

# Addressing our growing inequality using fiscal policy

## A right decision

### Incentives to rice farmers

THE decision of the government to subsidise agriculture inputs by Tk 3,000 crores, mostly for agriculture machinery, has not come a day too soon. That and the decision to provide 30 percent incentive for rice exporters would partly help ameliorate the distress of the farmers. Apart from our farmers being hostage to nature, oftentimes they find themselves in a catch 22 situation. In our country the farmers are damned if they have a poor season and damned if they have a good harvest. And in the case of the latter happening, they become hostage to the middleman, who take their pound of flesh for the loan they provide to farmers to tide over the bad times. And despite the fact the government has brought the market close to the farmers doorstep by opening purchase centres all over the country, either the purchase price is low, or the government purchase policy is irrational.

This has been a constant scenario in respect to the boro farmers in particular. And every boro season, either there is delay in the government procurement drive or the amount of paddy it decides to procure is only a fraction of what is produced. And this year to top it all the government has decided to buy from the millers on the very ludicrous and flimsy ground that paddy takes up more space than rice.

Whatever may be the policy of the government— incentives for export or agriculture subsidies—unless the middlemen are completely marginalised if not entirely removed from the equation, farmers will remain hostage to what is patently a buyers' market. Not only do they treat the farmers unfairly, they distort the market too. A bumper harvest does not see the concomitant level of price decrease in the retail market. In short, they are the ones who pocket all the profits. And this is what the government should also address seriously.

## Fresh crackdown in Rakhine

### Myanmar's dangerous obsession is a threat to regional security

ACCORDING to the Amnesty International, Myanmar's "unrepentant, unreformed and unaccountable" military has been committing new war crimes since it launched a campaign in recent months against ethnic rebels in northern Rakhine state—the scene of the military's bloody crackdown against the Rohingya Muslims in 2017. The apparent target of the campaign is the Arakan Army (AA), which is fighting for greater autonomy for the state's ethnic Rakhine Buddhists. But as evidence gathered by the Amnesty suggests, the minority Rohingya community is also being targeted in the process. They were among civilians facing extrajudicial killings, arbitrary arrests, torture and enforced disappearances. This has, naturally, ignited fears about a 2017-like situation which saw an exodus of some 740,000 Rohingyas to Bangladesh.

The latest crackdown, which ensued after the AA attacked police posts in January, is significant because it has received enthusiastic support from State Counsellor Aung San Suu Kyi's otherwise acquiescent government, which expressly ordered the army to "crush" the rebels. The 2017 campaign was also launched following a similar attack and went on to create an unprecedented humanitarian crisis.

The fact is, Myanmar's dangerous obsession with using force as a cure-all for all unresolved communal issues, instead of pursuing dialogue, is a threat not only to its own internal security but also to the regional stability. It is most disconcerting for Bangladesh which stares down a bleak future with regard to the Rohingyas living on its soil and now has to brace for the potential geopolitical impact of another crackdown. For one, it may further jeopardise the already diminishing prospect of the repatriation deal between the two countries. Myanmar cannot possibly expect the deal to work while continuing to instil fear in the minds of its persecuted communities. The question is, how long before other regional players understand the far-reaching ramifications of such a situation?



