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Tackling the cryptocurrency challenge

Due to their decentralized, borderless and pseudonymous features, cryptocurrencies can enable tax dodging and other illicit financial outflows that drain development resources from developing countries. In sounding this warning, a UN economic body suggests redesigning taxation and capital control policies to adapt to the challenges posed by these new digital technologies.

- **Cryptocurrencies can undermine domestic resource mobilization in South** – *p2*

.... ALSO IN THIS ISSUE ....

South spotlights MC12's TRIPS decision on diagnostics and therapeutics

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CONTENTS

CURRENT REPORTS

OPINION

THIRD WORLD ECONOMICS
is published fortnightly by the Third World Network (TWN), an independent non-profit international research and advocacy organization involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.

Cryptocurrencies can undermine domestic resource mobilization in South

By facilitating illicit financial outflows, cryptocurrencies can deprive developing countries of much-needed development resources, cautions a UN economic body.

by Kanaga Raja

GENEVA: Cryptocurrencies have become a new channel undermining domestic resource mobilization in developing countries, according to the United Nations Conference on Trade and Development (UNCTAD).

In a policy brief on this issue, UNCTAD said that while cryptocurrencies can facilitate remittances, these same digital technologies may also enable tax evasion or avoidance through offshore flows whose ownership is not easily identifiable.

"In this way, they may curb the effectiveness of capital controls, a key instrument for developing countries to preserve their policy and fiscal space and macroeconomic stability," it added.

In its policy brief, UNCTAD recommended policies to reduce the financial leakages from cryptocurrencies. Given the global nature of cryptocurrencies, UNCTAD highlighted the importance and urgency of international cooperation regarding cryptocurrency tax treatments, regulation and information sharing as well as of redesigning capital controls to take account of the decentralized, borderless and pseudonymous features of cryptocurrencies.

Development financing challenges

Developing countries face significant mobilization challenges to promote structural transformation and sustainable development while achieving the 2030 Agenda for Sustainable Development. According to UNCTAD estimates before the war in Ukraine, developing countries need around $3 trillion per year from 2020 to 2025 to close their financing gaps.

Financing for development, said UNCTAD in the policy brief, requires a two-pronged approach. On the one hand, developing countries need to mobilize additional resources from several domains: international and domestic, public and private. On the other hand, they need to tackle financial leakages.

Two crucial channels drain resources from developing countries: illicit financial flows and persistent net financial outflows. These channels erode tax revenues, shrinking developing countries' fiscal space and capacity to provide essential public services and infrastructure. Moreover, they broaden the external financing needs of developing countries, leaving these countries on a debt treadmill.

At their broadest, illicit financial flows are defined as "financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders". These not only include resources that originate from criminal activities (e.g., drug dealing or trafficking in people) or for illicit activities (e.g., financing terrorism), but also to transfer income and profits legally generated but illicitly transferred abroad to avoid or evade taxes.

It is estimated that illicit tax and commercial practices by multinational enterprises and wealthy individuals account for up to two-thirds of total illicit financial flows, said UNCTAD. In 2021 alone, close to $500 billion was lost in tax revenues worldwide due to cross-border tax abuse by multinational enterprises and individuals. "These lost resources, which, for example, would be sufficient to vaccinate the global population more than three times, harm low-income countries most, as they have fewer options to mobilize resources."

Since the 2008 global financial crisis, several measures to reduce commercial and tax-motivated illicit financial flows through trade mispricing, financial instruments or use of shell companies have been undertaken at the multilateral and national levels, said the policy brief. "However, these efforts do not include cryptocurrencies, which have become a new channel for tax-motivated illicit financial flows."

UNCTAD said that while attention has been given to the attractiveness and potential use of cryptocurrencies for criminal activities, estimates suggest that this represents a relatively small share of crypto-transactions, showing that less than 10% of total transactions in bitcoin could be attributed to criminal activity in 2020. However, from the point of view of financing for development, cryptocurrencies remain problematic even when not related to criminal activity as the erosion of the tax base and the undermining of capital controls are crucial problems for developing countries.

Tax havens 2.0

Tax havens are jurisdictions where foreign earnings are typically not subject to taxation (or minimally so) and the anonymity of account holders is maintained, said the policy brief. "In the last 10 years, tax authorities and governments have collaborated to encourage regulated banks to deliver information about account holders in order to protect the tax base and domestic resource mobilization."

UNCTAD said that cryptocurrencies share all the characteristics of traditional tax havens – the pseudonymity of accounts, and insufficient fiscal oversight or weak enforcement. The key difference, however, is that international transfers of cryptocurrencies do not rely on banks or related legal and accounting services; instead, cryptocurrency transactions are often channelled through unregulated crypto-exchanges.

Hence, UNCTAD said, cryptocurrencies are under-regulated, enabling individuals to bypass tax authorities' efforts to address offshore tax evasion. "In effect, cryptocurrencies can serve as tax havens version 2.0 or super tax havens."

The policy brief noted that cryptocurrencies have quickly attracted the interest of wealthy individuals and firms. Taking bitcoin as an example (the first cryptocurrency among the existing 19,000), over 80,000 bitcoin accounts (referred to as "addresses") hold a balance of at least $1 million. While some of these accounts may belong to trading platforms, others pertain to wealthy individuals and firms.

According to the policy brief, the size of the largest bitcoin account (as at April 2022) is equivalent to the 2022 gross domestic product (GDP) of the Bahamas, and together the biggest 33 bitcoin accounts with over $1 billion each correspond to the GDP of Guatemala ($78 billion in 2020). The top richest 100 bitcoin addresses account together for $115 billion, equivalent to the GDP of Morocco ($114 billion in 2020) and greater than the GDP of 135 individual countries.

UNCTAD said balances kept in cryptocurrencies are essentially untaxed. Despite recent regulatory tightening in developed countries (67 jurisdictions applied tax laws on cryptocurrencies by November 2021), most developing countries do not have tax regulation on cryptocurrencies, including with regard to the legal status of these private digital currencies.

Moreover, even in countries where tax regulation exists, its efficacy is not assured as the lack of a universally agreed approach to cryptocurrency tax treatments creates a patchwork system that is prone to regulatory arbitrage.

Finally, users of cryptocurrency have little or no incentive to report their holdings, added UNCTAD.

Undermining capital controls

The popularity of cryptocurrencies in developing countries, including among middle-class households, means that the use of these digital assets is not limited to wealthy individuals, said the policy brief. In cases of political or macroeconomic instability, a broad range of households could potentially use cryptocurrencies as a hedge against exchange rate and inflation risk and as a channel for capital flight.

