The Economist

End of the Castro era

Mr Zuckerberg goes to Washington

A cheaper Reaper

Panspermia: spreading life to the galaxy

APRIL 14TH–20TH 2018

Cool Germany

A SPECIAL REPORT

The Economist

2018-04-14

The world this week

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Politics this week

Apr 12th 2018

The regime of Bashar al-Assad used chemical weapons in **Syria** again, this time attacking the town of Douma in the besieged rebel enclave of Eastern Ghouta. Dozens of people were reported to have been killed. Donald Trump described the attack as “barbaric” and vowed that **America** would respond with force. But **Russia** said it found no evidence that chemical weapons had been deployed, dismissing the incident as “fake news”. It warned it would shoot down any missiles aimed at Syrian forces. See article.

Israel was on high alert after **Iran** threatened retribution for an Israeli air strike on a Syrian air base in which seven Iranian military advisers were killed. Throughout the Syrian conflict Israel has struck at targets thought to be aiding Hizbullah, the Lebanese-based militia backed by Iran. See article.

The ruler of **Qatar**, Sheikh Tamim bin Hamad Al Thani, visited the White House, where he was commended by Mr Trump for working to tackle terrorism financing. That was a stark contrast to last year, when the American president sided with Saudi Arabia and its neighbours after they cut ties with

Qatar for allegedly supporting terrorism. Mr Trump noted the large American base in Qatar, and that it buys “a lot of military airplanes, missiles”.

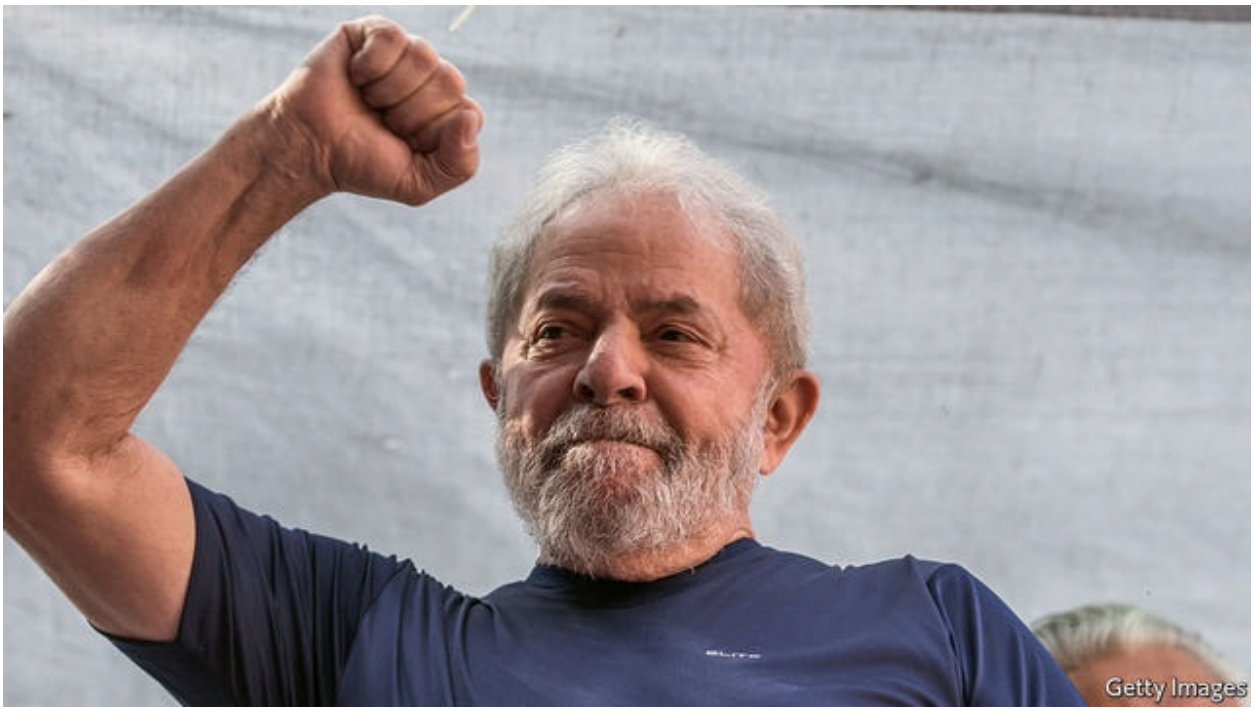
A **military plane** crashed near Algiers, the Algerian capital, killing all 257 people on board. Around two dozen members of the Polisario Front, a rebel group in Western Sahara that is backed by Algeria, were on the aircraft. It was the world’s worst air disaster in four years.

Nigeria’s president, Muhammadu Buhari, ended months of speculation by confirming that he will run for a second term next year. The 75-year-old has been plagued by bad health in office.

The no-shows

Donald Trump cancelled his first official trip to Latin America because of the Syrian crisis. His absence from the **Summit of the Americas** in Peru may be a relief for regional leaders. A recent poll showed that only 16% of Latin Americans approved of Mr Trump. Nicolás Maduro, the socialist president of Venezuela, has been banned from the summit.

Mexico’s electoral authorities ordered that a fifth name be added to the ballot for July’s presidential election. Jaime Rodríguez will be allowed to run as an independent candidate, despite an earlier ruling that more than half of the signatures he collected were invalid.



Luiz Inácio Lula da Silva, a former president of **Brazil**, turned himself in to police after a three-day showdown and began serving a 12-year sentence for corruption. The Worker's Party denounced his conviction as "baseless" and said that for now he will remain its candidate for October's presidential election. See article.

Colombian police arrested a former senior leader of the FARC on drug-trafficking charges. President Juan Manuel Santos said that the man, known as Jesús Santrich, conspired to smuggle cocaine into the United States after signing Colombia's 2016 peace accord, and thus cannot be shielded by its amnesty. The FARC, which is now a political party, condemned the arrest.

Viktor victorious

Viktor Orban won his third successive term as prime minister of **Hungary**, his Fidesz party taking two-thirds of the seats in parliament. Critics denounced Mr Orban's campaign, which focused on decrying migration, and predicted a new crackdown on civil society. See article.

In **Azerbaijan**, the incumbent president, Ilham Aliyev, was elected to a fourth term. The election commission said he got 86% of the vote on a 75% turnout; opposition parties boycotted the election, accusing him of suppressing dissent. See article.

How to make markets happy

China's president, Xi Jinping, attempted to reduce trade tensions with America by reaffirming his country's commitment to open its markets to foreigners. In a speech at the Boao Forum for Asia he offered tariff reductions on car imports. The governor of China's central bank, Yi Gang, said caps on foreign ownership of financial firms would be raised or removed within months.

A court in **South Korea** jailed Park Geun-hye, a former president, for 24 years for corruption. Ms Park was impeached last year after mass

demonstrations calling for her removal.

The Liberal-National coalition led by Malcolm Turnbull, **Australia's** prime minister, trailed its main rival, Labor, for a 30th consecutive biweekly poll. A similar 30-poll slump was one of the reasons Mr Turnbull cited for leading a parliamentary coup against his predecessor, Tony Abbott.

India's Supreme Court overturned a ruling from a lower court that had annulled the marriage of a Hindu woman who had converted to Islam and wed a Muslim man. The decision was a victory for individual rights in the face of a concerted campaign by Hindu nationalists against conversions, which they consider a Muslim ploy to eliminate India's Hindu majority.

America said it had killed Qari Hekmatullah, the leader of Islamic State in **Afghanistan**, in an air strike. Mr Hekmatullah had been expelled from the Taliban for excessive savagery.

The Cohen bother

The FBI raided the office of Michael Cohen, **Donald Trump's** personal lawyer. Among the items reportedly seized were papers relating to a payment made to a porn star to keep quiet about an alleged affair with Mr Trump. Mr Trump described the FBI's legal swoop as a "disgrace". The raid is not connected directly to Robert Mueller's investigation into Russian contacts with Trump officials, but the White House said the president now thinks he has the power to fire Mr Mueller. See article.

The most senior Republican in the House of Representatives, **Paul Ryan**, decided not to run for re-election in November. Since becoming Speaker in 2015, Mr Ryan has had to contend with the rise of Mr Trump and a congressional party frustrated by the lack of progress in its agenda. See article.

Tammy Duckworth became the first **senator** to give birth while in office (a girl, Maile). And Cindy Hyde-Smith took up her Senate seat this week, the first woman to represent Mississippi in either chamber of Congress. There are currently 23 female senators (out of 100), the largest proportion to date, accounting for almost half the 52 women who have served as senators in

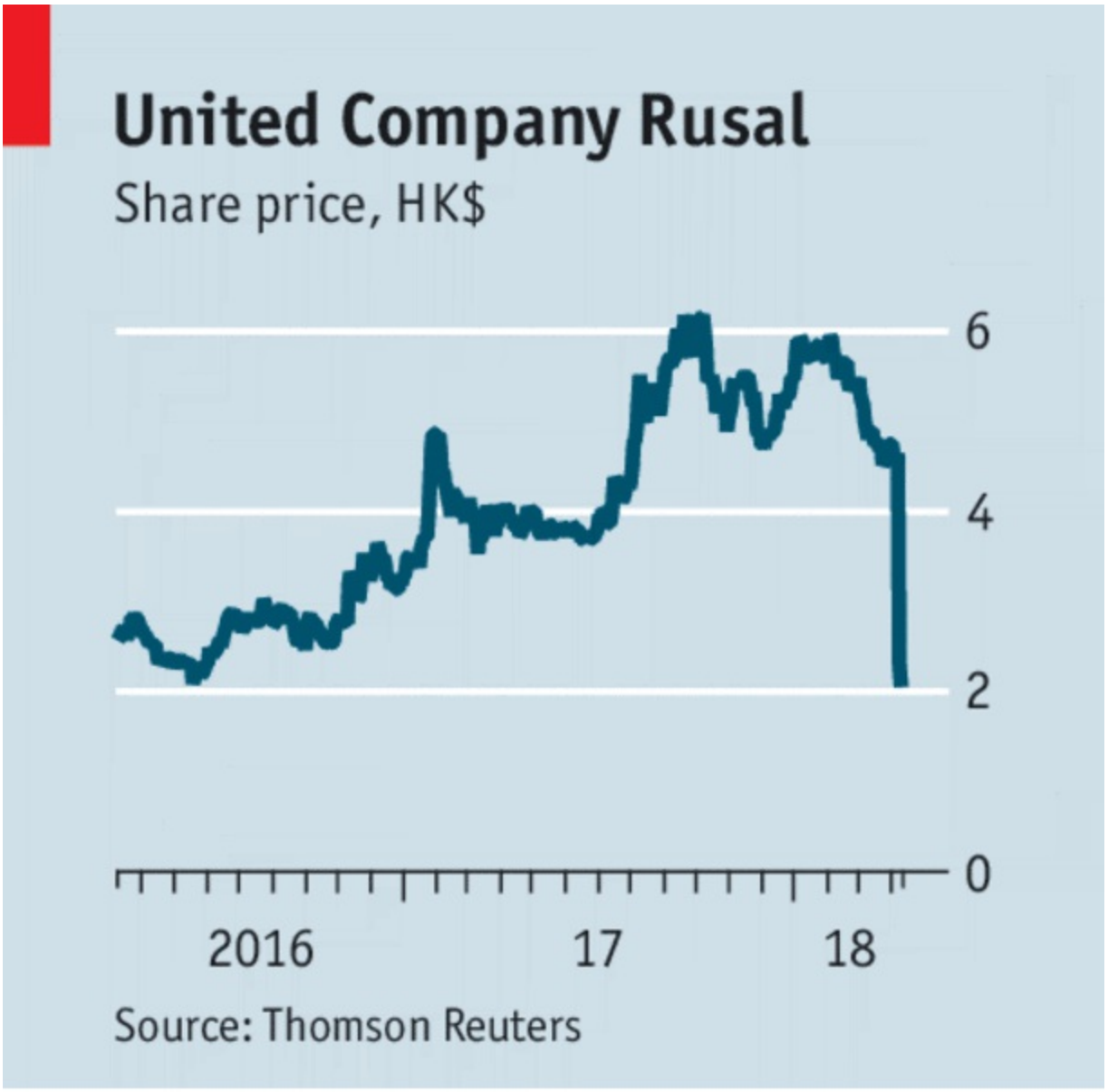
total.

