It has been estimated that the GDP growth rate will be 7.1 percent in 2018 and 7.2 percent the year after. The country's focus on infrastructure development over the years appears to be paying off. That Bangladesh is breaking the six-plus percent growth threshold means that the economy is on the right track.

While Bangladesh appears set for the near and mid-term economic development goals, the country will have to put special emphasis on economic diversification, reducing inequality, supporting long-term investment and tackling institutional deficiencies as the four areas that need to be addressed. In our case, institutional deficiencies are a major sore point and economic diversification also needs special emphasis. The need for export market diversification for the RMG sector has been talked about for years but is not happening fast enough. Institutions remain hamstrung by red-tape, undermanned and not staffed by the right type of professionals. Given the relative macroeconomic and political stability we enjoy today, there is ample opportunity to address these areas to sustain higher rates of economic growth.



ABDULLAHI SHIBLI

ON December 7, 2017 during a debate in parliament, David Davis, a high ranking British Cabinet Minister, voiced his frustrations with economists, particularly with their practice of creating economic models and predicting the course of events using these models. When pressed further by his fellow parliamentarians, Davis not only expressed his distrust of the statistics that economists sometimes come up with, but also blamed them for the financial crisis of 2008 and mocked their inability to forecast it. I am not sure after such high-profile slandering, whether economists will go out of fashion in academia and policy discussions! And, equally worse, economists might be losing their jobs to politicians or even if they manage to keep their jobs, if anyone will listen to them.

The views expressed by Davis are somewhat different from what we recently heard from our own Dr Mirza Azizul Islam, who is not only an economist but also held the position of Advisor to the Caretaker Government, Ministries of Finance and Planning in 2007-2008. Dr Islam is one of the many policymakers and economists who last month, at a book launch ceremony at the Policy Research Institute (PRI), implored the Bangladesh government to adopt "an evidence-based policymaking process" for making sound and effective economic decisions, to get better outcomes from these models as well as to avoid any unnecessary damaging effect of their decisions on the economy. These experts also emphasised that reliable and timely data on the economy and its various sectors are required for achieving better outcomes from policy decisions.

These two views, one by Davis and the other by Islam, on the need for data, models and analytical rigour are at odds with each other and seem to indicate some discord between politicians in power and their economic advisors. Obviously, my allegiance is with Dr Islam. This is not only because I am an economist but I also know for sure that economists are not as speculative as Davis is making them out to be. As we all know Davis is not an economist—actually he is a career politician—but even a discipline based on science, such as medicine or opinion polls, are often wrong. But let me try to explore deeper to understand why in Britain, the birthplace of Adam Smith and economics as we know it, there is suddenly a distrust of economists.

We now know that the root of Davis's outburst stems from the "fake news" that David Davis himself had previously circulated. He had assured the members of British Parliament that exhaustive work had been under way in Whitehall to create Brexit "impact assessments" across nearly 60 sectors of the economy. Obviously, that gave "the impression of tireless data collection, and painstaking analysis." To the chagrin of MPs, during his speech, Davis did not at all turn and conceded that

some of the studies did not exist. When he was then pressed further and asked whether Theresa May, the Prime Minister (PM) had seen any of the impact assessments, Davis replied: "She won't necessarily have read every single one, they are in excruciating detail." One has to wonder whether even Davis read these assessments.

However, Davis is not alone among high-ranking government officials who have recently given economically modeled a bad name, but for a different reason. During the recent debate in the USA on the tax-cut bill, the Secretary of the Treasury Steve Mnuchin claimed that a team of analysts were working with various economic models which showed that the tax cuts would lead to economic growth, but have a net effect on the budget deficit. And that is what the Republicans wanted to hear and desperately wished that the public would

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David Davis at the European Commission headquarters in Brussels.

believe. Yet, when pressed constantly by Democrats and journalists to release the economic models and the economic analysis to support his claim that "the tax cut will pay for itself", it emerged that there were no such texts, models, or analyses. The New York Times under the headline, "Ahead of Vote, Promised Treasury Analysis of Tax Bill Proves Elusive", unequivocally asserted that the Secretary of the Treasury was lying. Paul Krugman, Nobel laureate in Economics, said more bluntly, "The Treasury's tax document is a shameless attempt to fool the public. In fact there was no economic analysis; Trump officials just made up numbers that would give them the result they wanted."

So once again, the scorecard for this "Game of

Disinformation" played by government officials indicates that the following score: Economic Models: 2 Politicians: 0

Let me end this note with a little bit of philosophical reflection. Never did I imagine that I would live to see this day when a British Minister is disparaging models while a Bangladesh ex-minister, in contrast, is embracing models, assessments, and "evidenced-based policy." Britain is a highly developed market economy with top-notch economists, statisticians, and data centres supporting the government's bureaucratic machine. Nonetheless, Davis is throwing up his hand and indicating that since anything can happen, so we might as well give up modelling. On the other hand, Bangladesh is resource poor and our data quality is not the best but our bureaucrats, researchers and policymakers make the best of what we have.

I do not expect that in the coming months, Britain

will proceed to negotiate with EU relying on guesswork. Whether Davis trusts his economic analysts or not, the British PM does. Last week at a summit in Brussels, Theresa May indicated that UK is prepared to pay 39 billion pounds (or USD 52 billion) for the Brexit divorce settlement. It thus appears that regardless of what Davis told the general public, he advised his PM well. And with these numbers in hand, she knows which deals to extract in the soon-to-start trade talks, since the cost of the divorce needs to be compatible with the benefits, including the gains from staying in EU's single market.