"This situation is potentially damaging in developing countries which typically rely on the use of capital controls to deal with the draining of domestic resources through capital flight," UNCTAD said.

The decentralized, borderless and pseudonymous features of cryptocurrencies, said the policy brief, pose challenges for the effectiveness of capital controls for three main reasons.

First, capital controls work through regulated intermediaries that are required to verify the nature of transactions and to identify transacting parties.

Second, in many countries, the legal status of cryptocurrencies is often unclear, and regulatory bodies may currently not have a mandate to regulate these transactions and crypto-exchanges, e-wallet providers and decentralized finance (DeFi) platforms.

Third, supervision and enforcement of these crypto-services providers are more difficult since they operate cross-border.

UNCTAD noted that bitcoin, for example, was used to circumvent Chinese capital controls prior to the country's ban on cryptocurrencies. Moreover, cryptocurrency miners are usually remunerated in cryptocurrencies while their mining costs (particularly energy) are incurred in domestic currency, thus enabling capital outflows.

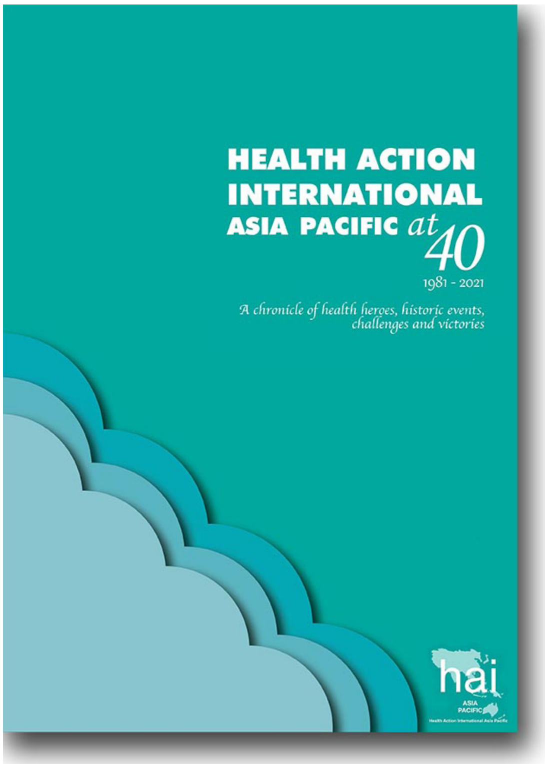
Recommended policies

According to the policy brief, the following policies provide the potential to halt the financial leakages via cryptocurrencies:

1. To improve taxpayer compliance rates and combat tax evasion, tax authorities should clearly define the legal status of cryptocurrencies and require crypto-exchanges, e-wallet providers and DeFi platforms to report gross inflows and outflows on all business and personal accounts.
2. Given the fast-evolving nature of cryptocurrencies and their ecosystem, countries urgently need to agree and implement a global tax cryptocurrency regulation that considers the needs and challenges of developing countries and gives them adequate representation.
3. Apart from global tax coordination, a comprehensive system of information sharing on cryptocurrency holding and trading is necessary, such as through a common reporting standard. Such measures would support countries to detect evasion of capital controls and enforce taxes.
4. Although cryptocurrencies may facilitate remittances, given the negative socioeconomic impact these private digital currencies bring about, countries should consider

imposing higher taxes on them in comparison to other financial assets to discourage holding and transacting cryptocurrencies.
5. Countries should redesign their capital controls to include flows channelled through cryptocurrencies. Alternatives include imposing financial tax on cryptocurrency trading and limiting the amount of individual transactions on crypto-exchanges. Moreover, central bank digital currencies could be designed to allow for the functioning of capital controls. Without adapting to new digital alternatives, the effectiveness of these controls may be undermined. *(SUNS9653)*

Health Action International Asia Pacific at 40 (1981-2021)



A Chronicle of Health Heroes, Historic Events, Challenges and Victories

Prepared and edited by Beverley Snell

Published by Third World Network, Health Action International Asia Pacific, International Islamic University Malaysia, Gonoshasthaya Kendra, and Drug System Monitoring and Development Centre

This book commemorates the 40th anniversary of Health Action International Asia Pacific (HAIAP), an informal network of non-governmental organisations and individuals in the Asia-Pacific region committed to resistance and persistence in the struggle for Health for All Now.

HAIAP is the regional arm of Health Action International – upholding health as a fundamental human right and aspiring for a just and equitable society in which there is regular access to essential medicines for all who need them. HAIAP works with governments, academic institutions and NGOs at community, national and regional levels on issues such as promoting the essential medicines concept, equitable and affordable access to essential medicines, rational use of medicines, ethical promotion and fair prices. While promoting awareness of the impact of multilateral agreements, particularly TRIPS and GATT, on access to affordable healthcare and essential medicines, HAIAP advocates for poverty eradication and action on other priority themes relevant to countries in the Asia-Pacific region.

Available at https://twn.my/title2/books/HAIAP%20at%2040.htm

South spotlights MC12's TRIPS decision on diagnostics and therapeutics

Whether the WTO will ease intellectual property restrictions on the production of COVID-19 tests and treatments, as it has done for vaccines, remains up in the air.

by D. Ravi Kanth

GENEVA: The integrity of the World Trade Organization's 12th Ministerial Conference (MC12) decision on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) will depend on whether member states extend what has been agreed on vaccines to cover the production and supply of COVID-19 diagnostics and therapeutics, said people who asked not to be quoted.

Paragraph 8 of the TRIPS decision, which was adopted at MC12 on 17 June, states: "No later than six months from the date of this Decision, Members will decide on its extension to cover the production and supply of COVID-19 diagnostics and therapeutics."

At an informal meeting of the WTO's TRIPS Council on 19 September, many developing countries, including South Africa, India, Pakistan, Indonesia, Egypt, Tanzania, Sri Lanka, Nigeria and Bolivia, called for hastening the consultations, despite apparent attempts by the United States and a few other industrialized countries to adopt stonewalling tactics. The developing countries have privately cautioned that any delay in extending the TRIPS decision to cover diagnostics and therapeutics could further undermine the credibility of the WTO, said people who asked not to be quoted.

At the WTO General Council meeting in July, the US had maintained that the deadline-based paragraph 8 of the TRIPS decision is only meant to continue the discussions and not to finalize a decision to extend the TRIPS decision on vaccines to diagnostics and therapeutics.