Business this week

Apr 12th 2018

Mark Zuckerberg attended hearings in Congress to defend **Facebook**, after the revelation that information on 87m users had been obtained by a political-analytics firm linked to the Trump campaign. Mr Zuckerberg said he could accept regulation of the social network, provided it was under the "right framework", which he suggested might be something akin to impending data-protection rules in Europe. Mr Zuckerberg's assured performance helped lift Facebook's share price by 5.7% over his two days on the Hill. See article.

Get ready Russia!



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America's latest round of sanctions against **Russia** hit hard, causing Russian stockmarkets to dive and the rouble to plunge. Chief among the sanctions' targets were seven oligarchs and 12 companies they own or control, but investor disquiet was more widely felt, spreading to Sberbank, Russia's biggest bank, among others. The list included Oleg Deripaska and his companies, such as Rusal, a producer of aluminium. Underlining the sanctions' potency, Ivan Glasenberg, the chief executive of Glencore, resigned from Rusal's board, which he had joined in 2007. See article.

Stockmarkets in general had another volatile week, in part because sentiment fluctuated about the prospects of a trade war between America and China. Heightened geopolitical tensions over Syria pushed **oil prices** higher (some good news at least for the Russian economy). Brent crude climbed above $72 a barrel, its highest level since 2014.

Deutsche Bank ousted John Cryan as chief executive, three years into his five-year contract. The German lender has suffered three consecutive annual losses and Paul Achleitner, the chairman, was said to be unhappy with the slow pace of the bank's turnaround. Still, several investors complained about the manner of Mr Cryan's defenestration, which could make for a turbulent annual shareholders' meeting next month. The new CEO is Christian Sewing, who headed Deutsche's retail bank. See article.

A new driver

Deutsche Bank wasn't the only illustrious German company shaking up its management. **Volkswagen** was reportedly ready to replace Matthias Müller as chief executive with Herbert Diess, who heads its core passenger-car brand. Mr Müller got the CEO's job in September 2015, when Martin Winterkorn resigned in the wake of the carmaker's emissions-cheating scandal. See article.

The Turkish lira fell to another low against the dollar in part because of concerns about **Turkey's** push for growth at any cost. Recep Tayyip Erdogan, the president, unveiled an investment package this week and again called for interest rates to remain subdued. That spooked investors already worried that Mr Erdogan's pronouncements on monetary policy are hampering the central bank's freedom to raise rates. Inflation remains stubbornly high at 10% and the current-account deficit has risen on an annual basis.

Investors were taken by surprise when **Saudi Arabia** sold $11bn-worth of bonds without the customary roadshow. It is thought that the kingdom may have been trying to get a jump on **Qatar**, which it has been feuding with since last June and which is in the process of drumming up support for its own sale of government debt.

Novartis added to its expanding gene-therapy business by agreeing to pay $8.7bn for **AveXis**, which specialises in treatments for spinal muscular atrophy, a genetic condition that causes progressive muscle wasting.

The prancing unicorn

Jack Ma was reportedly preparing to raise up to $10bn in a round of private funding for **Ant Financial**, a mobile-payments group that he controls. Mr Ma created Ant in 2011 to house the Alipay network, which he spun out from his Alibaba empire. With 520m users, Alipay is the world's biggest mobile-payments platform, though most of its business is in China. Mr Ma's latest round of fund-raising could value Ant at $150bn, which would make it the most valuable startup in the world, way ahead of the likes of Uber and Didi Chuxing, two ride-hailing firms.

The European Banking Authority reported that 77% of the top earners among **European bankers** (those with remuneration packages of at least €1m, or $1.1m, in 2016) were based in Britain. That was a long way ahead of Germany, the next country in the ranking, where 5% of top earners resided.

A **fat-finger** mistake by an employee at a South Korean brokerage led to 2.8bn shares worth $100bn being issued to staff in error. The employee typed "shares" instead of "won" when distributing dividends in the Korean currency. It took the brokerage half an hour to spot the slip, during which time 16 members of staff took advantage of their windfall and sold their wrongly allocated stock.

KAL's cartoon

Apr 12th 2018

Leaders

Cool Germany

Germany is becoming more open and diverse

With the right leadership, it could be a model for the West

Apr 14th 2018

SINCE the fall of the Berlin Wall the *Ampelmännchen*, the jaunty, behatted "little traffic-light man" of communist East Germany, has escaped his dictatorial roots to become a kooky icon of Germany's trendy capital. Tourists pose with life-size models and snap up memorabilia in souvenir shops. The *Ampelmännchen*'s quirky coolness is an increasingly apt symbol of the country as well as its capital. As our special report in this issue describes, Germany is entering a new era. It is becoming more diverse, open, informal and hip.

At first blush that seems a preposterous suggestion. The Germany of international newspaper headlines is a country with anxious citizens and stagnant politics. Angela Merkel is Europe's longest-standing political leader, a woman who epitomises traditional German caution. Last September's election saw a surge in support for the far-right Alternative for Germany

(AfD); it took Mrs Merkel six months to cobble together a lacklustre new coalition. To conservative foreign observers Germany is a byword for a reckless refugee policy; to others it is the country that bullied indebted southern Europeans.

But take the long view, and the *Ampelmännchen* captures how Germany is changing. Post-war German history has moved in cycles of about 25 years. First came the era of reconstruction. Then, from the late 1960s, the federal republic began to reckon frankly with its war guilt. In its latest phase, from the 1990s, Germany has reunified, become a normal country again and shed some of the fetters of its past. Now the wheels of history are turning once more. The Merkel era is drawing to a close. Many of the country's defining traits—its ethnic and cultural homogeneity, conformist and conservative society, and unwillingness to punch its weight in international diplomacy—are suddenly in flux.

Promising signals

The biggest change comes from Mrs Merkel's "open door" policy towards refugees, which brought in 1.2m new migrants in 2015-16. This has confirmed once-homogeneous Germany's transformation into a melting-pot. A more inclusive identity is emerging—a country that waited until 2000 to extend citizenship to many of those without native ancestors increasingly defines nationality in civic rather than ethnic terms. A patriarchal culture has become more gender-balanced: the share of working-age women with jobs has risen from 58% to 70% in the past 15 years. Germans are divorcing more and marrying less. Even the Mittelstand's firms are adopting disruptive technologies such as artificial intelligence. And having undertaken no foreign military operations in the half-century to 1999, Germany has sent troops to Mali, Afghanistan and Lithuania.

This is shaking up a society that has long prized stability, opening cultural divides between those who embrace the new Germany and those who hanker for the familiar; between urban and rural voters; between young and old. The emergence of a new generation of more combative lawmakers, the AfD's arrival in the Bundestag and the battle over the future direction of Mrs Merkel's Christian Democrats are all stoking debates about the country's identity.

The outcome will determine the future of Europe's biggest economy. It will also matter beyond Germany's borders. The country is grappling with the rise of a more plural society at the same time as many others are doing so. Germans are temperamentally moderate and, thanks to their history, particularly sensitive to the dangers of demagoguery. How they navigate their country's transition could set an example for others.

At home, the new Germany has shed its post-reunification economic woes and is booming, but it is also ageing fast; the largest age group is the 50-to-54s. Preserving its prosperity requires forward-looking reform. Internet access is patchy and slow; roads and classrooms can be surprisingly shabby; a tangle of red tape restricts service industries; and under Mrs Merkel the retirement age has fallen for some and will soon be lower than in France. The flow of newcomers to Germany can help cushion the demographic crunch, especially if immigration procedures are streamlined, education is improved to break the tight link between background and results, and the strictly regulated German professions are made more accessible.

Abroad, the new Germany could also become a different sort of power. It remains frustratingly prone to a small-country outlook: reluctant to spend enough on defence, to confront the imbalances caused by its trade surplus and to accept more burden-sharing in the euro zone. Yet there are signs of movement. Under pressure from France's president, Emmanuel Macron, it will reluctantly accept some moves towards euro-zone integration, albeit tentative and insufficient ones. Germany's vulnerability to trade disruption makes it a natural broker in an age of tariff wars. Last month its new economy minister helped to persuade the White House to suspend planned steel and aluminium duties on the EU and other allies.

Meanwhile, the refugee crisis is expanding German horizons. At its peak Mrs Merkel requested a map shaded to highlight Germany's true borders: North Africa, Ukraine and Turkey. Then at last year's G20 summit in Hamburg the chancellor advanced a "Compact with Africa" to accelerate development and improve governance on the continent. Though overhyped and underfunded, it gives a hint of the convening and stabilising role a normalised Germany could yet play.

Green for go

All of which makes the character of Mrs Merkel's successor pivotal. Her uncontentious, reactive style has suited her times. But a new Germany requires a different type of chancellor: proactive at home, ambitious abroad and with the skills to persuade German voters of the case for this ambition.

