

PROJECT SYNDICATE

Post-Davos Depression

BUSINESS & FINANCE



JOSEPH E. STIGLITZ

I have been attending the World Economic Forum's annual conference in Davos, Switzerland, where the so-called global elite convenes to discuss the world's problems, since 1995. Never have I come away more dispirited than I have this year.

The world is plagued by almost intractable problems. Inequality is surging, especially in the advanced economies. The digital revolution, despite its potential, also carries serious risks for privacy, security, jobs, and democracy—challenges that are compounded by the rising monopoly power of a few American and Chinese data giants, including Facebook and Google. Climate change amounts to an existential threat to the entire global economy as we know it.

Perhaps more disheartening than such problems, however, are the responses. To be sure, here at Davos, CEOs from around the world begin most of their speeches by affirming the importance of values. Their activities, they proclaim, are aimed not just at maximising profits for shareholders, but also at creating a better future for their workers, the communities in which they work, and the world more generally. They may even pay lip service to the risks posed by climate change and inequality.

But, by the end of their speeches this year, any remaining illusion about



ILLUSTRATION: ARTISTICCO

the values motivating Davos CEOs was shattered. The risk that these CEOs seemed most concerned about is the populist backlash against the kind of globalisation that they have shaped—and from which they have benefited immensely.

Not surprisingly, these economic elites barely grasp the extent to which this system has failed large swaths of the population in Europe and the United States, leaving most households' real incomes stagnant and causing labour's share of income to decline substantially. In the US, life

expectancy has declined for the second year in a row; among those with only a high school education, the decline has been underway for much longer.

Not one of the US CEOs whose speech I heard (or heard about) mentioned the bigotry, misogyny, or racism of US President Donald Trump, who was present at the event. Not one mentioned the relentless stream of ignorant statements, outright lies, and impetuous actions that have eroded the standing of the US president—and thus of the US—in the world. None mentioned the abandonment of

systems for ascertaining truth, and of truth itself.

Indeed, none of America's corporate titans mentioned the administration's reductions in funding for science, so important for strengthening the US economy's comparative advantage and supporting gains in Americans' standard of living. None mentioned the Trump administration's rejection of international institutions, either, or the attacks on the domestic media and judiciary—which amounts to an assault on the system of checks and balances

that underpins US democracy.

No, the CEOs at Davos were licking their lips at the tax legislation that Trump and congressional Republicans recently pushed through, which will deliver hundreds of billions of dollars to large corporations and the wealthy people who own and run them—people like Trump himself. They are unperturbed by the fact that the same legislation will, when it is fully implemented, lead to an increase in taxes for the majority of the middle class, a group whose fortunes have been in decline for the last 30 years or so.

Even in their narrowly materialistic world, where growth matters above all else, the Trump tax legislation should not be celebrated. After all, it lowers taxes on real-estate speculation—an activity that has produced sustainable prosperity nowhere, but has contributed to rising inequality everywhere.

The legislation also imposes a tax on universities like Harvard and Princeton—sources of numerous important ideas and innovations—and will lead to lower local-level public expenditure in parts of the country that have thrived, precisely because they have made public investments in education and infrastructure. The Trump administration is clearly willing to ignore the obvious fact that, in the twenty-first century, success actually demands more investment in education.

For the CEOs of Davos, it seems that tax cuts for the rich and their corporations, along with deregulation, are the answer to every country's problems. Trickle-down economics, they

claim, will ensure that, ultimately, the entire population benefits economically. And the CEOs' good hearts are apparently all that is needed to ensure that the environment is protected, even without relevant regulations.

Yet the lessons of history are clear. Trickle-down economics doesn't work. And one of the key reasons why our environment is in such a precarious condition is that corporations have not, on their own, lived up to their social responsibilities. Without effective regulations and a real price to pay for polluting, there is no reason whatsoever to believe that they will behave differently than they have.

The Davos CEOs were euphoric about the return to growth, about their soaring profits and compensation. Economists reminded them that this growth is not sustainable, and has never been inclusive. But such arguments have little impact in a world where materialism is king.