At the TRIPS Council on 19 September, the US issued a rather ambiguous statement saying that "it looks forward to continuing to engage with WTO members while it continues to conduct domestic consultations on whether to extend the TRIPS decision to cover the production and supply of COVID-19 diagnostics and therapeutics."

The US is apparently signalling that if its domestic consultations result in opposing extension, then there is going to be little chance of Washington supporting the decision on diagnostics and therapeutics at the WTO, said a person who asked not to be quoted.

The US also said at the TRIPS Council meeting that it is "in the process of gathering information on the use of diagnostics and therapeutics to treat COVID-19, as well as on other related issues such as supply, production, demand, and distribution as they relate to COVID-19 diagnostics and therapeutics."

The US stand was echoed in varying degrees of emphasis by Switzerland, Japan and the European Union, who posed a plethora of questions at the meeting, said people familiar with the discussions.

The chair of the TRIPS Council, Ambassador Lansana Gberie of Sierra Leone, noted the short time until the six-month deadline (17 December) to take a decision on extension. He suggested structuring the upcoming discussions and identifying the key elements that should be on the table.

Gberie pressed members to propose a definition of the scope of "COVID-19 diagnostics and therapeutics" as well as address what textual form a decision on an extension to these products would take.

Room document

Around 64 countries supported by more than 40 other developing and least-developed countries had repeatedly called for waiving several provisions in the TRIPS Agreement relating to copyrights, industrial designs, patents and protection of undisclosed information to enable the production of vaccines, diagnostics and therapeutics to be ramped up across countries to combat the COVID-19 pandemic.

However, due to opposition from the US, Switzerland, Japan and the EU among others, the final TRIPS decision at MC12 was reduced to a watered-down version that lifts some restrictions on vaccine supply while postponing the extension of the same decision to cover diagnostics and therapeutics.

It is against this backdrop that developing countries at the TRIPS Council on 19 September referred to a 6 July room document – issued by South Africa, India, Pakistan, Indonesia, Egypt and Tanzania on behalf of the co-sponsors of the original TRIPS waiver proposal – underlining the importance of diagnostics and therapeutics.

According to that document, "the World Intellectual Property Organization (WIPO) Patent Landscape Report (PLR) revealed that between 2020-2021, there were 5,293 patent applications related to COVID-19 published across 49 patent offices. This number is expected to increase significantly between 2022 and 2023." The paper showed that "patent filings related to therapeutics considerably outnumber those on vaccines, at an approximate 4:1 ratio."

Significantly, "many of these patent applications are for repurposed drugs rather than innovative products developed to treat COVID-19" and "government funding has supported a significant part of the research and clinical trial efforts."

The room document noted that "while some of the patent applications may face challenges in some patent offices, those which are granted will delay entry of generic products that would otherwise increase the global supply of COVID-19 treatments". This, it said, "will result in price increases which restrict access."

The document said that "there has been limited voluntary licensing to date by patent holders." Further, "the licences granted are limited in scope."

In a similar vein, the document said, the "production of diagnostics is concentrated in high-income countries" and "over-reliance on imported diagnostics resulted in scarcity and high prices which restricted access in low- and middle-income countries." As at December 2021, of the more than 3 billion tests reported across the world, only 0.4% had been performed in low-income countries.

The document argued that "the expansion of local production to a broader range of geographical locations is the only way to sustainably address this over-reliance."

It underscored the need to adopt "a holistic approach that ensures an effective response to COVID-19 and reverts a situation in which access to lifesaving drugs remains limited due to patent monopolies, limited supply, and high prices."

The document also suggested an indicative schedule of meetings to assist WTO members in reaching the decision on extension within the deadline set at MC12.

Seeking clarification

During the 19 September TRIPS Council meeting, Switzerland, a strong opponent of the original TRIPS waiver proposal, maintained that at this stage, further information is needed to be able to assess what issues the possible extension would seek to solve in order to be in a position to have an informed discussion. It sought clarifications in writing on the following questions: (i) What are the gaps between supply and demand and, in particular, the existing shortages in therapeutics and diagnostics?; (ii) Where and for which specific products has there been a demand that could not be met?; (iii) What are the existing collaborations and particular voluntary licences?; (iv) What countries that would have been interested in applying for such licences were not able to do so because they fall out of the scope of the Medicines Patent Pool licensing agreements?; (v) Which companies from those countries that are eligible for applying for such licences have been rejected in the World Health Organization (WHO)'s pre-qualification phase?; (vi) What applications have been turned down for other reasons?; and (vii) In which cases has it been possible for low- and middle-income countries to conclude compulsory licensing agreements?

Switzerland sought more informal meetings and sufficient time between the meetings to analyze the information received and work on the necessary facts and evidence in response to the questions posed by other members.

Japan said that this discussion should be conducted based on evidence and facts as diagnostics and therapeutics are different from vaccines in terms of their nature, distribution, patents and usage. It called for taking various aspects into consideration including the "tricky and risky" definition of therapeutics because of the scope of the products covered by the term. It also noted that there are many therapeutics for which the patent right does not exist or is royalty-free.

The EU said that it is in the process of discussing with stakeholders the information gathered so far. It maintained that these discussions are complex due to the variety of products that are potentially relevant and the varied themes that seem to be relevant in taking a decision on the proposed extension.

The EU said that it expects to discuss in more detail access to specific products in developing countries; the possibilities of supplying these products, especially to the most vulnerable countries, as well as various factors that affect business, including the availability of funds, procurement, policies, regulatory matters, tiered pricing and others; and the production volumes of therapeutics and diagnostics.

China said that while it carried out domestic consultations and field studies over the summer on this issue, the consultations have revealed a sharply different picture between vaccines and diagnostics and therapeutics, and that the latter cover a wide range of products, some of which have multiple uses and complex patents.

China said that, considering the very short period of time before December, it might be useful to focus on a handful of products that are most important, critical and needed by developing-country members to fight the pandemic. *(SUNS9650)*

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COVID-19 has created an unprecedented crisis for youth

A report by the UN human rights chief has drawn attention to the adverse impacts wrought by the COVID-19 pandemic on the rights of youth worldwide.

by Kanaga Raja

GENEVA: Responses to the COVID-19 pandemic have negatively affected young people's human rights in manifold, intersecting ways, with significant socioeconomic and psychological consequences for youth, and have also exacerbated inequalities, including between youth, according to a report by the United Nations High Commissioner for Human Rights.