With the right leadership, there is little doubt about the country's capability. In its latest historical phase alone it has absorbed the sclerotic, ex-communist east, overcome economic crisis in the early 2000s, taken in over 1m poor, often desperate immigrants—and coped. Now, as in the past, it would be a mistake to underestimate Germany. Like the *Ampelmännchen*, it has a knack for reinvention.

Ampelmann imagery courtesy of AMPELMANN GmbH

Unmarked

What to make of Mark Zuckerberg's testimony

Both the Facebook boss and his questioners in Congress fail to reassure

Apr 14th 2018

SAYING sorry can be an enriching experience. For Mark Zuckerberg, who this week endured two days of questioning in front of Congress, the rewards of contrition are not just metaphorical. Over the course of his testimony, as the Facebook boss apologised for the leakage of data on 87m users to a political-campaign firm, his company's shares rose by 5.7% and his own net worth by $3.2bn.

Shareholders were doubtless relieved by Mr Zuckerberg's robotic but gaffe-free display. And even the firm's fiercest critics ought to acknowledge the distance that it has travelled since the Cambridge Analytica story broke in March. Mr Zuckerberg welcomed the idea of regulation and cautiously endorsed a forthcoming European law on data protection. By saying explicitly that Facebook was responsible for the content on its platform, he has opened the door to bearing greater liability for the material it carries. But

the bounce in the share price also signals something worrying: that neither the firm nor American legislators have grasped the need for radical change.

Start with Facebook. Mr Zuckerberg told Congress that any firm that has grown at the speed of Facebook was bound to make mistakes. But the dorm-room excuse is wearing thin. Facebook is the sixth-most-valuable listed firm on the planet. It spent $11.5m on lobbying in Washington in 2017. Its endless guff about "community" counts for little when it has repeatedly and flagrantly disregarded its users' rights to control their own data. The company has carried out lots of fiddles in recent weeks—from making privacy settings clearer to promising an audit of suspicious apps. But it should go much further.

An internal investigation into how third-party apps have been using Facebook users' data is not enough to restore trust: it should appoint an outside firm to conduct a full independent examination of its own conduct. That would help address lingering questions; Cambridge Analytica may be just one of many such outfits to have got hold of user data, for example. The appointment of an independent chairman would be another way to improve the quality of debate and scrutiny within Facebook. Along with other tech firms, it should create an industry ombudsman whose jobs would include making access to platforms easier for independent researchers. Instead of opening up, however, the risk is that Facebook will throw up walls: its decision to kick third-party data-brokers off the platform has the convenient effect of both protecting users' data and entrenching its power as a source of those data.

Wanted: well-informed legislators

Even if Facebook did all this, there would still be a need for data-protection regulation in America. Mr Zuckerberg has a majority of the voting rights at the company: an independent chairman would not stop him wielding ultimate control. The firm's advertising-led business model incentivises it to turn users' personal data into targets for ads. Facebook has said nothing about allowing people to opt out of being tracked across the web. It is inherently hard for users of online services to make informed choices about how their data should be stored. In any case, these issues span more firms than Facebook.

That leads to the other concern raised by this week's hearings: the capacity of policymakers to put together good legislation. Where Mr Zuckerberg was competent, his interrogators were often clueless (see article). One seemed not to know that the firm made money from advertising; another was more interested in getting Facebook to build fibre-optic cable in her state. To work for its users, the data economy requires thoughtful policy and a sea-change in the way tech firms are run. On this week's evidence, neither looks likely.

The duty to deter

If Syria's despot is not punished, others will use chemical weapons

Strikes on Bashar al-Assad's air bases are justified

Apr 12th 2018

AFTER seven years of war and hundreds of thousands of deaths, it takes an act of utter barbarism to shock the world out of its indifference. But every so often, Bashar al-Assad supplies one. On April 7th more than 40 Syrians were killed with poisonous gas in the town of Douma. Videos showed men, women and children lying lifeless, with foam dribbling over their lips. Such horrors are why most countries outlawed the use of chemical weapons long ago—and why Syria's despot flouts that ban. He has carried out dozens of chemical attacks over the course of Syria's war, sowing terror in rebel-held areas. The world should not let him get away with it.

As *The Economist* went to press, America and its allies were considering responding to the atrocity in Douma with military action. If they are convinced of the evidence against Mr Assad (who denies responsibility), then they should punish him hard enough to deter him from gassing his people

again. That will take more than a flurry of cruise missiles. Air strikes should be aimed at the dictator's chemical-weapons plants and command-and-control centres. Turning one of his palaces to rubble (after a suitable warning to let civilians escape) would give ordinary Syrians visible evidence of the disgust the world feels for their ruler.

Some argue that a bombing campaign would merely prolong Syria's war, which Mr Assad, regrettably, has all but won. Rebels control only a few pockets of territory in the north and south and are largely cut off from international support. Deterrence has already failed, say others, and hitting the dictator again might provoke a response from Russia, which has threatened to shoot down American missiles and fire at their launchers. More risks come with the man in charge of the mission, President Donald Trump. His Syria policy is scandalously inconsistent (see article). Only last month he indicated he would withdraw American troops, saying "Let the other people take care of it now."

The costs of inaction

These are serious concerns. But they do not justify inaction, which would embolden Mr Assad to commit more atrocities. In the past, a failure to act has had precisely this effect. Barack Obama called the use of chemical weapons a "red line". Yet when Mr Assad used Sarin nerve gas to kill 1,400 civilians in Ghouta in 2013, Mr Obama did too little, settling for a disarmament deal that Mr Assad quickly broke. Mild punishments have not worked, either. When Mr Assad used Sarin again last year, Mr Trump launched 59 cruise missiles at a Syrian air base, and then stopped. That did not deter the attack on Douma.

Mr Assad's next target is rebel-held Idlib, where thousands of civilians are hunkered down—and where new chemical massacres are likely if nothing is done. Hitting him hard enough to prevent such horror runs the risk of provoking Vladimir Putin, Russia's leader and Mr Assad's protector. Care should therefore be taken to avoid killing Russians. Existing "deconfliction" arrangements should be used to give Russian commanders warning of imminent attacks, and thus a chance to get their men out of the way. America should make it clear that it wishes to avoid a direct confrontation with another nuclear power. Such a campaign will require nerve and precision.

Even with both, it is not without risks.

Yet it is the least bad option. Syria has made a mockery of the UN's Chemical Weapons Convention, which Russia and Mr Assad himself have signed. If such agreements are to be taken seriously, they must be enforced. Alas, the UN cannot perform this task as long as Russia wields its veto at the Security Council. So the burden falls on countries that believe that the rules-based international order is worth upholding.

Mr Trump champions such rules only when it suits him. Nonetheless, he is right to argue that Mr Assad should pay a "big price" for his crimes, and he deserves credit for calling out Iran and Russia for backing Syria's tyrant. If he means what he says, he will not be alone. Countries as diverse as France and Saudi Arabia are urging that Mr Assad be held accountable.

Punishing the use of chemical weapons will not end the suffering in Syria, or unseat Mr Assad. But if the taboo on chemical weapons is allowed to fade away, other despots will be tempted to use them, too. And war, already vile, will become even more so.

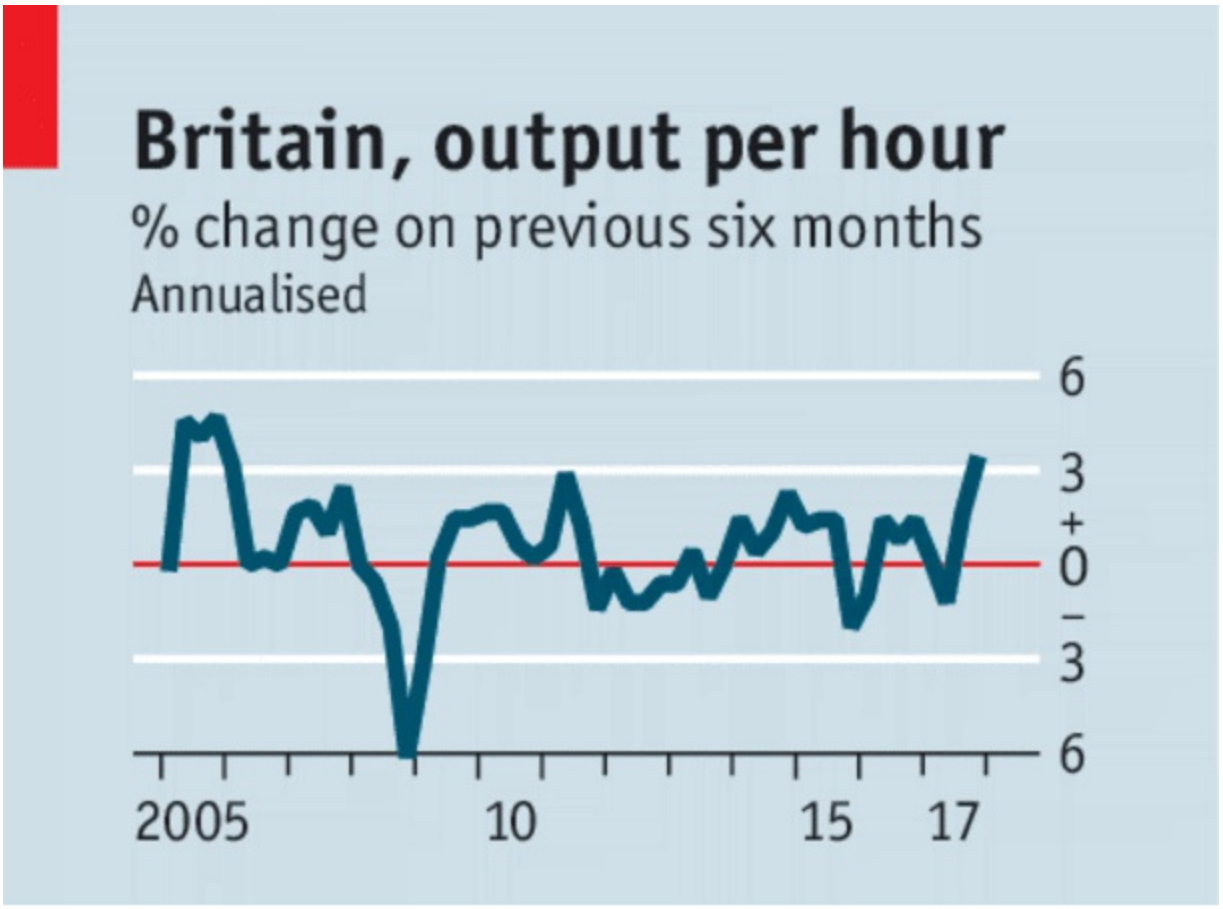
Brittle Britain

British productivity is rising at last. But Brexit looms over the economy

On its current path, the country will remain a growth laggard

Apr 14th 2018

LOW productivity growth has plagued Britain's economy since the financial crisis. From 2010 to 2016 output per hour grew, on average, by just 0.2% a year, down from 2.5% between 1950 and 2007. In the G7 group of rich countries, only Italy has done worse. Productivity drives a country's living standards in the long term. It is a relief, then, that the stagnation may at last be coming to an end. In the second half of 2017 productivity grew at an annual rate of 3.4%, the fastest growth since 2005.