So forget the platitudes about values that CEOs recite in the opening paragraphs of their speeches. They may lack the candour of Michael Douglas's character in the 1987 movie *Wall Street*, but the message hasn't changed: "Greed is good." What depresses me is that, though the message is obviously false, so many in power believe it to be true.

Joseph E Stiglitz is the winner of the 2001 Nobel Memorial Prize in Economic Sciences. His most recent book is *Globalization and Its Discontents Revisited: Anti-Globalization in the Era of Trump*.

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(Exclusive to The Daily Star)

Frustrated Nepal awaits new government

FROM A BYSTANDER



MAHMOOD HASAN

LANDLOCKED Nepal's political uncertainty simply does not seem to end. The Federal Democratic Republic of Nepal held elections for the 275-seat Lower House of the Federal Parliament in two phases on November 26 and December 7,

2017. The results show that the Left Alliance made up of CPN-UML and CPN-MC swept the elections of the "Pratinidhi Sabha." The Alliance managed 174 seats (UML-121 and MC-53) in the House, which requires 138 seats for majority. The oldest party, Nepal Congress, garnered only 63 seats.

Nepal Election Commission will formally announce the election results after the Federal Parliament i.e. both Houses are duly constituted. The constitution requires that the new government can be sworn in only after the Federal Parliament is fully formed. Due to this technicality, the new government under the Left Alliance has not been ushered in. Thus, even after several weeks of the elections, the defeated Congress Chief Sher Bahadur Deuba



UML's KP Oli shakes hands with CPN-Maoist Centre leader Pushpa Kamal Dahal 'Prachanda' (right).

PHOTO: REUTERS

Credit goes to the Nepal Election Commission for holding free and fair elections. Millions of frustrated Nepalese cast their votes hoping to get a stable, functional administration, not a turnstile that produced a PM almost every year since 2006.

is still holding on to power in Kathmandu as caretaker prime minister.

Curiously, as of the end of January 2018, the Upper House—the 59-seat Rashtriya Sabha—is yet to be constituted. One wonders why Deuba did not take steps to elect the Upper House soon after December 7. Two difficult obstacles are on the path for the new government to get into Singha Durbar (the seat of the government).

First, Deuba has taken onto himself to constitute the Rashtriya Sabha before ceding power to the Left Alliance. Deuba said his government would step down after completing the transitional steps, without, of course, giving any time-frame. The Rashtriya Sabha will be elected by an electoral college comprised of 550 members of seven Provincial Assemblies, plus mayors and deputies of 753 local bodies. Though elections of all the Provincial Assemblies have been completed, they are yet to be convened, governments formed, governors appointed, and provincial capital designated.

Completing these politico-administrative steps could take weeks, if not months.

Besides, the system of voting for the Upper House became contentious, delaying the Presidential ordinance on the mode of election, which is Single Transferable Voting (STV). Election is scheduled to be held on February 7.

Second, the Left Alliance is yet to merge together to become one party and decide on power sharing—in other words, how to split the spoils of office. Here the problem stems from the numbers each of the components have in the Alliance and self-assessment of its two leaders—UML's KP Oli and MC's PK Dahal. Who will head the merged party and who will become the prime minister? UML is dominant in the Left Alliance and wants to both head the merged party and retain the PM post for Oli. While, Dahal (Prachanda) wants the position of party chief and a rotating PM, so that he too can become PM.

Since there was no pre-election merger, the

situation within the Left Alliance has become rather fluid. Post-election negotiations may not go Dahal's way. Dahal may not land the party chief's position given his numbers and also may not get to become PM. Oli seems likely to hold both posts. Dahal, who was in the outgoing coalition with Congress, summersaulted and joined UML, thereby losing credibility of a loyal partner. As of now, there is still no firm agreement between UML and MC on these critical issues. Though both are leftists, their political ideologies are different. There appears to be some mistrust between Oli and Dahal. The future of the Alliance seems uncertain, even before it has taken off.