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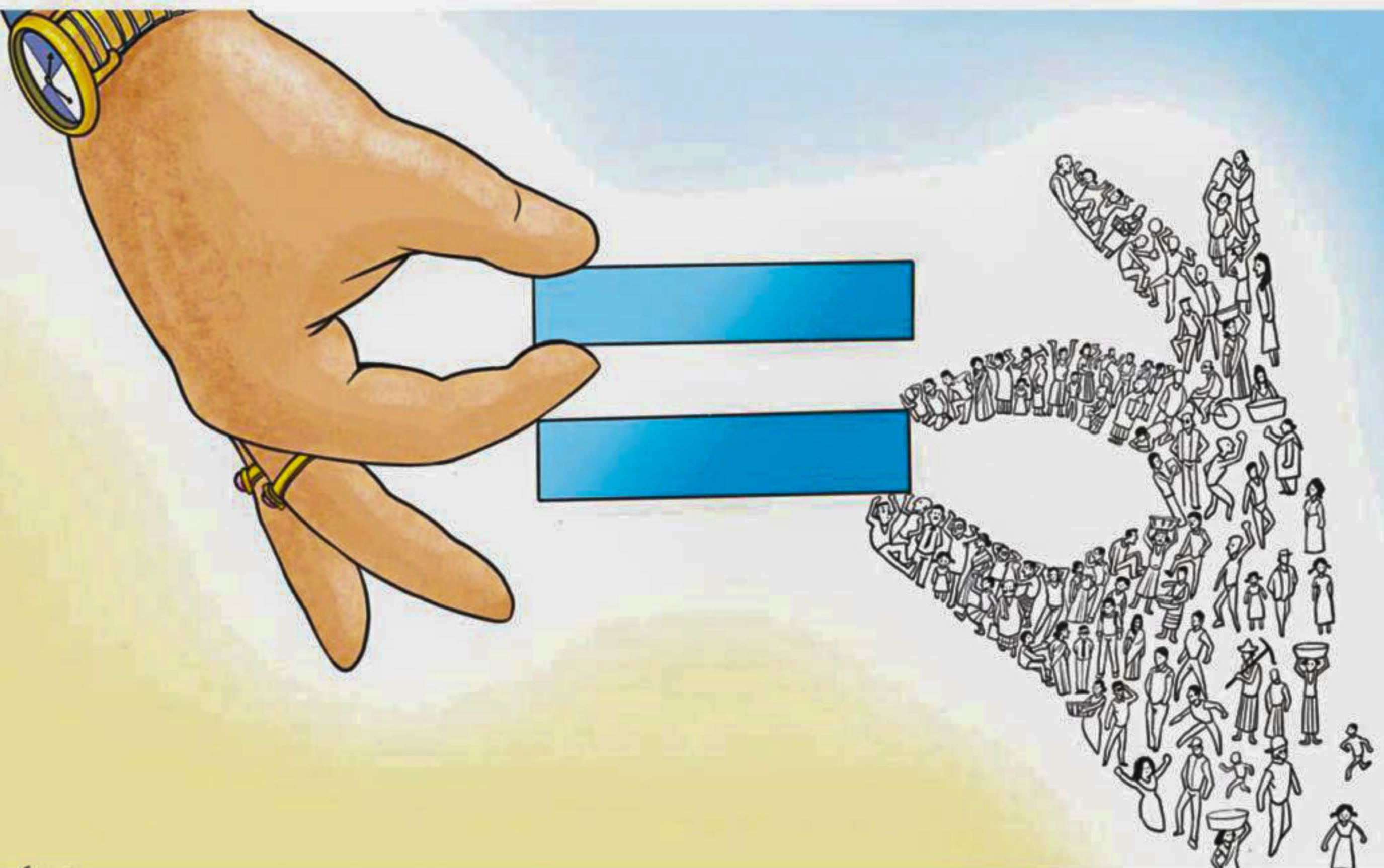
ECONOMIC growth with the reduction in poverty and inequality are important development objectives in the policymaking process in Bangladesh.

However, over the past decade since 2010, despite high economic growth, the country has been witnessing a rise in the inequality index. According to the Household Income and Expenditure Survey (HIES) of the Bangladesh Bureau of Statistics (BBS), the Gini coefficient of income, which is a popular measure of income inequality, rose from 0.458 in 2010 to 0.482 in 2016. The actual inequality picture is thought to be worse than the BBS's survey estimate, as these household-surveys mostly fail to capture the information from the ultra-rich households. However, despite the data limitation, the growing inequality index suggests that the richer segment of the society has been benefited more by economic growth during the aforementioned period, and the economic growth process has been far from inclusive.

The widening income inequality between the rich and poor in Bangladesh emphasises the need to understand the causes of growing inequality and to undertake appropriate policies to narrow the income gap. A number of reasons can be mentioned as responsible for the rise in income inequality. However, the fiscal policy during the aforementioned period can be considered as one of the major contributing factors that widened the income inequality.

Two major instruments of the government's fiscal policy are very relevant for addressing challenges related to widening income inequality. These two instruments are revenue generation (especially tax and non-tax revenue), and public expenditure on social sectors (especially education, health and social protection).