Economist.com

Accelerating productivity is the latest, and most important, piece of good news on Britain's economy. Capital spending is improving. As a share of GDP, total investment is a percentage point above its average since the crisis. Foreign firms are readily investing. A tenth of global mergers and acquisitions announced so far in 2018 have involved a British target. Wage growth is picking up in nominal terms and, with inflation falling, real wages may soon start to grow again.

The strength of Britain's labour market stands out. America may have a lower official unemployment rate, but nearly a fifth of people there aged between 25 and 54 are not even looking for work, meaning they are not counted in the figures. Not so in Britain, where the employment rate for this age group is 84%, among the highest of large economies.

Inevitably in a country still riven by the referendum decision to leave the

European Union, Britain's economic performance is analysed through the prism of Brexit. Those in favour of leaving the EU gleefully recall predictions, made by the Treasury and others, of a collapse in confidence after the referendum, and then a recession. Not only have those forecasts proved wrong but, some Brexiteers say, Brexit may actually be helping the economy. On their view, productivity is rising because falling net migration from Europe has led to a tighter labour market, spurring firms to find ways to do more with less.

Too soon to celebrate

Not so fast. The reasons for the rise in productivity are not yet clear (see article). But there are two ways in which the recent economic news must be put into perspective.

The first is that the aftermath of the referendum has coincided with a broad, sustained rise in global growth. Against that backdrop, it is not surprising that Britain's economy has performed better than anticipated. It has nonetheless slowed. The economy grew by only 1.4% in the year to the end of 2017, down from 2% a year earlier. And it has slipped sharply relative to others. Not long ago Britain had the fastest growth in the G7 group of rich countries. Now it has the slowest. Comparing Britain's growth with that of the world economy, one estimate puts the running cost of Brexit at 1.3% of GDP, or £300m ($426m) a week. Had the global economic cycle not turned in 2017, some of the more blood-curdling forecasts made before the referendum might not have looked quite so silly.

Second, the biggest downside to Brexit was never going to be immediate economic pain. If Britain leaves the single market and customs union in an orderly manner, the short-term shock should be manageable. But there is still the swingeing cost to longer-term growth from higher trade barriers. Firms selling to the continent will gradually cut Britain out of their supply chains. Britain's workers and capital will have to be redirected to produce things that previously were imported more cheaply. Britain's exports to Europe will cost more. With free movement curtailed, it will be harder for knowledge to flow across borders. The economy will be less efficient.

Brexiteers retort that economists have been proved wrong once and will be

proved wrong again. Yet the profession is much better at predicting trade flows than it is at guessing how investors will respond to events. Few economic models have had as much success in explaining the real world as the one saying that as distance between trading partners doubles, trade flows fall by roughly half. There is no replacement for frictionless trade with a single market of 450m people on Britain's doorstep, whatever the government's hopes for trade deals with countries, like America, that are oceans away.

Reliable trade models predict long-term losses from Brexit of up to 10% of GDP, depending on how it is conducted. According to analysis by civil servants, even if Britain retained tariff-free access to the single market and maintained free movement of people, as Norway does, the eventual hit to GDP per person could be as high as 2.6%—enough to undo its growth during 2017 almost three times over.

In theory, investment could boost productivity enough to outweigh the effect of lost trade. Policymakers are, slowly, getting some things right. Government investment, as a share of GDP, may soon reach its highest sustained level for 40 years. Philip Hammond, the chancellor of the exchequer, is saying some sensible things about solving Britain's housing shortage.

Yet the government is walking down a train that is speeding in the opposite direction. The effects of merely tinkering with policy will be of a different order of magnitude to those of upending Britain's trading relationships with its neighbours. For productivity, as for so much else, how Brexit is conducted is the thing that matters most.

Overcharging undertakers

Great news for the dead: the funeral industry is being disrupted

Changing social norms, competition and technology are shaking up a stodgy and exploitative business

Apr 12th 2018

FEW choose how they die, but they can choose what happens next. Most leave this to loved ones who, in their distress, usually outsource the decision to an undertaker. The transaction is often a let-down, with hardly any choices beyond “Burn or bury?” and “Cheque or card?”

The average American funeral with a burial costs nearly $9,000. In some countries, the exorbitant cost of staging a “proper” funeral can lead families to financial ruin. Nearly everywhere, the bereaved have put up with rip-off last rites because of the lack of better options. At last, technology and competition are starting to disrupt this most conservative of industries (see article). This is good news for anyone who plans to die one day.

The funeral trade has the most basic of business advantages: inexhaustible

demand. Every minute more than 100 people die somewhere. Not all pay for a funeral. Tibetans still practise sky burial, leaving bodies on mountaintops; the Caviteño in the Philippines bury their dead in hollowed-out tree trunks. But in the rich world, dying is big business—an industry, for example, worth $16bn in 2017 in America.

Undertakers have long been able to get away with poor service. Their customers are typically distressed, under time-pressure and completely inexperienced (people in rich countries buy more cars than they do funerals). As a result, few shop around, let alone haggle. With consumers docile, providers can keep quality low and prices high—much like tourist-trap restaurants, another one-off purchase made in haste with little information. Some sellers have made matters worse with techniques ranging from opaque pricing to emotional blackmail. The asymmetry in knowledge between undertaker and grief-stricken client allows ludicrous markups on things like coffins. It also makes it easier to sell services that people do not realise are mostly unnecessary, such as embalming.

But now undertakers' market power is being challenged on at least three fronts. One is changing customer demand. Driven in part by the decline of religion, and broader shifts in attitudes to death and dying, fewer bereaved are ready to cede their dead unthinkingly to an off-the-shelf burial. They prefer shrouds and woodland burials to coffins and graveyards; celebrations of life to sombre rituals in funeral homes; and video tributes to a life just lost to displays of the embalmed dead.

Second, more and more, they choose cremation, which is cheaper than burial, and allows a "direct" form in which the disposal of the body is handled without fuss, and kept separate from the commemoration of the life lost. And third, the internet is disrupting death as it has life. Comparison sites shed light on funeral providers' services. And though not many bereaved relations yet "bring their own coffin", a quick browse online gives people a far better idea of what it should cost. Startups are offering more radical disruption: rocket-launches for ashes; QR codes on graves linked to online tributes; new ways of disposing of bodies besides burying or burning.

The nail in the coffin?

Nobody is yet writing undertaking's epitaph. But the industry will have to adapt. The first signs of a shift are already on display in America, where funeral-home revenue is projected to stagnate despite an annual death rate—the industry's lifeblood, after all—that is expected to rise. In Britain a price war between the largest providers may at last cause prices to drop.

The most important effect of all this disruption is not just cheaper funerals and fewer debt-burdened families. It is a more profound shift in returning to consumers perhaps the most personal of all decisions: control over their farewell.

Letters

- **On Russia, political divides, Martin Luther King, prison, trains: Letters to the editor** [Fri, 13 Apr 06:00]

Letters

Letters to the editor

On Russia, political divides, Martin Luther King, prison, trains

Apr 12th 2018

Letters are welcome and should be addressed to the Editor at letters@economist.com

A party of the people

Although your briefing on Russia's young post-Gorbachev generation offered optimism for the future, it fell into the trap of relying on elites for change ("Gorbachev's grandchildren", March 24th). Elites can spearhead social and political reform, but it is mass behaviour that ultimately entrenches norms, values and practices. Previous generations of Russian reformers, from the Bolsheviks to the post-Soviet New Russians, ignored this at their peril. Boris Yeltsin's young technocrats never managed to cultivate popular support for their reforms. As a result, change was driven from above, resulting in a preponderant presidency counter-balanced not by a strong parliament or civil society but by a fractious coalition of oligarchs. This created the conditions

for Vladimir Putin's autocracy.

If Russia is to develop the institutions and customs necessary for a competitive democracy and market economy, it will require a national movement. Even though the Communists and (self-styled) Liberal Democrats are widely recognised as being deferential to the regime, they are nonetheless able to command a limited popular following, while liberal outfits such as Yabloko barely take a bite of the vote. The reason why Alexei Navalny is perceived as such a threat to the system is because he has sought to broaden the opposition beyond the metropolitan elite and into the Russian heartland by tapping into the nationalist vein of grievance that Mr Putin has mined to maintain power.

Meanwhile, Ksenia Sobchak ran a traditional campaign aimed squarely at your new generation and came away with less than 2% of the vote. Only one of these approaches offers a long-term path to power, as well as the popular mobilisation necessary to entrench democracy after its establishment.

MARK DUNCAN
Moscow

Measuring social discord

Bagehot took issue with the "open" and "closed" division in politics that Global Future discussed in its most recent report (March 24th). We agree that in this debate it is important to show empathy and respect for all sides. But Bagehot overlooked the extent to which our argument is based on clear evidence. Our data show that there is a demonstrable open/closed values divide in Britain, starkly correlated with age. That divide increasingly helps predict and explain voting behaviour in Britain, as is already the case elsewhere, perhaps most notably in France and the United States. Whether we like it or not, open/closed is fast emerging as a new political reality around the world.

More importantly, Bagehot made too much of the distinction between those with academic qualifications and those without as a better explanation for political polarisation. His assertion that "exam-passers" gain "access to a world that is protected from the downside of globalisation" will come as a surprise to the army of graduates who grapple with insecure, low-paid jobs, high levels of student debt and house prices that are way beyond their means. Casting all these people as "winners" who play down the legitimate concerns of "losers" understates their legitimate economic worries, as well as the extent to which openness is dominant among under-45s in general, not just among the elites.

We strongly agree with Bagehot that it is important to ensure that the benefits of openness are spread as widely as possible in order to deepen support for it. But this should not be at the expense of ignoring important truths or more widely ducking a fight that will shape our world for decades to come.

PETER STARKINGS
Managing director
Global Future
London

Let freedom ring

"Like a mighty stream" (March 31st) implied that Martin Luther King borrowed the phrase "Free at last! Free at last! Thank God almighty we are free at last!" from a novel by Zora Neale Hurston published in 1939, rather than from an "old Negro spiritual". But my high-school choir sang that very same spiritual in 1962. It can be traced to John Wesley Work's collection in 1907, "New Jubilee Songs and Folk Songs of the American Negro". Hurston may well have picked up the line from there.