The report, to be presented at the 51st regular session of the UN Human Rights Council (12 September-7 October), states that the pandemic is an unprecedented crisis that has exposed systemic and structural causes of inequality, exclusion and discrimination globally and has demonstrated that many countries – both developed and developing – need to establish and strengthen human rights frameworks and their implementation.

The report said that it has further highlighted the inter-relatedness and interdependence of young people's rights.

"The effects of pandemic responses on the social, cultural, economic, and civil and political rights of the 1.8 billion youth globally – the largest ever youth population – are far-reaching and multiple."

The report said ongoing, renewed and new challenges to young people's human rights related to the pandemic have caused increased discrimination and inequalities, including between youth.

The pandemic's severe impact on youth rights has increased feelings of youth exclusion, and has threatened their ability to develop to their full potential and their long-term prospects.

In short, it has created a crisis for young people and their futures, the report underlined.

According to the report, young people are less well-equipped and face greater barriers during their transition to independence than they did prior to the pandemic, and they will need targeted, specific support to be recognized as rights holders, to access their human rights and to realize their potential.

It said that as the world enters the next phase of the pandemic response and recovery, the multitude of human rights challenges facing youth, which have been exacerbated by the COVID-19 pandemic, must not be forgotten and must continue to be a priority for states and the international community in efforts to build back better from COVID-19 in partnership with youth.

Changes and challenges

According to the report, the pandemic has fundamentally changed how youth globally live their lives and access education, opportunities and livelihoods.

It said that while the challenges young people face vary on the ground and are specific to their contexts, many youth worldwide feel that current social, political and economic systems at all levels ignore their lived experiences and do not adequately prepare them or provide for their future.

It said that the pandemic has not affected all youth equally. It has increased inequalities between them and placed youth in vulnerable situations, who face additional barriers to human rights and multiple forms of discrimination, at heightened risk of rights violations. These include young women and girls; youth with disabilities; youth affected by conflict; asylum-seeking, internally displaced, migrant and refugee youth; care-leavers; youth in conflict with the law; lesbian, gay, bisexual, transgender and inter-sex youth; indigenous youth; and young people in rural areas, among others.

The report said that interruptions in education and employment risk compounding inequalities between youth. "Youth with lower-secondary education are three times more likely not to be in employment, education or training compared with those with a university degree, which affects future employment and earnings."

At the same time, the report said, the pandemic has been a moment when youth have again demonstrated their leadership in defending human rights, protecting others and advocating for change.

Throughout the pandemic, youth supported public health measures to limit the virus's spread and to vaccinate populations, and contributed to efforts to combat misinformation and encourage support for pandemic measures.

Youth worldwide have engaged in state- and youth-led initiatives, including awareness-raising, helping vulnerable populations, and have participated as healthcare and essential workers, scientists and entrepreneurs. They have worked to mitigate and address the pandemic's varied human rights impacts, including discrimination, food insecurity, poverty and increased inequalities.

The report said that while the international human rights framework provides comprehensive human rights protection, youth continue to face challenges to the enjoyment of their human rights, which the pandemic has exacerbated.

"There are dedicated human rights instruments for youth and guidance on young people's human rights at the regional level. However, there is no universal human rights instrument dedicated to youth rights, as is the case for certain categories of persons such as children, persons with disabilities and women," it added.

Worst education crisis

According to the report, the COVID-19 pandemic has affected youth worldwide, causing loss of life and livelihoods and affecting their rights to education, employment, social security, health and participation as well as housing and freedom of religion, expression, movement and information.

"The pandemic created the worst education crisis ever recorded.

Unprecedented global shutdowns of educational institutions left youth with limited or no alternative learning methods."

The report said the long-term consequences of such measures include disrupted and lost learning, deepening educational inequalities, increased rates of youth not completing education, lost access to a safe space, and interrupted access to healthcare and support services and human contact. This affects young people's social and behavioural development and mental health and has long-term social and economic costs for society and the employment world.

In March 2020, over 1.52 billion young people in more than 165 countries were out of education, representing 87% of the world's enrolled school and university population.

As of September 2021, 27% of national education systems remained fully or partially closed, some without reopening plans. According to the Global Survey on Youth and COVID-19, over 70% of youth who were studying or studying and working were adversely affected by academic institutions closing. Nearly one in eight saw their education completely stop, and 65% reported having learnt less since the pandemic began, underlining the multiple challenges of remote and online learning.

Many countries implemented remote learning modalities to support continued learning, including online platforms, television and radio programming, and take-home packages, said the report. However, the distribution, uptake and effectiveness of such programmes varied greatly between and within countries, and mostly did not adequately replace in-person education.

An Organisation for Economic Co-operation and Development (OECD) study across 59 countries found that, although most countries established alternative learning methods, only approximately half of all students could access most or all of the curriculum.

The shift to online learning exposed a "digital divide", resulting in major learning losses, said the report. Accessibility varied within countries, as less than 10% of the poorest households have electricity in some countries. Digital divides between urban and rural communities were greatest in East and Southern Africa, East Asia and the Pacific, and Latin America and the Caribbean.

"These significant digital disparities between developed and least developed countries, within countries and regions, and between low-income and middle- and high-income households exacerbated inequalities and left many youth excluded from education."

The report said that young people with limited or no access to digital connectivity and devices were unable to learn and access online learning, particularly youth affected by poverty, youth with disabilities, youth in rural areas and youth in developing countries.

"Youth in lower-income countries have far more limited access to online classes and testing than in high-income countries. Furthermore, some youth do not have adequate space or support to learn at home."

The report said that pandemic-related restrictions affected research and extension activities at higher education institutions, and international travel restrictions limited students' and faculty's international mobility.

While most countries experienced no significant difference in overall university enrolment, lower-income countries were more greatly affected. Fourteen countries experienced up to 20% decreases in enrolment, and Armenia, Hungary and Venezuela reported decreases of 21-40%.

Employment effects

The report also said the pandemic has profoundly affected young workers and those transitioning from education to employment, compounding already existing problems and increasing instability.

It said that youth have disproportionately faced precarious employment conditions, reduced employment hours and income, a lack of decent work, unemployment, limited or no social security support, and limited or no new job or self-employment opportunities.

"Youth, particularly young women, are over-represented in the most affected sectors, including the informal, care, retail, hospitality, agriculture and tourism sectors, and in family businesses."