Dr Abdullahi Shibli is an economist and Senior Research Fellow at International Sustainable Development Institute (ISDI), a think tank based in Boston, USA.

## PROJECT SYNDICATE

# Coming clean in 2018



LUCY P. MARCUS

I t has been a bumper year for making the invisible visible. The last 12 months have overflowed with leaks, allegations, and other disclosures, not just of misconduct by individuals, business leaders, and politicians, but also of proactive schemes to prevent misconduct from ever coming to light.

Last month, it came out that a 20-year-old hacker breached Uber's system in 2016 and accessed the information of about 57 million people, including some 600,000 of its drivers in the United

States. Rather than admit to the security flaw, Uber quietly paid the culprit USD 100,000 to destroy the data, in the hope that the victims—and, perhaps more important to Uber, the company's investors—would never find out.

The Equifax data breach—in which hackers gained access to sensitive personal information, from birth dates to Social Security numbers, for about 143 million US customers—was not covered up to quite the same degree. But there was still a six-week period between discovery of the breach and disclosure to

the public, during which three executives sold a small share of their stock, though they insist they had no knowledge of the breach at the time.

A security breach is frustrating, even infuriating, for customers and investors. But willful denial of such a breach decimates trust. If a company discloses a breach, at least customers know they can expect to be told what is happening with their information [and can keep watch for fraudulent activity on their accounts], and investors can assess business risk accurately.

If the truth comes out much later—as in the case of Uber, in particular—a story about a technical problem quickly becomes a story about corporate integrity. Consumers' fears about sharing personal information with

network's parent company, 21st Century Fox, in the face of allegations of sexual harassment. Not only did 21st Century Fox help to keep quiet a USD 32 million settlement reached in January between O'Reilly and a frequent guest on his show (at over the fifth such settlement over O'Reilly's behaviour), the company offered its star a highly lucrative new contract soon after.

O'Reilly was eventually pushed out, but only after the truth about the allegations and settlements were revealed to the public. The company followed essentially the same script with regard to Ailes during his 20-year tenure.

A similar machine protected the Hollywood heavyweight Harvey Weinstein during his decades of using

his abusive behaviour, more victims may gain the confidence to come forward. As power dynamics shift, more victims overcome the belief that they must suffer in silence, and come to trust that enough people will actually listen to them.

In this sense, the acceleration in revelations of the last year is a culmination of a longer-term trend in which larger-life-time power players and seemingly unshakable institutions have been brought down by their own misdeeds. In the aftermath of the global financial crisis, financial sector executives may not have been held full to account for their actions, but the outcry surely contributed to the "shareholder revolt" that began in 2012, with investors rejecting executive pay packages and paying more attention to corporate governance issues.

In sport, numerous FIFA officials, including the international soccer organisation's president Sepp Blatter, were brought down, after decades of match fixing, bribery, and other corrupt practices. And Russia has been banned from the coming Winter Olympic Games for using a complex system to circumvent the drug-testing regime at the 2014 Olympics in Sochi.

One area where the other shoe has yet to drop is in the big cover-up in US politics: the connection between members of Donald Trump's presidential campaign, including his son Donald Trump, Jr, and official Russian circles. The facts, which are gradually emerging, are damning enough. But the ham-fisted attempts to hide the truth are making the situation much worse for the Trump administration, and for US politics more broadly, not to mention the country's international standing.

If nothing else, recent revelations should drive home the maxim that cover-up makes the original mistake ten times worse. President Richard Nixon and many of his aides learned that lesson during the Watergate scandal. In 2018, the Trump administration—and companies like Uber and 21st Century Fox—will ignore it at their peril.

Lucy P. Marcus is CEO of Marcus Venture Consulting, Chicago. Project Syndicate, 2017. www.project-syndicate.org (Exclusive to The Daily Star)



## LETTERS TO THE EDITOR

letters@thedailystar.net

### Move factories out of residential areas

Industrialisation has, no doubt, created new employment opportunities. However, industrialisation should not take place in a way that compromises the environment in residential areas. In many residential areas of Dhaka city, there are small and medium factories. While these factories employ many people, they are also major polluters and hence pose a threat to our standard of living in ways that are sometimes ignored.

For instance, exhaust from factories pollutes the air and leads to respiratory diseases. Chemical waste causes skin diseases, and the noise of the machines may lead to hearing loss. It is high time that the government formulated policies and took actions to move industries out of residential areas.

Ashfaqzaman Chowdhury, Mohamudpur



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companies—and difficult to avoid in modern life—depen, is business becomes an object of heightened scepticism.

But businesses have not just been covering up mistakes; they have also been hiding major crimes by senior figures. Nowhere is this more apparent than in the long-term patterns of sexual harassment and cover-ups that have been exposed in recent months.

At Fox News, leading personalities—from commentator Bill O'Reilly to the company's chair, Roger Ailes—were long protected by the

his position of power to harass and assault women. As the New York Times recently documented, Weinstein received help from all sides. His brother and partner, Robert Weinstein, participated in the payoffs. His business associates were incentivised to look the other way. Reporters were tasked with discrediting accusers. Even the victims' own agents and managers were pressured or paid to advise their clients to stay quiet.

The good news is that when more powerful figures are held to account for