JOHN KIHLSTROM
Richmond, California

You mentioned some of the plagiarism that King has been accused of. But you referenced the quote that Winston Churchill "mobilised the English language and sent it into battle" to John F. Kennedy. Actually, that was how Edward Murrow put it, and how JFK plagiarised it years later when he conferred honorary American citizenship on Churchill. You thus provided an eloquent reminder that words can be well-borrowed, and that we should mind the ubiquitous glasshouses when throwing stones. Or so I think someone once said.

MARC KURITZ
San Diego

* Your reviewer writes, "…King looked out…over a sea of oppressed people…". True, but not the whole truth. I, a non-oppressed Jewish white man, was there as were many of my peers. Indeed, people from all walks of life, several religions and many levels of class and economic status came, listened, and went home to continue his then and even now unfinished work.

RICHARD WEXELBLAT
West Brandywine, Pennsylvania

Beyond porridge

"Steady work" is cited as one factor, in your article on court convictions in Britain, that can stop criminals from reoffending when they leave prison ("Stuck on repeat", March 24th). One charity organisation, called Clink, is trying to help prisoners gain such steady work by running restaurants at some prisons where the public are the customers. Clink hopes to boost the self confidence of the inmates and provide them with skills that can be employed in the hospitality and horticultural industries. The prisoners in the restaurants

work towards the City & Guilds NVQ in food preparation, service and customer service. They are given full training, support, employment and are assigned a mentor. Education seems to be the answer. More than 800 prisoners have graduated from Clink's training projects. My husband attended one of its restaurants last week; he was considerably impressed with the quality, not only of the food on offer, but of the prisoners themselves.

SYLVIA RING
London

Great railway journeys

Your story on "The Malmo-Palermo express" (March 24th) reminded me of an encounter with John Price, the editor of Thomas Cook's railway timetable. Someone wanted to know how to get by train from Oslo to Palermo. Price had the most extraordinary memory. "Well", he said, the concentration etched on his forehead, "you leave Oslo at 22.40, arrive in Copenhagen in time for breakfast. Then you take the 10.15 to Hamburg, have some lunch on the train, be in Hanover in time for tea and then in Frankfurt for a quick bite before catching the 21.19 Italia Express to Rome. You will be in Rome at 14.05 the next day which gives you time to see some sites before hopping on

the 17.00 for Palermo."

There was a pause, and for the first time Price referred to his timetable. "My mistake. That Italia Express at 21.19, it leaves at 21.18."

ROBIN LAURANCE
Oxford

* Letters appear online only

Briefing

- **Puerto Rico: After the hurricane** [Fri, 13 Apr 06:00]

After the hurricane

America has let down its Puerto Rican citizens

Islanders must look to themselves to salvage their fortunes

Apr 12th 2018 | PUNTA SANTIAGO AND SAN JUAN

PUERTO RICO'S distant overlords have often displayed mixed feelings towards it. With its central Caribbean location and natural harbour at San Juan, the island was a strategic asset for the Spanish for four centuries. It was, said Philip IV in 1645, "front and vanguard of all my Western Indies and, consequently, the most important of them and most coveted by the enemies." On the other hand, its rugged terrain was less productive than Hispaniola. It was also plague-ridden, expensive to fortify and the garrison in San Juan kept deserting because the Spanish kings rarely paid their troops.

Their enemies squandered the opportunity this presented: perhaps they felt similarly about the place. Puerto Rico was seized or assailed by the English, French and Dutch, then abandoned and returned to Spain. Until, in 1898, America grabbed the island in the spasm of empire-building that also took it to Cuba, Guam, Hawaii and the Philippines, and it stayed. But it has been

even more ambivalent about its Caribbean prize than Spain. This was evident after the island was ravaged on September 20th by the fifth-fiercest Atlantic storm to make American landfall.

Fuelled by unusually warm Atlantic waters, Hurricane Maria swept the island from the south-east, sustaining wind speeds of up to 280 kilometres an hour (175mph). It obliterated Puerto Rico's electricity grid, mobile-phone towers, and air-traffic-control system and radar. It broke or blocked hundreds of kilometres of roads and bridges and damaged or levelled over 470,000 houses. At least 64 people perished during the storm, drowned in their houses or brained by flying debris. Perhaps another 1,000 died in the aftermath, including old people who suffocated after their hospital respirators packed up. "No power, no water, no transport, roads were closed, many streets broken, houses destroyed and people crying," is how María Meléndez, the mayor of Ponce, the biggest city in southern Puerto Rico, recalls the devastation her namesake wreaked.

As an overseas territory, with most of the rights of a state, less a vote in general elections or in Congress, Puerto Rico was due the same emergency response as any other part of America. Its 3.4m inhabitants got so much less, in such desultory fashion, with such horrible consequences, that the storm has rekindled a painful debate about the island's relations with America. "A senator told me that if the power hadn't been fully restored in his state within a month, there would have been mayhem," says its governor, Ricardo Rosselló, seated in his elegant 16th-century residence in San Juan. "Puerto Rico has been part of the US for more than 100 years, but we're still treated as second-class citizens. Anything would be better than this."

Indeed, the effects of Maria were so severe because the island was already in such bad shape. That is in part, though by no means only, due to the federal government's neglect. Almost half of Puerto Ricans—or Boricuas, as they call themselves—are poor. The economy has been in recession for 12 years; gross national product has fallen by 15% in that time. Almost a fifth of the population has quit the island for Florida, New York and other Puerto Rican enclaves of the mainland, including around 300,000 since Maria struck. The government is bankrupt. The island's politicians are meanwhile haplessly fixated on its status. The ruling New Progressive Party, led by Mr Rosselló,

wants it to become a state, the Popular Democratic Party prefers the status quo; a few socialists and other romantics want independence.

Despacito

Natural disasters can at least spur economic growth, which Puerto Rico urgently needs: there are already signs of this in strong car sales and debit-card transaction numbers. By strengthening Mr Rosselló, who was elected in 2016 on a promise of structural reform, the hurricane might also lead to improvements in the island's governance. The 39-year-old governor calls it a "transformational opportunity". But that is not to gloss the horrors Maria caused, or the inadequacy of the American response.

"I was expecting it to be like the Berlin airlift," recalls Nicholas Prouty, a financier from New York now based in San Juan, who used his helicopter to survey the disaster. In fact, there was a more recent example of what Puerto Ricans were entitled to. A month before Maria, Hurricane Harvey hit Houston and within six days the American army's Northern Command had deployed 73 helicopters to the city. Yet a week after Maria, Mr Prouty still had the skies over Puerto Rico pretty much to himself: "There was nothing, no Black Hawk up in the air, no C130." It took Northern Command at least three weeks to send 70 choppers to the island.

Digging by *Politico* suggests the federal government sent 30,000 relief workers to Houston within nine days of its hurricane; it sent 10,000 to Puerto Rico. Over the same period, the Federal Emergency Management Agency (FEMA) approved payments of $142m to victims of Harvey, and $6m to victims of Maria. Ms Meléndez says it was two weeks before she heard from FEMA, and two months before the Army Corps of Engineers started dispensing tarpaulins to patch up Ponce's 49,000 damaged houses.

In the coastal town of Punta Santiago, in the poor south-east of the island, Father José Colón says it was two months before he saw any sign of FEMA, when two of its workers came to his church asking for directions. The priest was by then dispensing $1m of supplies, which he had raised in private donations over the internet. "At least the response from the American people was extraordinary," he says.

Even the most attentive government would have struggled with Maria. FEMA was overstretched in Texas, Florida and California. Puerto Rico, unlike Houston, is rugged, 180 kilometres long, and has worn-out infrastructure and weak institutions. The state-owned electricity monopoly, whose 700 pylons came crashing down, is especially inept. Yet instead of strong leadership, to cut through the difficulties, Donald Trump provided little help. The president at first sought to downplay the disaster, then suggested Puerto Ricans were doing too little to help themselves. Three weeks after Maria, he suggested it would soon be time for the feds to leave. "We cannot keep FEMA, the Military & the First Responders, who have been amazing (under the most difficult circumstances) in P.R. forever!"

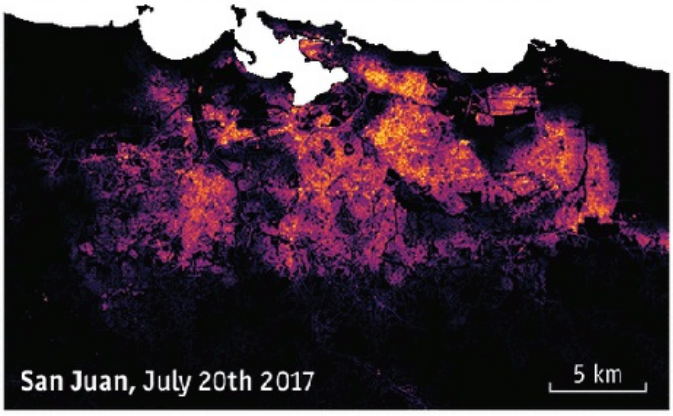
Overseas, not abroad

He might almost have been speaking of a foreign country. Maybe he thought he was. Before Maria, over half of Americans did not know Puerto Ricans were American citizens. No wonder they were treated like second-class ones. Even now, six months after the disaster, over 50,000 have no electricity and San Juan is prone to daylong power cuts. The poor, whose tin-roofed shacks were most damaged by the storm, have found it especially hard to secure assistance. Of the nearly 1.2m applications FEMA has received for money to repair damaged houses, it has rejected 60% for lack of title deeds or because the shacks in question were built on stolen land or in contravention of building codes.