The report said they are often employed in less secure forms of work, including part-time, short-term, "zero-hour" or "gig economy" contracts with unstable working conditions, making them vulnerable when crisis strikes.

"While some economies have partially or fully recovered, great divergences in employment and labour income persist."

Youth unemployment figures have increased globally since the onset of the pandemic. Job losses for youth in 2020 were 8.7% higher than for older workers, with unprecedented global employment losses of 114 million jobs compared with 2019, said the report.

This fall was greater in middle-income countries. More than one in six young people have stopped working since the pandemic began, it added.

As the pandemic continued, the prevalence among young people of non-involvement in employment, education or training; labour market inactivity; and informal work increased more than youth unemployment.

Young people aged 18-29 who were working prior to the pandemic reported an average 23% reduction in working hours and 42% reduction in income.

As of 2021, the pandemic had pushed 124 million people into extreme poverty, including many youth. Youth are more likely to experience poverty when faced with reduced employment or unemployment due to having limited or no savings, said the report.

Throughout the pandemic, social protection systems have enabled economies to survive and individuals in some countries to avoid the pandemic's worst impacts, including extreme poverty, and to continue to enjoy their human rights, including adequate housing, food and health care. However, the report said, the human right to social security is not always a practical reality for all youth, and COVID-19 has exposed their precarious situation. "Globally, 71% of people, including almost two thirds of children, have only partial or inadequate social security coverage, or none at all."

Young people often do not benefit from social protection because they work in the informal sector or have short-term or part-time employment and, consequently, are not entitled to social protection. Furthermore, young workers experience relatively larger decreases in post-support labour income.

Therefore, said the report, even in countries where job retention schemes limited decreases in post-support labour income to moderate levels, youth experienced relatively larger decreases, indicating that such schemes were less effective in protecting young workers.

Physical and mental health

The report also said that the pandemic has considerably affected young people's enjoyment of physical and mental health.

"They have struggled to access health-related information and physical and mental health treatment in a timely manner, and they have faced increased risks of physical and psychological violence, exposure to the virus as front-line and key workers, and immense mental health pressures."

Health-related pandemic responses have been compromised by years of under-investment in public health services and a lack of universal access to healthcare, said the report.

The health response to the virus and pandemic-related measures have placed colossal pressure on overwhelmed health systems, disrupting access to information and routine health services for medical treatment not related to COVID-19.

These pressures have caused delays in accessing essential, time-sensitive and life-saving medications and services; delayed or cancelled appointments; and disruptions to immunization schedules. In addition, they have caused illnesses and medical conditions to worsen or go undiagnosed.

"Limited access to health insurance coverage, especially in low- and middle-income countries without universal health coverage, means youth struggle to access appropriate and timely health care. Young people in poverty or working in the informal sector are particularly impacted."

The report said that the risk of domestic and gender-based violence increases during lockdowns and economic and social crises, particularly for young women and lesbian, gay, bisexual, transgender and inter-sex youth. In addition to being confined with abusers, access to support services and shelters is severely disrupted. "Since the pandemic began, online enquiries to violence prevention hotlines in Europe increased up to five times while emergency calls reporting domestic violence against women and children increased by 60% compared with the same period of the previous year."

The multiple challenges involving the pandemic and young people's mental health have the potential to create an unprecedented mental health crisis. Youth are particularly at risk of increased anxiety and mental health concerns as most mental health conditions develop during adolescence and youth, said the report.

It said the pandemic and response measures have drastically affected young people's mental health, generating colossal mental health needs which require significant and sustained investment. They have experienced stress, anxiety, isolation and loneliness, and moderate increases in symptoms of depression and sadness due to physical distancing and quarantine measures, the fear of infection and adjusting to the "new normal".

The report also said that lockdown measures have restricted young people's freedom of movement and of peaceful assembly and association, and their access to social interactions, support services and positive coping mechanisms, including sports, social and community initiatives, and formal and non-formal education. These restrictions negatively affect youth's mental health, causing feelings of isolation and increasing the risk of youth employing negative coping mechanisms, such as alcohol and drug abuse, self-harm or other harmful behaviours.

Mental health systems globally faced decades of chronic under-investment prior to the pandemic and struggled to meet existing demand. The pandemic has exacerbated pre-existing delays to and pressures on mental health systems, overwhelming them and causing further lengthy delays, said the report. Consequently, youth cannot access timely, quality mental health support, leaving conditions to go undiagnosed or worsen. *(SUNS9639)*

World-renowned economists call for "emergency" corporate profit taxes

A group of leading economists has urged governments to take bold tax measures, including imposing levies on windfall profits, to counter the effects of a looming global economic downturn.

by Jake Johnson

With warnings of a global economic meltdown on the rise as central banks jack up interest rates in their efforts to combat runaway inflation, a new report authored by world-renowned economists and advocates calls on governments to enact windfall profit taxes and other "emergency" measures to prevent an entirely avoidable disaster.

Published on 20 September, the report notes that "the battle against the global pandemic has left many governments vulnerable, saddling them with massive debts they took on as tax revenues fell, health needs soared, and as they strived to soften the economic blow." According to data from the Institute of International Finance, 32 emerging-market governments have a combined $83 billion in US-dollar debt due in 2023.

"Now developing countries confront spiralling energy and food prices, higher interest rates, and more volatile capital flows: the world is standing on the threshold of an economic slowdown, and the effects are once again disproportionately falling on most vulnerable households, exacerbating poverty and inequality," warns the new report launched by the Independent Commission for the Reform of International Corporate Taxation (ICRICT), an organization whose commissioners include Nobel laureate Joseph Stiglitz, University of

Massachusetts at Amherst professor Jayati Ghosh, and Paris School of Economics professor Thomas Piketty.

The 27-page paper argues that governments have a fundamental choice in how to respond to the intertwined emergencies of an ongoing pandemic, war in Eastern Europe, supply chain disruptions, energy market chaos, high inflation and worsening costs-of-living crises, which are fuelling mass uprisings around the world as they threaten to push tens of millions more into poverty.

The new report says governments, in response, "can opt for austerity programmes, cutting funding to public services and increasing the contribution of the poorest through inflation-enhanced consumption taxes, at the expense, once again, of the most vulnerable."

"Or they can decide to increase taxation on those who have so far failed to pay their fair share: the multinationals and the super-rich, many of whom have also benefited from the crisis," the report adds.