It is important to mention that, tax revenue occupies more than 80 percent of government's revenue in Bangladesh. However, over the past decade, tax revenue in proportion to the GDP declined and remained well below any international norm. In fact, the tax-GDP ratio now is around 8.6 percent, which is one of the lowest in the world. With such low tax-GDP ratio, the government has very limited ability to spend highly on the social sectors. Furthermore, over the years, the government's efforts to increase revenue from direct taxes (taxes on income and profit) haven't



seen much success. Less than a third of government revenue comes from direct taxes. In contrast, the reliance on indirect taxes (value-added tax, import duties, supplementary duties, and different other taxes) and non-tax revenue is huge as more than two-thirds of the government's revenue comes from these sources. As far as the direct tax is concerned, a large number of potential taxpayers, which include many ultra-rich people, remain outside of the tax-net or pay a little amount of taxes. Also, a number of economic sectors, capable of paying taxes, are either fully exempted from paying taxes or enjoy the privileges of paying a substantially reduced amount of taxes.

It is also important to highlight here that, as far as the tax policy is concerned to achieve both horizontal and vertical equity, individuals in similar financial circumstances with similar fundamental ability to pay taxes should be taxed at the same rate (horizontal equity), and the individuals in different circumstances with different abilities to pay should not be taxed at the same rate (vertical equity). In Bangladesh, given the culture of tax avoidance, the objective of achieving horizontal equity is compromised. Also, due to the heavy reliance on indirect taxes, the objective of achieving vertical equity is seriously undermined. This has resulted in a tax system which is regressive and inequality enhancing where richer people become the larger beneficiaries of

such weak tax system.

Now, if we look at the expenditure side of the fiscal policy, especially public expenditure related to education, health and social protection, there has been virtually no significant improvement in the allocation, in proportion to GDP, over the past decade. In 2010, the public expenditure on education and health in proportion to GDP were 2.1 percent and 0.5 percent respectively, which by 2016 came down to 1.5 percent and 0.4 percent respectively. In 2016, public expenditure on social protection was only around 1 percent of GDP. In all three social fronts (education, health and social protection) in Bangladesh, public expenditure in proportion to GDP is the lowest in the world. Despite that public expenditure on social sectors has been used in many countries to counter widening income inequality, this instrument has not been used judiciously in Bangladesh in the recent decade. Such low public education and health expenditure does not help improve the productivity of workers and is not consistent with the effort to reduce poverty and inequality. One obvious implication of the low public expenditure on education and health is the high degree of out-of-pocket private education and health expenditure in Bangladesh which is one of the major contributing factors behind the growing inequality.

The inequality problem also involves regional disparity in development. While

Dhaka and few metropolitan cities have been the major beneficiaries of the development so far, many regions in the country are seriously lagging behind. There are genuine concerns that large discrimination prevails when it comes to budgetary allocation for social sectors and physical infrastructure in Dhaka and few other metropolitan cities over many other regions in the country. With such a regional disparity in the allocation of development budget, the country's inequality situation is deemed to get worse. Also, the government's social protection programmes are very inadequate in addressing pockets of poverty and regional disparity in poverty. Therefore, there is a need for enhanced budgetary allocation for these lagging regions.

One important aspect in the fiscal policy, both in the cases of revenue generation and public expenditure, is the corruption and leakage in the system. The high degree of rent-seeking activities in the public revenue and expenditure systems also contribute to enhanced inequality. Therefore, the need for institutional reforms in the areas of revenue generation and public expenditure is greater than ever.

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## Riddled with unhappiness

INFORMATION is key, knowledge is key, hard work is key, perseverance is key—all lead to success but what about happiness? Let's take a sigh and start. Unhappiness is a part of our lives. It happens, period. But are we focusing on that too much? Is it true we are losing our enthusiasm to live? If this isn't a catastrophe, then what is.

Aristotle referred to happiness as the *summum bonum*—the supreme good. According to Aristotle, happiness is the purpose of life, and once attained, everything else becomes less important. Nowadays, happiness is being associated with the term "subjective well-being" which is the combination of pleasantness, unpleasantness and life satisfaction. So, there's no rainbow without the rain. Life will have its peaks and valleys.

The well-renowned American psychologist Martin EP Seligman (2002) suggested a trio of hedonism, active engagement and good spirit (eudaimonia) which may lead us to the key of happiness. Here, hedonism connotes the immediate gratification where maximising pleasure is the focal point, active engagement connotes the state of working where the subject momentarily seizes to be a social actor, concentrating on the work itself and lastly, eudaimonia (eudemonism), according to Aristotle, connotes that



humans should identify and cultivate their good traits and live in peace with the very personal truer self. Therefore, all comes to down to a simple yet hard-to-codify equation to happiness.