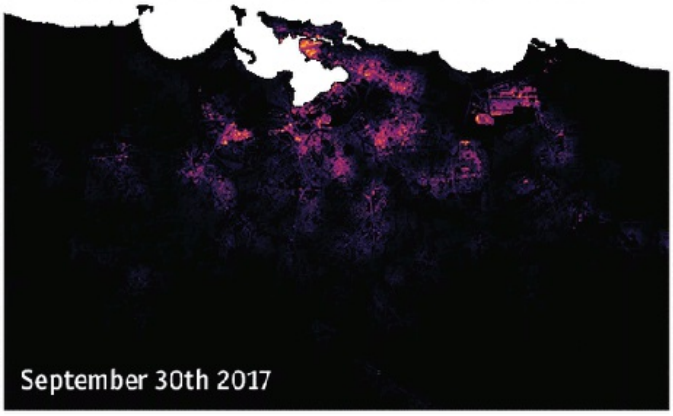
Illuminating

Night-light intensity in San Juan

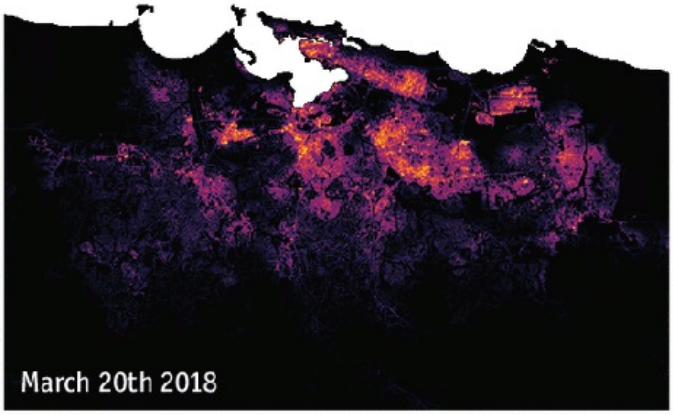
Before Hurricane Maria makes landfall



Immediate aftermath of Hurricane Maria



Six months after Hurricane Maria



Source: Suomi NPP VIIRS data from Miguel Román, NASA Disasters Programme

The economic toll is enormous. Around 80% of the island's agricultural crop was destroyed, including coffee and banana plantations that will take years to regrow. An estimated 10,000 firms, one in five of the total, remain closed, including a third of the island's hotels. Glinting in the Caribbean sun behind Father Colón a bulldozer was clearing debris from Punta Santiago's once-popular, now deserted, beach. After the storm scores of dead monkeys were washed up on it from a research station on an outlying island. The local fishery has also suffered, its reef having been buried under debris, including a car.

The government forecasts output will shrink by another 11% in the year to June 2018. A burst of growth should then follow—estimated at 8% over the following year—on the back of $35bn in federal assistance, an estimated $20bn in private-insurance payments and as Puerto Ricans dip into their savings to repair their houses. Yet even allowing for the effects of that growth, Puerto Rico and the nearby US Virgin Islands will by one estimate lose $47.5bn in output and employment equivalent to 332,000 people working for a year. The 3,000 people estimated to have left the Punta Santiago area, mostly for Florida, may not return soon.

Yet the storm has also reinforced two positive trends. One concerns the political effect of the island's swelling population on the mainland, where there are over 5m Puerto Ricans. Most recent departees have headed to Florida, whose Puerto Rican population has surged to over 1m. Given that Mr Trump won Florida in 2016 by a little over 100,000 votes, and most Puerto Ricans on the mainland vote Democratic, this gives them leverage. On a post-Maria embassy to Washington, Ms Meléndez went to see Senator Marco Rubio of Florida to try to capitalise on that. After a roundabout discussion about debt relief and aid, conducted in Spanish and English, the pugnacious mayor of Ponce says she slammed her fist onto Mr Rubio's desk. "I said, 'Sir, treat us the same as any other Americans or we are going to tell our relatives in Florida not to vote for you and you will not win another election'."

The second, more important, benefit concerns the creative potential of the destruction wrought by Maria on the island's government and businesses. Saddled with massive debts—including $70bn to bondholders and another $50bn in pension liabilities—Mr Rosselló's administration is making deep

cuts. Before Maria, it was committed to slashing funding to local governments by $175m, closing 184 schools and trimming public-sector pensions that, at an average of $1,100 a month, are not generous. It will now be able to cut during a burst of growth and less steeply, at the discretion of its overseer—a seven-person fiscal control board that was tasked in 2016 with approving the government's budgets in return for negotiating with its creditors. But much more is required.

Is this the end of Puerto Rico?

Assisted by federal tax incentives, Puerto Rico's economic model was for decades based on manufacturing, especially of drugs. Its economic collapse was a result of those incentives being taken away by a Republican-controlled Congress, between 1996 and 2006. The debt crisis is an equally predictable product of the government's efforts to sustain its operations, at boom-time levels, with borrowed money. This reflected, beyond foolishness, an assumption that Washington would provide a replacement incentive. The fact that three successive administrations, Democratic and Republican, have refused to do so, even after the horrors of Maria, points to the emptiness of that hope. To climb out of its hole, Puerto Rico needs to become more competitive. Given that it lags the United States by 58 places in the World Bank's ranking of the ease of doing business, it at least has a lot of options, some of which the hurricane has made more palatable.

Economist.com

There was previously little enthusiasm for reforming the state-owned electricity company, which is saddled with debts of $9bn (an impressive feat of incompetence for a monopolist with high demand for its product). There is now broad support for the government's ambition to privatise power stations and contract out transmission and distribution. The grid, which will be rebuilt with federal money, will probably be redesigned to make it more resilient to hurricanes, which climate change is expected to make more frequent and severe. There is talk of micro-grids and more distributed sources of power, especially solar panels. Also, by necessity, some officials are trying to clean up the island's messy land registry, to help poor householders denied help by FEMA. Pointing to a map of San Juan, Carmen Yulín Cruz, the city's mayor, who enjoyed brief celebrity for butting heads with Mr Trump, points to slum areas she plans to provide with titles or land-use permits

Livin' la vida loca

Mr Rosselló introduced modest labour market reforms last year; more are needed. Puerto Ricans enjoy among the most generous protections of any American workers, including mandatory holidays and severance pay. They also have the highest unemployment rate in the country (it was 10.6% before Maria) and are losing workers to states such as Florida and Texas that have few state-level labour laws. That is nuts. So are the island's onerous business permits, including half a dozen different certificates of tax compliance. Mr Rosselló has sworn to reform that, too, and there is little doubt about his sincerity. The question is whether the greenhorn governor has the political strength and courage to see it through. He will have no better opportunity than the fleeting growth window the hurricane is about to provide.

The havoc wreaked by Maria could be especially creative for the island's private sector, which represents a chronically missed opportunity. Puerto Rico, for all its problems, is a beautiful tropical island, with white-sanded beaches, rainforest, fascinating history, lovely colonial buildings and a vibrant mix of Latin-American and European culture. Yet, with 3.5m visitors a year, its tourism industry is less than half the size of Hawaii's. It has an excellent climate for growing coffee and other highly marketable products, yet its agriculture sector is inefficient and tiny. The island has a well-educated, bilingual middle-class, including a surfeit of engineers, trained at the well-regarded University of Puerto Rico for the manufacturing industry, and cheap to hire. But in the wake of the departing multinationals, they are also leaving. Isabel Rullán, a 20-something former migrant, who has returned to the island from Washington to try to improve linkages to the diaspora, estimates that half her university classmates are on the mainland.

But there are signs of improvement, which Maria has reinforced. Almost all the shuttered hotels are being refurbished. Marketing of the island has been handed to a private entity which aims to double revenues from tourism over five years. Ms Rullán is using some of the $3m her organisation crowdsourced during the hurricane to help 2,500 coffee farmers replant more productively. As manufacturing shrinks, the island's remaining entrepreneurs are shifting towards services, including call-centres, business processing, IT services and, perhaps soon, medical tourism, that are more suitable to a high-skilled island economy.

“Every week I hear from someone who wants to come back from the US to start their own thing,” says Ángel Pérez, whose IT-services company, Rock Solid Technologies, exports to governments in Central America and across the Caribbean. Puerto Rico’s government offers good tax incentives for startups. If it can also provide more basic inducements, such as reliable electricity, it is not hard to imagine entrepreneurs returning. Besides its natural advantages, Puerto Rico is their home: the minimal degree to which it has succumbed to American culture is indeed remarkable.

When will the crowds flock back to the beaches?

That speaks to the albatross hanging around the island’s neck: the uncertainty over its status. Jealous guardians of their language and culture, misty-eyed even now over Spain (*la madre patria*, “the mother country”, as Boricuas call it), Puerto Ricans have maintained a strikingly transactional view of America. It took a big expansion in health-care and other benefits, during the 1950s and 1960s, to quell a surge in violent nationalism on the island. And though many thousands of Puerto Ricans have fought and died in America’s armed forces, they still tend to cherish the Puerto Rican Olympic team and other tokens of national identity. A class of 30 political science students, at the University of Puerto Rico’s campus in the south-east city of Humacao, said they had nothing particularly against America; it just wasn’t their country.

None of them knew the pledge of allegiance or more than a few words of the "Star-Spangled Banner". And now, as Maria underlined, America's interest in and inducements to the islanders are running dry.

This has left Puerto Ricans angry and uncertain. Pre-Maria polls pointed to perhaps a small majority for statehood. Yet the quasi-colonial status quo, which has robbed their government of initiative while putting them at the back of the line for federal attention, now seems intolerable. Mr Rosselló says even independence would be preferable: "At least it is a dignified alternative to the current status." Yet that status is not up for review currently. That is probably a good thing.

It seems likely that Puerto Rico will become a state eventually. But to manage that transition, without risking a violent nationalist repulse, it needs to do so from a position of relative strength, not in its current shattered state. The island's government seems to know what is required. Its fiscal overseers will try to keep it moving. If they succeed, the economy will start growing sustainably and the flood of emigration will slow. Or else the brain-drain will become a demographic death-spiral, leaving the island with too few taxpayers to cover its costs. The horrific aftermath of Hurricane Maria might almost be considered an augury of what that would look like, every day.

United States

- **Mr Zuckerberg goes to Washington: Face-off** [Fri, 13 Apr 06:00]
- **The Republican Party: Saving private Ryan** [Fri, 13 Apr 06:00]
- **Organic farming: Corn beef** [Fri, 13 Apr 06:00]
- **Philanthropy: Giver’s remorse** [Fri, 13 Apr 06:00]
- **The economics of prison work: Capital and punishment** [Fri, 13 Apr 06:00]
- **Schools: Discipline and punish** [Fri, 13 Apr 06:00]
- **Lexington: The coming collision** [Fri, 13 Apr 06:00]

Mr Zuckerberg goes to Washington

If Facebook will not fix itself, will Congress?

The light grilling the company's boss received on Capitol Hill suggests not

Apr 11th 2018 | SAN FRANCISCO

"THEY 'trust me'…dumb fucks," Mark Zuckerberg, the boss of Facebook, wrote in an instant message to a friend in 2004, after boasting that he had personal data, including photos, e-mails and addresses, of some 4,000 of his social network's users. He offered to share whatever information his friend wanted to see. Mr Zuckerberg may use less profane language today, but many feel he has not yet outgrown his wilful disregard for users' privacy. On April 11th he testified before testy politicians in Washington about the firm's latest privacy controversy, first to a joint hearing of two Senate committees that lasted around four hours, and then again on April 12th to a House of Representatives committee. Not since the 1990s, when Microsoft was taken to task for its monopolistic behaviour, has there been such "intense public scrutiny" of a technology firm in Washington, as Orrin Hatch, a Republican senator, informed Mr Zuckerberg.