ICRICT lands strongly on the side of the latter solution, contending it would bring in crucial revenue from energy companies and other corporate giants exploiting the war and the pandemic, and enable governments to "lessen the severity of this economic storm and counter the unacceptable levels of hunger, extreme poverty, and inequality."

"Bold taxation actions by governments in the short term could avoid the worst to come," the paper states. "It would also pave the way for more transformative tax systems in the medium term, while the international community overcomes the political impasse on how to better tax large multinational corporations in a digitalized world."

The paper was published in the wake of urgent warnings from major global institutions, including the World Bank and the International Monetary Fund, that central bank rate hikes have pushed the world to the brink of a massive recession.

During an ICRICT press conference earlier in September, Stiglitz – who has been highly critical of central banks' approach to fighting inflation – argued that the case for a windfall profits tax is "very, very clear," pointing specifically to Europe's mounting economic woes.

"The revenues from that are necessary both to protect those who are being hurt very badly by the shock and by Europe's mistakes in structuring the electricity market – but also to make the investments to make the European economy more resilient," said Stiglitz. "So this is a case where the profits cannot be justified, and the uses of the funds are really imperative."

Windfall profits taxes have been pushed by some governments in recent months. India first imposed a surplus profits tax on oil companies in July, while the European Union has proposed a tax targeting the excess profits of fossil fuel giants and other energy firms that have been making a killing amid Russia's war on Ukraine.

The United Kingdom, meanwhile, approved a 25% windfall tax on oil and gas firms in May – but new right-wing Prime Minister Liz Truss has made clear she opposes windfall taxes and won't support any new ones.

Critics have lamented the limited nature of the windfall taxes pursued thus far. Chiara Putaturo, a tax expert at Oxfam EU, said earlier in September that the European bloc's proposal is "a step forward but only addresses a part of the problem."

"We need a windfall tax that applies to all companies profiteering from the crisis," said Putaturo. "In the last two and a half years, big multinationals from a variety of sectors such as pharma, Big Tech, energy, and food have raked in enormous profits. Meanwhile, inflation is up and pushing more and more people into poverty. Revenues from a broad windfall tax will make sure that it is not the poorest who are paying the highest price."

Ghosh, ICRICT's co-chair, echoed that sentiment during the Commission's press conference, noting that pharmaceutical companies profited hugely from the pandemic and that "food multinationals have never had it so good."

"We are not regulating them. We are not taxing them. We are not preventing them from doing really terrible things, not just to people in developing countries but to the world and to the planet," said Ghosh. "It's extraordinary how government support of a few large companies is enabling a wide-scale increase in inequality, a massive destruction of our ecological foundations, and driving a very significant proportion of humanity into absolute starvation."

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Inflation-targeting farce – high costs, moot benefits

Aiming for a low inflation rate at any cost is recklessly dogmatic, contend *Anis Chowdhury* and *Jomo Kwame Sundaram*.

Policymakers have become obsessed with achieving low inflation. Many central banks adopt inflation targeting (IT) monetary policy frameworks in various ways.

Some have mandates to keep inflation at 2% over the medium term. Many believe this ensures sustained long-term prosperity.

The now universal 2% inflation target "was plucked out of the air". This was acknowledged by Reserve Bank of New Zealand (RBNZ) Governor Don Brash who first adopted IT. The target was due to NZ Finance Minister Roger Douglas's "chance remark" of achieving "genuine price stability, around 0, or 0 to 1 percent".

IT discord

Heads of major central banks – such as the US Federal Reserve Bank (Fed), Bank of England (BoE) and German Bundesbank – committed to keep inflation at 2% soon after NZ.

Although typically "medium-term", IT's high costs are portrayed as necessary, but brief. Worse, promised growth benefits have not materialized.

The Articles of Agreement of the International Monetary Fund (IMF) never endorsed any fixed inflation target. Article IV states that "each member shall: (i) endeavor to direct its economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability, with due regard to its circumstances".

This makes clear that much depends on conditions and circumstances. The sensible priority then would be to sustain prosperity with "reasonable price stability", and not to commit to an arbitrary universal IT at any cost. Yet, many IMF officials promote the 2% target.

During the 2008-09 global financial crisis (GFC), the IMF Managing Director appealed for more imagination in designing monetary policy, appreciating "just how intricate the global economic and financial web had become". For him, "Monetary policy needs to look beyond its core focus on low and stable inflation" to promote balanced and equitable growth, while minimizing adverse spillovers on developing economies.

An IMF chief economist even asserted that low inflation and economic progress was a "divine coincidence", and insisted a 2% inflation target was too low. After the GFC, an IMF working paper argued for a long-run inflation target of 4% for advanced countries.

> The now universal 2% inflation target "was plucked out of the air".

A Bank of Canada working paper concluded that "the current state of economic research – both empirical and theoretical – provides little basis for believing in significant observable benefits of low inflation such as an increase in the growth rate of real GDP".

IT benefits?

Any objective consideration of actual IT experiences would have led to its rejection long ago. IT is clearly inimical to growth and equity, let alone the Sustainable Development Goals (SDGs).

Four central banks' experiences offer valuable lessons about IT's likely consequences.

The US Fed is, by far, the most important central bank globally, while the BoE has been historically important. The Bundesbank has been the most inflation-averse in the postwar period, while the RBNZ was the world's IT pioneer.

NZ's inflation during 1961-90 averaged 9%, more than the US's 5.1% and the UK's 8%. Yet, the mighty Fed and the venerable BoE sought to emulate the minuscule RBNZ! Germany's well-known inflation phobia is attributed to its interwar "hyperinflation" and its bloody aftermath. Inflation there averaged 3.4% over 1960-90, i.e., even before IT.

None achieved sustained economic prosperity despite reaching inflation targets of 2% or less. Average per capita GDP growth declined sharply in the US, the UK and Germany, while rising negligibly in NZ.

Long-term declines in their growth rates followed declining investments. IT advocates claim high inflation causes uncertainty, thus reducing investments, but lower inflation has clearly done worse.

As the investment rate declined with IT, so did productivity growth in the UK, Germany and NZ. While productivity growth has risen negligibly with IT in the US, it has trended down in all four economies. US hourly output grew at only 1.4% after 2004, "half its pace in the three decades after World War II".

Most advanced economies have experienced productivity slowdowns since the 1970s. With the European Central Bank's strict IT framework, the eurozone also saw marked slowdowns in productivity growth during 1999-2019.

Declining productivity growth often becomes the pretext for depressing real wages and working conditions, compelling workers to work more to compensate for lost earnings. Productivity and growth slowdowns are seen as "secular stagnation".

