

PROJECT SYNDICATE

The global economy's risky recovery



JOSEPH E. STIGLITZ

Business & Finance

A year ago, I predicted that the most distinctive aspect of 2017 would be uncertainty, fueled by, among other things, Donald Trump's election as president in the United States and the United Kingdom's vote to leave the European Union. The only certainty, it seemed, was that uncertainty—and that the future could become a very messy place.

As it turned out, although 2017 was not a particularly great year, it was far better than many had feared. Trump proved every bit as bombastic and erratic as expected. Anyone who paid attention only to his incessant tweets might think the US was teetering between a trade war and a nuclear war. Trump would insult Sweden one day, Australia the next, and then the EU—and then support neo-Nazis at home. And the members of his plutocratic cabinet rival one another in terms of conflicts of interest, incompetence, and sheer nastiness.

There have been some worrisome regulatory rollbacks, especially concerning environmental protection, not to mention the many hate-driven attacks that Trump's bigotry may have encouraged. But, so far, the combination of America's institutions and the Trump administration's incompetence has meant that there is (fortunately) a yawning gap between the president's ugly rhetoric and what has actually accomplished.

Most important for the global economy, there has been no trade war. Using the exchange rate between Mexico and the US as a barometer,



2018 may be the year that the hand grenade Trump has thrown into the global economic order finally explodes.

market participants' shortsightedness, owing to their exuberance at potential tax cuts and the money that might once again flow to Wall Street, if only the world of 2007 could be restored. They ignore what followed in 2008—the worst downturn in three quarters of a century—and the deficits and growing inequality that previous tax cuts in the super-rich have brought.

They give short shrift to the deglobalisation risks posed by Trump's protectionism. And they don't see that if Trump's ambitious tax cuts are enacted, the Fed will raise interest rates, setting off a market correction.

In other words, the proclivity for short-term thinking and pure greed. None of this does well for America's long-term economic performance; and it suggests that while 2018 is likely to be a better year than 2017, there are large risks on the horizon.

It's a similar picture in Europe. The UK's decision to leave the EU didn't have the jolting economic effect that those who opposed it anticipated, largely because of the pound's depreciation. But it has become increasingly clear that Prime Minister Theresa May's government has no clear view about how to manage the UK's withdrawal, or about the country's post-Brexit relationship with the EU.

There are two further potential hazards for Europe. One risk is that highly indebted countries, such as

Italy, will find it difficult to avoid crisis once interest rates return to more normal levels, as they inevitably will. After all, it is really possible for the eurozone to maintain record-low rates for the foreseeable future, even as US rates increase?

Hungary and Poland represent a more existential threat to Europe. The EU is more than just an economic arrangement of convenience. It represents a union of countries with a commitment to basic democratic values—the very values that the Hungarian and Polish governments now disparage.

The EU is being tested, and there are well-founded fears that it will be found wanting. The effects of these political tests on next year's economic performance may be small, but the long-term risks are clear and daunting.

On the other side of the world, Chinese President Xi Jinping's Belt and Road Initiative is changing Eurasia's economic geography, putting China at the centre, and providing a important stimulus for region-wide growth. But China must confront many challenges as it undergoes a complicated transition from export-led growth to growth driven by domestic demand, from a manufacturing economy to a service-based economy, and from a rural to an urban society. The population is aging rapidly. Economic growth has slowed markedly. Inequality is by some accounts almost as severe as in the US, where it is the fourth-highest in the OECD (behind Mexico, Turkey, and Chile). And environmental degradation poses a growing threat to human health and welfare.

China's unprecedented economic success over the past four decades has been partly based on a system whereby broad consultation and consensus-building within the

Communist Party and the Chinese state underpinned each set of reforms. Will Xi's concentration of power work well in an economy that has grown in size and complexity? A system of centralised command and control is incompatible with a financial market as large and complex as China's; at the same time, we know that insufficiently regulated financial markets can lead an economy.

But these are all essentially long-term risks. For 2018, the safest bet is that China will manage its way, albeit with slightly slower growth.

In short, as the advanced economies' post-2008 recession fades into the distant past, global prospects for 2018 look a little better than in 2017. The shift from fiscal austerity to a more stimulative stance will reduce the need for extreme monetary policies, which almost surely have had distortionary effects not just on financial markets but also on the real economy.

But the concentration of power in China, the eurozone's failure (thus far) to reform its flawed structure, and, most importantly, Trump's demand for the international rule of law, his rejection of US global leadership, and the damage he has caused to democracy's standing all pose deeper risks. Indeed, they threaten not just to hurt the global economy, but also to slow what, until recently, had seemed to be an inevitable march towards greater democracy worldwide. We should not let short-run success lure us into complacency.

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Exclusive to The Daily Star.

Potable water crisis in Southwest Bangladesh

MOHAMMED NORUL ALAM RAJU

LAST week, I visited some villages in Shyamnagar Upazila under Satkhira and Dacope upazila under Khulna. During my visit, I talked to Aleya Begum, a 25-year-old woman who lives at the Sutarkhali Union of Dacope. Waking up before dawn every day, Aleya Begum walks to a water plant about five kilometres away to collect fresh drinking water for her six-member family. It will be midday or even later before she returns home. Through this strenuous journey without an uneven path, and without any path to the plant near Sutarkhali Union Parishad, where pond water is treated, and there will be no water for cooking and drinking.

Though the walk itself takes two hours, Aleya says she has to queue up for much of the day to get her turn at the water plant. This is a daily routine for thousands of people in Sutarkhali and many unions in the coastal districts including Khulna, Satkhira and Bagerhat in southwest Bangladesh.