Some of his inquisitors appeared annoyed by Mr Zuckerberg's rehearsed

responses, but that did not stop many onlookers from being chuffed by his smooth, slightly robotic, performance. Facebook's share price closed 5.7% higher after his two days on Capitol Hill. Investors may be betting that the worst of "Facegate" could be over, but it is too soon to count on it.

The immediate scandal is the most acute and far-reaching crisis in Facebook's 14-year history. Last month it was revealed by Britain's *Observer* and the *New York Times* that a researcher from Cambridge University, Aleksandr Kogan, had obtained information about some 300,000 Facebook users by encouraging them to download an app and take a survey in 2012. He then shared these data with Cambridge Analytica, a political consultancy, which reportedly made them available to others, including Donald Trump's campaign. Some 87m Facebook users are affected, because Facebook's policies at the time were so loose that people using a third-party's app often shared details not only about themselves but also about their friends without their knowledge. Facebook changed its policies in 2014.

These revelations are especially damning because Facebook first learned about this problem in 2015 and did little to address it. In fact, instead of focusing on Cambridge Analytica's bad behaviour, Facebook threatened to sue the Guardian Media Group, which owns the *Observer*, if it published the exposé. Only after a media backlash and public outcry did Facebook begin to take action. It has started making it easier for users to control their privacy settings, reduced the amount of data that are shared with third parties, and promised to audit suspicious third-party apps. But these are things that many of its users wrongly believed Facebook had long been doing anyway.

Politicians and users want to know more about how Facebook will adequately safeguard people's privacy and offer enough transparency about how it operates. While encouraging its users to overshare minutiae from their own lives, the firm has been guarded in the past about sharing details of how its extensive data-collection machine works and what it tracks beyond the data users provide directly. The company's business depends on observing users' online behaviour and selling their attention to advertisers, who pay money to reach specific groups of users based on minute details gleaned about their identities, their interests and where they are. This requires a delicate balancing act between catering to users, whose attention Facebook must

keep, and advertisers, who pay the bills. To date the firm has mostly favoured growth over careful checks that its "community", as it calls its 2.1bn users, is being properly protected.

Sorry seems to be

Facebook's corporate tradition of evasion was on display on Capitol Hill. When asked during the Senate hearing about whether Facebook tracks users who have logged out, Mr Zuckerberg said he did not know and would have to supply the answer at a later date (although many advertisers believe Facebook does exactly that). It has recently been revealed that Facebook collected Android users' call logs and messages without most users' knowledge, which offers another example of the firm's disregard for people's right to control and see their data. Even in Silicon Valley, which is known for producing eerily predictive algorithms, people find Facebook's stealthy tracking and targeting of users creepy.

In addition to privacy, the Cambridge Analytica scandal points to two big concerns. One is the lack of transparency in political advertising. Corporate and political advertising are being "mushed together" as a single topic of discussion, but it is political micro-targeting that is most bothersome to consumers, says Karen Kornbluh, senior fellow for digital policy at the Council on Foreign Relations. Users are probably willing to see advertisements from car companies, but it feels more sensitive and invasive to be targeted with ads based on what is known or presumed about their views on divisive political issues, such as immigration, race, religion and gay rights. The company has vowed to start showing who is behind political ads and verifying the buyer's identity.

Another issue is foreign meddling, and the risk that hostile governments and non-state actors may harvest users' data. Already Facebook has disclosed that Russians were responsible for targeting ads and content to Americans in the lead-up to the 2016 election. It is becoming clearer that foreign governments, including Russia and presumably China, may have obtained rich data sets about Facebook users from the likes of Cambridge Analytica or other groups. Christopher Wylie, the whistleblower who sounded the alarm about Cambridge Analytica, has said that the company may be storing its data in Russia, suggesting a close connection.

The easiest word

Mr Zuckerberg will have plenty to grapple with in the coming months. One risk is that Cambridge Analytica is just the first of many outfits that receive scrutiny and media attention. According to someone close to the firm, the social-networking giant is already aware that Cambridge Analytica is only one of many outside groups with political motivations that stealthily gained access to detailed data about Facebook users. More revelations will probably become public, especially if politicians and investigators press Facebook on this point. If one of Facebook's employees decides to become a whistleblower in the vein of Mr Wylie from Cambridge Analytica, it could mean yet more apologies from Mr Zuckerberg and another summons for him to give congressional testimony.

Another risk to Facebook is action from American regulators. Bruce Mehlman, a lobbyist in Washington, says Facebook's Cambridge Analytica data spill could be much like the *Exxon Valdez* oil spill, which brought public scrutiny and regulation to an industry that had previously operated without much oversight. Mr Zuckerberg insists that his firm is open to new laws, especially in areas that are sensitive, such as facial recognition. But it has been fighting state-level privacy laws, in California and elsewhere, that could

restrict its normal course of business.

America's Federal Trade Commission (FTC) has launched an investigation into Facebook for its privacy practices. This is not the first time. As part of a consent decree agreed to in 2011 after the FTC charged it with deceptive practices, Facebook promised to be more transparent with consumers about the data that were gathered and shared publicly. The Cambridge Analytica fiasco appears to have been in violation of what Facebook promised. According to one former FTC official, Facebook could be facing a fine of around $2bn or more, which could be the largest fine in history for violating an FTC order.

Some openly wonder whether America will eventually pass restrictions like those that will come into effect next month under the General Data Protection Regulation (GDPR), a European law that requires companies to obtain consent to gather and share users' data. If principles like this spread and American users are required, for example, to opt in to Facebook's tracking, it could dent Facebook's revenues, although by how much is unclear.

While in the long term some sort of regulation is inevitable, it seems less likely in the near term. Laws take years and sometimes decades to come into effect for burgeoning industries: people started talking about regulating telecoms firms in the 1970s, but America did not pass a law to regulate them until 1996. Today Republicans, who control both houses of Congress, do not have much appetite for restricting business. Because of Republican opposition, a benign bill that would require disclosure of who pays for online political ads, called the Honest Ads Act, has not even been granted a hearing.

For Facebook to change in any meaningful way, Congress will have to change too. One of the most stunning revelations of the highly choreographed hearings was not anything Mr Zuckerberg said, but how little America's politicians seemed to know about Facebook and the way the world of digital communications operates. There is little hope for smart regulation that will protect users' privacy until the people who would draft laws understand the ecosystem they need to tame. The Cambridge Analytica scandal gave Mr Zuckerberg a crash course in political diplomacy, but the education of politicians about the opaque, labyrinthine world of digital data is only just beginning.

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Saving private Ryan

Paul Ryan’s retirement suggests his brand of conservatism has lost

The Speaker of House is leaving Congress for family reasons. But the Republican Party has already left him

Apr 12th 2018 | WASHINGTON, DC

LONELINESS is a potent force in politics. “I didn’t leave the Democratic Party. The Democratic Party left me,” Ronald Reagan liked to say, recalling why he became a Republican in his 50s. This week it was the turn of Paul Ryan, the Speaker of the House of Representatives, to explain why he will retire from Congress at the next election in November. Mr Ryan, a former vice-presidential nominee, talked of his three teenage children and of his own father’s early death, and noted that if he served another term in Washington, his children “will only have known me as a weekend dad.” He was surely sincere. Visit Janesville, his hometown in the dairylands of southern Wisconsin, and even Democratic-voting neighbours attest to Mr Ryan’s love of family, whether escorting his brood to church or taking his daughter on a first deer hunt.

But Mr Ryan left unsaid the other way in which his Speakership leaves him painfully alone. Still only 48, he was the future of the Republican Party once: a champion of a flinty yet compassionate conservatism admired by both rank-and-file members of Congress and deep-pocketed donors. Paul Ryan's Republican Party cast government debt as both worrying and wicked: a betrayal of the next generation of Americans. It backed free trade and praised immigrants for their work ethic. Mr Ryan spent years telling rank-and-file conservatives that their dislike of government welfare was not mean-spirited but kindly. Delegates at the Republican National Convention in 2012 cheered when he accused Democrats of offering "a dull, adventureless journey from one entitlement to the next, a government-planned life, a country where everything is free but us." Above all, Mr Ryan stood for a credo that America is "the only nation founded on an idea, not an identity". That idea, he would explain with a catch in his voice, is the notion that the condition of your birth should not determine the outcome of your life.

That is not the Republican Party of President Donald Trump, a man not even mentioned in Mr Ryan's retirement statement. Mr Trump scorns conservative ideas and won office by embracing identity politics. As president the former reality TV star has continued to demonstrate that what a Republican does matters less than whom they are for, or more important still, whom they are against. Mr Trump enjoys 89% approval ratings among Republicans, despite a string of unfulfilled campaign promises, because he is a fighter who makes liberals mad, appals hoity-toity intellectuals and frightens foreigners.

To quote Senator Bob Corker of Tennessee, another Republican retiring this year, grassroots support for the president is "more than strong, it's tribal". When colleagues meet Republicans on the campaign trail, "they don't care about issues, they want to know if you're with Trump."

Mr Trump worries greatly about where people were born, attacking a federal judge as "very bad" and a "hater of Donald Trump" during the presidential election campaign of 2016, citing the judge's Mexican ancestry—a charge that Mr Ryan at the time called "the textbook definition" of racism. Mr Trump is blithe about debts and deficits, insisting that tax cuts passed in 2017 will pay for themselves. Unlike Mr Ryan, who calls reforming government support schemes the biggest task facing Republicans today, Mr Trump has

ordered aides to leave untouched Social Security and Medicare, pension and health benefits mostly paid to the old, who constitute a core Trump constituency. In 2016 Mr Ryan urged congressional interns to practice civil politics. By all means disagree with opponents' ideas, he told them, but do not question their motives or patriotism.

Mr Trump calls the FBI a corrupt "deep state" and says the Democrats want drugs and murderous migrants to "pour into our country". Mr Ryan's response is retreat, it turns out. To adapt Reagan's words for a bleaker age, the Republican Party left Paul Ryan, so he is leaving politics. A former Republican leadership staffer predicts that the Speaker will take refuge in the world of conservative ideas. As word of his retirement spread, Washington rumours wondered if he might become the next head of the American Enterprise Institute, a think-tank. Perhaps in 15 or 20 years Mr Ryan may return to politics, suggests the former staffer, a bit wistfully.

Peter Wehner of the Ethics and Public Policy Centre, a long-time Ryan colleague and friend, notes that the Speaker is now free of both the "adult daycare" role of supervising an intemperate president and from worries about mid-term elections, which look grim for House Republicans. In the meantime, Mr Wehner sighs, "It is Trump's party," more clearly than ever.