All this has been blamed on inflation. But lowering inflation has not reversed this trend, which has actually accelerated since the GFC. Many explanations have been offered, but the reasons for this failure remain moot.

IT, low inflation, tax cuts and market reforms are supposed to improve economic performance. However, weaker investment and economic growth, due to contractionary macroeconomic policies, slowed US productivity growth.

Similarly, *The Economist* observed, "Drooping demand crimped incentives to invest and innovate." It ascribed declining UK productivity growth to cuts in innovation investments due to "austerity policies" and "severe reduction in credit", inter alia.

Concluding "no doubt ... the cost ... was huge", it estimated that "Britain's GDP per person in 2019 would have been £6,700 ($8,380) higher than it turned out to be" had productivity growth not fallen further after the GFC.

There is growing acknowledgement that widespread "unconditional" central bank commitment to 2% inflation targets in the face of the current inflationary upsurge is likely to worsen slowdowns. This is likely to compound debt crises in many developing countries.

The adverse socioeconomic impacts of recessions are well documented. Policy-induced recessions, supposedly to curb inflation, will compound the effects of pandemic, war and sanctions.

Pragmatism, not dogma

Central bankers should not be dogmatic. Instead, pragmatic approaches are urgently needed to address the current inflationary surges. This is especially necessary when inflation worldwide is mainly due to supply shocks.

Western policymakers must consider the adverse spillover impacts on developing countries, already on the brink of debt crises due to protracted slowdowns. Government debt – with more higher-cost commercial borrowings – has been rising since the GFC, Western "quantitative easing" and COVID-19.

Almost all central bankers know it is almost impossible to achieve 2% inflation in current circumstances. Yet, they insist not raising interest rates now will cause much economic damage later.

But such claims clearly have no theoretical or empirical bases. Hence, it is recklessly dogmatic to enforce a 2% target by falsely claiming inaction would be even more harmful. *(IPS)*

***Anis Chowdhury**, Adjunct Professor at Western Sydney University (Australia), held senior United Nations positions in New York and Bangkok. **Jomo Kwame Sundaram**, a former economics professor, was UN Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.*

1980s redux? New context, old threats

Amid surging prices, slowing growth and rising interest rates, the spectre of debt distress looms once again over developing economies.

by Anis Chowdhury and Jomo Kwame Sundaram

As rich countries raise interest rates in double-edged efforts to address inflation, developing countries are struggling to cope with slowdowns, inflation, higher interest rates and other costs, plus growing debt distress.

Rich countries' interest rate hikes have triggered capital outflows, currency depreciations and higher debt servicing costs. Developing-country woes have been worsened by commodity price volatility, trade disruptions and less foreign exchange earnings.

Rising debt risks

Almost 60% of the poorest countries were already in or at high risk of debt distress even before the Ukraine crisis. Debt service burdens in middle-income countries have reached 30-year highs as interest rates rise with food, fertilizer and fuel prices.

Developing countries' external debt has risen since the 2008-09 global financial crisis (GFC) – from $2 trillion (tn) in 2000 to $3.4 tn in 2007 and $9.6 tn in 2019.

External debt's share of gross domestic product (GDP) fell from 33.1% in 2000 to 22.8% in 2008. But with sluggish growth since the GFC, it rose to 30% in 2019, before the pandemic.

The pandemic pushed up developing countries' external debt to $10.6 tn, or 33% of GDP, in 2020, the highest level on record. The external debt/GDP ratio of developing countries other than China was 44% in 2020.

Borrowing from international capital markets accelerated after the GFC as interest rates fell. But commercial debt is generally of shorter duration, typically less than 10 years. Private lenders also rarely offer restructuring or refinancing options. Lenders in international capital markets charge developing countries much higher interest rates, ostensibly for greater risk.

But changes in public-private debt composition and associated costs have made such debt riskier.

Private short-term debt's share rose from 16% of total external debt in 2000 to 26% in 2020.

Meanwhile, international capital markets' share of public external debt rose from 43% to 62%. Also, much corporate debt, especially of state-owned enterprises, is government-guaranteed.

Meanwhile, unguaranteed private debt now exceeds public debt. Although private debt may not be government-guaranteed, states often have to take them on in case of default. Hence, such debt needs to be seen as potential contingent government liabilities.

Sri Lankan international capital market borrowings grew from 2.5% of foreign debt in 2004 to 56.8% in 2019. Its dollar-denominated debt share rose from 36% in 2012 to 65% in 2019, while China accounted for 10% of its external borrowings. Private borrowings for less than 10 years were 60% of Lankan debt in April 2021. The average interest rate on commercial loans in January 2022 was 6.6% – more than double the Chinese rate. In 2021, Lankan interest payments alone came to 95.4% of its declining government revenue!

Commercial debt – mostly Eurobonds – made up 30% of all African external borrowings, with debt to China at 17%. Zambian commercial debt rose from 1.6% of foreign borrowings in 2010 to 30% in 2018; 57% of Ghana's foreign debt payments went to private lenders, with Eurobonds getting 60% of Nigeria's and over 40% of Kenya's.

More commercial borrowing

Thus, external debt increasingly involved more speculative risk. Public bond finance, foreign debt's most volatile component, rose relative to commercial bank loans and other private credit.

Meanwhile, more stable and less onerous official credit has declined in significance.

Various factors have made things worse.

First, most rich countries have failed to make annual aid disbursements of 0.7% of their gross national income as promised more than half a century ago. Actual disbursements have actually declined from 0.54% in 1961 to 0.33% in recent years. Only five nations have consistently met their 0.7% promise. In the five decades since promising, rich economies have failed to deliver $5.7 tn in aid.

Second, the World Bank and donors have promoted private finance, urging "public-private partnerships" and "blended finance". Sustainable development outcomes of such private financing – especially in promoting poverty reduction, equity and health – have been mixed at best. But private finance has nonetheless imposed heavy burdens on government budgets.

Third, since the GFC, developed economies have resorted to unconventional monetary policies – "quantitative easing", with very low or even negative real interest rates. With access to cheap funds, managers seeking higher returns invested lucratively in emerging markets before the recent turnaround. Large investment funds and their collaborators, e.g., credit rating agencies, have profitably created new means to get developing countries to float more bonds to raise funds in international capital markets.

Making things worse

Policy advice from donors and multilateral development banks (MDBs), rating agencies' biases and the lack of an orderly and fair sovereign debt restructuring mechanism have shaped commercial lending practices.