Watching the confusion within the Alliance, Congress and other smaller parties are trying to take advantage of the situation. Congress supported by some Madhesi parties is offering Dahal a bait to become PM on a rotational basis. On the other hand, UML also has the option of forming a government with smaller

parties offering carrots and retaining the bulk of positions for itself.

When the question about who will lead Nepal comes, the India factor also comes into play. Delhi wants whoever leads the next government to amend the 2015 constitution to accommodate the Madhesi (Indian-origin people living in Terai adjacent to Bihar) demands. India, angry with Nepal's 2015 Constitution, imposed a six-month blockade on the country in September 2015, which wreaked havoc on Nepal's economy.

Delhi's policy actually drove Oli, PM at that time, to Beijing's lap. That in turn prompted Delhi to back Deuba and Dahal to throw Oli out. If the past is any indicator, it is unlikely that Oli, seen as a genuine communist and a strong nationalist, will oblige Delhi. On the other hand, MC's Dahal, despite leading a Maoist insurgency and opposing the monarchy, is seen as pro-Indian and is generally sympathetic towards the demands of the Madhesi.

There is widespread frustration among the people that Deuba is holding the UML from forming the new government. People have taken to the streets in Kathmandu to demand Deuba government swiftly hand over power to the Left Alliance. Many believe that external forces are behind Deuba's conspiracies delaying the formation of the left government. Delhi seems genuinely worried about a left government under KP Oli for five years, more so because of the recent standoff with China at nearby Doklam.

Credit goes to the Nepal Election Commission for holding free and fair elections. Millions of frustrated Nepalese cast their votes hoping to get a stable, functional administration, not a turnstile that produced a PM almost every year since 2006. The constitution requires that the new Federal Parliament will sit by mid-January 2018, but that stipulation has already been breached.

Nepal has gone through a long constitutional transition. Whether the current deadlock will end by mid-February is the question. If the Left Alliance crumbles and fails to form a government, it would be a betrayal to the people of Nepal.

Mahmood Hasan is a former ambassador and secretary of the Bangladesh government.

A WORD



A DAY

[A]BBEY NOUN

An abbey is a complex of buildings used by members of a religious order under the governance of an abbot or abbess.

CROSSWORD BY THOMAS JOSEPH

- ACROSS: 1 Extra amount, 5 Picture puzzle, 10 Epps and Sharif, 12 Guam's capital, 13 Spy writings, 15 Yale supporter, 16 Kittenish, 17 Neon or helium, 18 Parodied, 20 Artist's inspiration, 21 Sign of sorrow, 22 Peepers, 23 Track events, 25 Riding whip, 28 Vegas game, 31 Towel word, 32 Meet, as a challenge, 34 Gardner of movies, 35 Spider's home, 36 Old French coin, 37 Spy, 40 Boys and men, 41 After a while, 42 Sacked out, 43 Au nature, DOWN: 1 Exodus figure, 2 Diner dish, 3 Wisconsin city, 4 Screw up, 5 Suggestive, 6 Swelled head, 7 Villain, 8 Nervousness, 9 Talks back to, 11 Tie down, 14 Dossier stamp, 19 Packs down, 20 Buttes' kin, 24 Of the clan, 25 Deep ravines, 26 Disclose, 27 Answer source, 29 Former Spanish coin, 30 Pothead, 33 Bizarre, 35 Sundown site, 38 Dem.'s foe, 39 Talker's gift

Crossword grid with numbers and some filled letters.

YESTERDAY'S ANSWER

Grid of words from yesterday's crossword: TOTS, SPATES, ONEA, SATILES, REEL, ENSILE, SANTAFA, SIN, OLYMPIA, JIDO, IST, COLM, SHINE, KANYE, CITE, SIT, ADS, ATLANTA, MEA, CONCORD, POTATO, OVID, SUITUP, METE, SHEEPS, BLED.

BEETLE BAILEY



BY MORT WALKER



BABY BLUES



BY KIRKMAN & SCOTT