Moreover, Abraham Maslow's hierarchy of needs theory (1943) signified the top-notched level of "self-actualisation". Everyone seems to want to be their happier self. They run toward achieving dreams. If cherished dreams are achieved, they move on to the next one as quickly as possible. People seem to forget about being the happier self without having something tangible or intangible. Consummating the previous four levels of needs theory: physiological, safety, belongingness-love and self-esteem; lead to the self-actualisation stage, where men try to identify the true meaning of life; the spiritual goodness outweighs the material ownership. Dedicating oneself to good deeds for others in society can only lead to greater peace among mankind.

Can happiness be scaled? There have been quite a few measurement scales for that. These scales help manifest a framework. There are Gross National Happiness (GNH) devised by Bhutan which measures the general wellbeing of populations. Subjective well-being has always been the cynosure of academicians

and practitioners alike. Oxford Happiness Questionnaire (2002) which was devised from Oxford Happiness Inventory (1989) had more or less 29 questions to evaluate subjective well-being. The 29 items were developed around themes like self-esteem, sense of control, social commitment, physical exercise and efficacy. Park and Peterson (2004, 2006) showed a positive relationship between five traits "love, gratitude, hope, zest and curiosity" with subjective well-being. In another study, Peterson (2008) hinted on the strong correlation between robustness of character and subjective well-being.

The World Happiness Index report by UN measures the nation's happiness on six crucial variables of subjective well-being: trust, freedom, income, life expectancy, social support and generosity. Finland, Denmark, New Zealand have always been toppers in regards to trust capital, kindness, standard of living, sovereignty, altruism variables thus progressing toward the future with general well-being. Trust is considered to be one of the secret ingredients to happiness and many nations are lagging behind in generating trust among its people. This "trust capital" has been rare these days and the losing absence of trust is leading to anxiety and stress thus desolation.

Generosity is another secret ingredient to be happy. It has been proved, both subjectively and objectively, that kindness and altruism i.e. selfless good deeds for others elevate brain activities, reduce stress and help achieve inner peace. Surely, doing good begets feeling good.

Yes, there will be endless failures and heartaches and blunders in life but even then, we should pat ourselves in the back for learning a lesson. Because these are the opportunities/lessons in disguise. If wired positively, our brains will be habituated in doing good things nonetheless.

Therefore, we should stop worrying mindlessly over every little thing and reach out to others. There'll be danger in every step of life but fearing those obstacles and thus being miserable will be even more frustrating. We need to be human again. Let's practice by doing small things. Exchanging kind smiles, reaching out to others, sharing food, helping out the needy, helping parents with their chores, picking up the trash, enjoying the sun, rain, snow instead of complaining about the weather, reading books, spending real time with friends, shouldering responsibilities, voicing against immoral acts, enjoying life and love, loving thyself and others as fully as possible. After all, life is just the summation of every day choices. The equation is somehow simple.

We will come to the point of our endless sleep/death, why not with contentment. In the book of Mario Puzo's "the Godfather", the long-time secretary requested the Godfather to halt his death, he was scared of dying and he pleaded Vito Corleone to make death go away as he knew how sinful he had been. It'd be most unfortunate if we think like that at the most significant time before we die. We must be able to smile inwardly, knowing we are at the end point and we have done good. We have been so happy with so much less during childhood so why not now. Let's be happy for all the joy and pain that's making us have our telenovela moments real time and let's be happy for the smallest things. Let's be kind and forgiving to each other unconditionally and make a terrifying impact on everything, be it not for anyone but for ourselves.

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## LETTERS TO THE EDITOR

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### Misuse of social media on the rise

Social media has become part and parcel of our daily life. In our country, the use of social media is becoming prevalent in almost all sectors, with the young generation becoming more and more social media savvy every day. Social media sites like Facebook, WhatsApp, Instagram, etc. are being incorporated in trade and business. According to one survey of 2017, Dhaka held the second highest number of active Facebook users, worldwide.

Despite this increased statistic of users, there is a serious lack of proper awareness about the correct use of social media.

Most of the people here misuse these social networking sites, and this has only been worsening owing to the utter lack of monitoring and accountability. This has given rise to countless cases of privacy breaches, online cyberbullying, stalking, and even sexual predation. Young people have become more susceptible to depression, social media addiction and loss of productivity.

Rule and regulations pertaining to social media use should be implemented and it should be ensured that they are followed. Without appropriate surveillance, these networking sites are being exploited to the point of ruining the lives of teenagers. If nothing is done to improve this situation now, the negative consequences of it will be too grave to be resolved later.

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