Without enough debt relief, a temporary liquidity crisis threatens to become a debt sustainability, and hence a solvency, crisis.

Favouring private market solutions, donors, MDBs and the International Monetary Fund (IMF) have discouraged proactive development initiatives for over four decades. Hence, many developing countries remain primary producers with narrow export bases and volatile earnings.

These institutions have urged debilitating reforms, e.g., arguing tax cuts are necessary to attract foreign direct investment (FDI). Meanwhile, corporate tax evasion and avoidance have worsened developing countries' revenue losses. Thus, net revenue has fallen as such reforms fail to generate enough growth and revenue.

Credit rating agencies often assess developing countries unfavourably, raising their borrowing costs. Quick to downgrade emerging markets, they make it costlier to get financing, even if economic fundamentals are sound.

The absence of orderly and fair debt restructuring mechanisms has not helped. Commercial lenders charge higher interest rates, ostensibly for default risks. But then, they refuse to refinance, restructure or provide relief, regardless of the cause of default.

When will we learn?

Following the 1970s' oil price hikes, Western, especially US, banks were swimming in liquidity as oil exporters' dollar reserves swelled. These banks pushed debt, getting developing-country governments to borrow at low real interest rates.

After the US Federal Reserve began raising interest rates from 1977 to fight inflation, other major central banks followed, raising countries' debt service burdens. Ensuing economic slowdowns cut commodity exporters' earnings.

In the past, the IMF and World Bank imposed one-size-fits-all "stabilization" and "structural adjustment" measures, impairing development. Developing countries had to implement severe austerity measures, liberalization and privatization. As real incomes declined, progress was set back.

With the pandemic, developing countries have seen massive capital outflows, more than in 2008. Meanwhile, surging food, fertilizer and fuel prices are draining developing countries' foreign exchange earnings and reserves.

As the US Fed raises interest rates, capital flight to Wall Street is depreciating other currencies, raising import costs and debt burdens. Thus, many countries need financial help.

Debt-distressed countries once again seek support from the Washington-based lenders of last resort. But without enough debt relief, a temporary liquidity crisis threatens to become a debt sustainability, and hence a solvency, crisis, as in the 1980s. *(IPS)*

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The structural adjustment of education

The pandemic has been blamed for it, but, as *Regina Guzman* points out, the global learning crisis is hardly a new phenomenon.

The headline of a recent World Bank press release comes across as very dramatic: "70% of 10-year-olds are now in learning poverty, unable to read and understand a simple text." Learning poverty, as the headline suggests, is defined by the portion of 10-year-olds unable to read with basic comprehension skills. This figure, the report continues, has increased threefold worldwide, and it warns that we are facing the unprecedented challenge of a global learning crisis – rooted in the Global South – that is deep, widespread and urgent.

These things are all unequivocally true, but what the report fails to mention is that this crisis is anything but new. In fact, in sub-Saharan Africa, the effects of the pandemic have been much smaller than in other parts of the world, for no other reason than that learning poverty has been alarmingly high in the region since long before our pandemic days.

Doing a Google search of the "global learning crisis" will leave you believing that this pandemic-induced schooling crisis is costing countries catastrophic amounts of future productivity levels and, by default, of economic growth. The consultancy firm McKinsey & Co. published recent estimates of the toll that learning losses will have on schooling systems across the globe, contending that by 2040, the economic impact of pandemic-related education delays will be a staggering $1.6 trillion.

What both the World Bank report and the Google search fail to address in any substantial way is that education systems in many of the world's poorest countries have been struggling with learning outcomes for decades, in no small part due to the pressures of an international education agenda that bends the schooling priorities of resource-constrained countries to its whims.

The Tanzanian experience

The story of education in postcolonial Tanzania sheds light on the lesser-told – but hugely problematic – reality of how the global education elite have been eroding the quality of schooling for decades with their conditional aid and imposed neoliberal policies.

When Tanzania gained independence in 1961, it did so with the poorest learning levels of any of the ex-British colonies. At least 85% of its population were illiterate, making universal basic education a priority for its socialist government. By the late 1970s, the country had made great progress in both access and learning attainment, with illiteracy down to an impressive 10%.

The 1980s and 1990s, however, were not kind decades for growing nations like Tanzania. The economic crisis caused by the Global North wreaked havoc on the struggling South, with hugely consequential effects for Tanzania's long-run economic and educational development. Faced with severe fiscal shortages – in large part because it defaulted on previous loans – Tanzania took additional assistance from the World Bank and the International Monetary Fund. With these funds came significant conditions designed to liberalize the Tanzanian economy – including its education sector.

Schooling fees were introduced and education was turned into a for-profit enterprise, with immediate impacts on enrolments, dropout rates and sector oversight capabilities. The learning losses were devastating.

When the international community caught up to these effects, it overcompensated with a push for renewed commitments to universal primary education (UPE). Tanzania thus succumbed once more to the global order of education policy. Throughout the 2000s, it implemented a series of fee-free education policies meant to get all its children into schools. And that it did. But with it, an under-resourced system was flooded with new learners it wasn't equipped to teach. With increasing enrolments came rising pupil-teacher ratios, fewer learning hours as classrooms were split into shifts, and countrywide textbook scarcity. The UPE push was so detrimental to learning in Tanzania that the colloquial term for it – its acronym pronunciation in Kiswahili, "*oopay*" – became synonymous with low-quality education.

The story of declining education quality in Tanzania is a decades-old reality. In Tanzania, learning poverty is well above the global average, but it is representative of a broader regional trend that has left over 77 million children scoring well below minimum proficiency learning levels. This is both an old story and a well-replicated one.

In country after country across sub-Saharan Africa and the "developing" world, education systems were liberalized in the 1990s through imposed structural adjustment programmes that slowly corroded any of the learning gains made in previous decades. COVID-19 learning losses have undeniably had an alarming effect in many countries – both rich and poor – but the greater, less-talked-about disaster is that this crisis has been brewing for years in countries like Tanzania that have, time and again, been stripped of the right to emancipated schooling agendas.

If the cost of learning losses in the span of the pandemic is trillions in productivity (not to mention human and social well-being), how and when do we start measuring the losses accrued over decades of detrimental policies peddled by an international education elite that monopolizes not just the schooling agenda, but also the power to determine what is or is not a crisis?

Regina Guzman *is a doctoral student at the University of Cambridge researching former British education systems in sub-Saharan Africa and in Tanzania specifically.*