It is well known that scarcity of drinking water is acute as freshwater aquifers are not available at suitable depths and the surface water is highly saline in southwest Bangladesh.

Households are mainly dependent on a few water technologies and sources including Rain Water Harvesting (RWH), Pond Sand Filters (PSF), Reverse Osmosis (RO), and deep tube-wells and pond water for drinking purposes. But the technologies are expensive and barely affordable for the poor communities. Thus, they drink poisonous water from local sources.

Therefore, individuals in these areas often suffer from waterborne

diseases. The World Health Organization (WHO) estimates that four out of five cases of child mortality in the areas are related to contaminated water. Lack of access to clean drinking water leads to increased rates of disease, lower attendance rates at school and work, and a drastic reduction in overall life quality. According to a 2012 study by the Department of Public Health Engineering (DPHE), 61 per cent of the coastal region's population face serious health issues. Without enough fresh water, women and young girls are amongst the worst sufferers. As women drink less water, high blood pressure and heart and kidney diseases are common, which affect the health of new-born babies.

In addition, most people in the region are unaware of the increasing salinity and its many implications. According to a new study carried by DPHE and the Institute of Water Modelling, 84 per cent of people don't know about salinity in groundwater in the country's coastal region.

During the devastating Cyclone Aila in 2009, almost all the freshwater sources in southwest Bangladesh were destroyed, and there has been little progress ever since. In most places, tube-wells don't work because of salinity in the shallow and deep aquifer levels. The embankments are eroded and groundwater sources are flooded; therefore, about 70 per cent of people in the region depend on pond water for drinking and domestic uses.

Due to the impact of climate change, the daily struggles of thousands like Aleya Begum are being exacerbated. Over the past 25 years, salinity intrusion in Bangladesh has increased by about



As water sources dry up and demands increase, women are forced to walk further and further to provide water for their family.

26 per cent with the affected areas expanding each year. According to a 2014 study by World Bank, climate change is likely to further increase river and groundwater salinity dramatically by 2050 and exacerbate shortages of drinking water and irrigation in the southwest coastal areas, adversely affecting the livelihoods of at least 2.9 million poor people in a region where 2.5 million people are already struggling with a lack of water. As a result, as water sources dry up and demands increase, women like Aleya Begum are forced to walk further and further to provide water for their family.

Even nearly a decade after Aila, the

government of Bangladesh and non-government organisations active there are yet to restore freshwater sources in the country's coastal belt. This is primarily because of lack of water flow in rivers (which contributes to the rise of salinity), remoteness of the areas, and lack of sustainable and joint initiatives. The water plants built by different institutions become dysfunctional within a short span of time due to the extreme level of salinity and lack of regular maintenance. Awareness of local people is also an issue.

Recently, Nobo Jatra, a USAID-funded project, conducted a study on exploring options for surface and

ground water in Khulna and Satkhira districts, coming to the conclusion that no single option or technology could be recommended for providing safe water in salinity-prone areas. Determining what technology is appropriate for a particular area depends on the local situation. Exploring tube-well technology would be the first priority if suitable aquifer is available; otherwise, surface water or treatment technologies should be utilised.

The study has shown that deep tube-well is the most preferable option where suitable deep aquifer with low-salinity water is available. But suitable groundwater is absent in

most of the ponds, and quite expensive too. Pond Sand Filter (PSF) is a promising option for community water supply where suitable pond is available. But maintenance and results are an issue. Mass mobilisation is a prerequisite. For the existing PSF, pond re-excavation, cleaning, lime mixing on each edge side for protection of saline water intrusion is needed. Though it is small and expensive for the poor and extreme-poor households, Rain Water Harvesting (RWH) system appears to be a suitable option both at household and community levels.

In the last decade, the government had taken various steps to resolve water problems in the coastal region. Dredging of Cora River is one of them. It is expected that the flow of river water will increase in the coastal region, and freshwater sources will be restored, eventually resolving the salinity problem. Also, a combination of household and community-based options could be suitable for year-round water supply while community-based options need regular maintenance. In addition to installation of water supply facilities, it is necessary to make the residents aware of proper operation and maintenance of the facilities.

Bangladesh's southwest is surrounded by a network of rivers. But due to the extreme level of salinity and lack of long-term sustainable solutions, people in the coastal belt are suffering from scarcity of potable water. Their sufferings remind us of a verse from the Rime of the Ancient Mariner by Samuel Taylor Coleridge: "Water, water, everywhere. But not a drop to drink..."

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QUOTABLE Quote

STEPHEN JOHN FRY
English comedian, actor, and writer

The only reason people do not know much is because they do not care to know. They are incurious. Incuriosity is the oddest and most foolish failing there is.

CROSSWORD BY THOMAS JOSEPH

ACROSS	1 Burn with water	6 Chowder chunk	10 Roberts of TV news	11 Irritates	13 Zodiac ram	15 Small rug	16 Not my wife	18 (Nanon's) spelling	19 Football team member	22 "we there yet?"	23 Take 10	24 Hollywood deal maker	25 Show up	29 Brady of the													
DOWN	1 Burn with water member	35 Coffee dispenser	36 Made a rush	37 Pale	38 Mirror sight	40 Make blank	41 Rich cake	44 Ball holders	45 Gilder metal	1 Mouth part	8 TV weatherman	9 Most nasty	12 Leg-revealing pants	17 Mamie's mate	20 Chair repairer	21 Cookie bit	24 Find not guilty	25 Gastronomie	26 Issue forth	27 Charlotte team	29 Brewed drink	31 Look of hair	32 Mindful	33 Social group	34 Prepare to propose	35 Sweet course	41 Nonsense

YESTERDAY'S ANSWER

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