Organic farming

Corn beef

The world’s biggest exporter of maize finds itself importing the stuff

Apr 12th 2018 | NORFOLK, NEBRASKA

FLAKES of dried chicken droppings blow through the air as Jared Gubbels supervises the transfer of the stuff from an agricultural truck into the fertiliser spreader trailing his tractor. It infiltrates clothes, hair, nostrils. The smell lingers as Mr Gubbels drives away. Twenty minutes later he is back for another load. Chicken droppings are excellent fertiliser for organic corn. But it takes 5,000 pounds (2.3 tonnes) of the stuff to prepare an acre of land for sowing season, compared with just 300 pounds of chemical fertiliser for conventional crops.

“I don’t eat organic,” says Mr Gubbels as he guides the tractor down the field. “We do it strictly for the profit.” Mr Gubbels’ father, Greg, started growing organic crops in 1998, enticed by juicy margins. Yields for organic corn are about 70% of those for the conventional variety, but it sells for well over twice as much, more than making up for the shortfall.

Yet of the 4,000 acres (1,600 hectares) cultivated by the father-son duo, only 300 are organic. America is the world's biggest producer and exporter of corn, but it is a net importer of the organic sort. Between 2015 and 2016 the number of acres devoted to organic corn grew by 28%, to 214,000. That is less than 0.5% of the 90m acres of corn in America. In the same period imports of organic corn jumped 42%, to $160m. In 2014 that figure was just $36m, according to the Department of Agriculture. Most of it is used for animal feed—all those cows producing organic milk and turning into organic steaks must themselves be raised on an organic diet.

There are three main reasons farmers have been slow to convert to organic production. The first is investment of both time and money: a piece of land must be cultivated without chemicals or contamination for three years before it is certified organic. In effect, that means putting in all the effort required for organic crops with none of the payback. Moreover, it often means buying separate equipment rather than risking contamination through shared use with machines handling the conventional crop.

Second, it is riskier. Pollen floating over from a neighbouring farm can render some of the crop uncertifiable. Inclement weather or weeds can wreak havoc. "Mother Nature can easily beat you at the game of organic," says Greg. Third, it requires more labour, which is both expensive and, given the seasonal nature of the work, tricky to find.

"I wouldn't want to take on another 1,000 acres," says Jared, while the older Mr Gubbels is more bullish, having seen two decades of ups and downs. But there are factors beyond the control of either farmers or the market. The supply of fertiliser, which comes from a massive poultry farm in nearby Wakefield, is limited by the prodigiousness of its chickens' bowels. They produce about 130 tons (118 tonnes) a day. "I don't know how many million birds they got over there but it's a shitload," says Greg. Even so, the suppliers have been turning down orders from new buyers.

Giver's remorse

One of University of Chicago's largest donors tries to retrieve $100m

Giving away a fortune is harder than it looks

Apr 12th 2018 | CHICAGO

WHEN he signed the giving pledge, a campaign to encourage the rich to give much of their wealth to good causes, David Rockefeller wrote that effective philanthropy "requires patience to deal with unexpected obstacles; patience to wait for the slight stirring of change; and patience to listen to the insights and ideas of others." One of the most thoughtful philanthropists of his era, the grandson of the founder of Standard Oil, who died last year aged 101, mainly gave to institutions he was very familiar with, such as the Museum of Modern Art in New York, which was co-founded by his mother and where he was chairman of the board, or the Council on Foreign Relations, a think-tank whose board he also chaired for years. He knew how to talk to these institutions and how to listen.

Lack of communication seems to have been the cause of the acrimonious row between the University of Chicago and the Pearson family, which in 2015

pledged to give to the university $100m in several instalments, the second-largest gift in its history at the time. By June last year the Pearsons declined to pay the fourth instalment of $13m. Seven months later they filed a lawsuit asking for all of the $22.9m they had paid so far to be returned. On April 5th the university filed a countersuit for failure to pay the latest instalment. It is also seeking for the Pearson suit to be dismissed.

Thomas and Timothy Pearson, who are twins, hail from Iowa and have no previous connection to the University of Chicago. They picked the school over around a dozen others because of its reputation for rigorous quantitative research and academic excellence. The midwestern businessmen had a clear idea of what they wanted: the creation of the Pearson Institute for the Study and Resolution of Global Conflicts and the establishment of the Pearson Global Forum, a yearly high-calibre gathering of the great and the good in the field of conflict resolution. They stipulated the appointment of a distinguished academic as the institute's director, who is to hold a professorship named after Richard Pearson, the twins' father and a Methodist minister, as well as the endowment of three other professorships named after members of the Pearson clan.

None of this has happened as promised, say the Pearsons. In their suit they claim that the university "failed to deliver on the most fundamental of its obligations" such as the appointment of a director at the institute to run the day-to-day operations, the creation of an original academic curriculum, the appointment of "pre-eminent individuals" to the professorships in their name and the creation of the first Pearson Global Forum, which was to be held later this year. Jeremy Manier, a spokesman for the University of Chicago, says the claims are "meritless". The case will probably focus on whether the university met all its obligations before the Pearsons refused to pay the fourth instalment of their gift. Mr Manier maintains it did, but no administrative director of the institute has been appointed yet.

As agreements between donors and beneficiaries become more complicated, more such conflicts are likely, predicts Richard Mittenthal of the TCC Group, a consultant for foundations and non-profit organisations. Donors who made fortunes in business are used to complex legal agreements and expect to get their way. They have a sense of ownership, especially when their name is

attached to the creations their gifts make possible.

Capital and punishment

How convict labour increased inequality

Forcing prisoners to work lowered wages and increased unemployment

Apr 12th 2018

THE 13th Amendment to the constitution has prohibited slavery and indentured servitude in America since 1865. The one exception is as "punishment for crime". As a result, prisons use their inmates as forced labour to balance the books, particularly since private firms were allowed to hire them again in 1979. Last year around a third of America's prison population of 2.3m worked.

Most of this labour is done for much less than the federal minimum wage of $7.25. According to the Prison Policy Imitative, an advocacy group, some prisoners working in industry earn as little as five cents an hour. Regular prison chores are unpaid in Alabama, Arkansas, Florida, Georgia, South Carolina and Texas. Many worry about the impact on local labour markets of undercutting free wage rates. But little research has been done to quantify this. A paper presented on April 6th at the Economic History Society's

annual conference at Keele University seeks to do exactly this.*

Michael Poyker of UCLA Anderson has collected data from American prisons and the labour markets in their surrounding counties between 1850 and 1950. Crunching the data, convict labour hit free workers with a double whammy. The introduction of convict labour in a county in 1870-1886 accounted for 16% slower growth in manufacturing wages in 1880-1900, 20% lower labour-force participation, and a smaller employment share in factories than there would otherwise have been. This is not only because free workers were directly replaced by prisoners. The remaining firms using local workers then replaced them with machinery to compete with other firms using convicts. Mr Poyker reckons that the use of prison labour resulted in 6% of the growth in patenting new technologies in industries that were affected.

Innovation helps the economy overall. But the gains are not shared equally. The owners of firms that used convicts benefited; poorer people lost out when competing with them. The paper finds that the greater a county's exposure to convict labour in the 19th century, the lower the level of social mobility between generations, even as late as the 1980s. This is because there were fewer opportunities for less well-off workers.

Globalisation means that convicts stitching Victoria's Secret bras compete as much with Chinese workers as with locals. But many make items, such as military uniforms, which by law still have to be made in America. As a result, Mr Poyker says, the crowding out of free labour by prisoners still occurs today. In 2012 Tennier Industries, an American military-clothing firm, fired 100 workers because it could not compete with rivals employing convicts.

Michael Poyker, "Economic consequences of the U.S. convict labour system" (2018).

Discipline and punish

Tough love falls out of fashion in America's schools

There is not much evidence that extremely strict teaching works

Apr 14th 2018 | WASHINGTON, DC, BOSTON AND PHILADELPHIA

WHEN the gunshots sounded outside Houston Elementary School, Rembert Seaward and Darryl Webster, the principal and the school social worker, scrambled to the ground and ducked for cover. But one young pupil remained standing and then started to laugh—"It's nothing but some gunshots," they recall him saying. He told them that he would regularly play with his father's TEC-9, a brand of semi-automatic pistol. "You think they're just six, what life experiences could they have?" says Mr Webster. "You'd be surprised. There's no normalcy." Nearly every pupil attending Houston Elementary in Washington, DC, is poor and many have a parent in jail. Some live in homeless shelters and have never had a birthday party, until Mr Webster hosts one. Unsurprisingly, misbehaviour is common. But unlike many other schools, disruptive pupils are hardly ever suspended. "We need to teach them that there is some degree of love in the world," Mr Seaward says.

Across the country school principals and teachers—both in traditional public schools and charter schools—are rethinking their approach to suspensions and expulsions for bad behaviour. In the past few years many of the largest school districts have revised their policies to reduce suspensions. Liberal reformers, citing racial disparities in suspension and the criminalisation of young black men, would like to see further reductions. Defenders of the old disciplinary model, including Betsy DeVos, the education secretary, think that the pendulum has swung too far and is harming school safety. Both reach well beyond the current evidence.

In the 1990s school districts began adopting strict "zero-tolerance" policies for even minor infractions. One young pupil was suspended for chewing his breakfast pastry into the shape of a gun; a nine-year-old was made to undergo psychiatric evaluation after threatening to use a rubber band to shoot a bit of paper at a schoolmate; a six-year-old was suspended for bringing a toenail-clipper to school.

Black pupils were nearly four times as likely to receive a suspension as whites in the 2013-2014 school year, the latest for which data are available. The same racial imbalances exist even for pre-school, where pupils are usually four years old or younger, and they have grown over time. The Obama administration issued guidelines noting that disciplinary policies could be racially discriminatory if they had a "disparate impact" on minorities—even if they were enforced even-handedly. This scared many districts into rewriting their rules to avoid a federal investigation.

Several complicating factors outside the control of schools, like the greater exposure of black children to poverty, crime and eviction, could account for their elevated rates of suspension and expulsion. One of the cleverest studies to try and assess actual racial bias used data on school fights between white pupils and black ones in the state of Louisiana, and calculated the differences in punishment. The authors found only a very slight disparity—the black pupils were suspended for an additional 0.05 days, compared with whites. The idea that there is a school-to-prison pipeline for young black boys, a phrase often used by reformers, is a bit shaky too. National statistics show that only 0.63% of public-school children are arrested at school or referred to the police.

Going exclusive

“It would be the easiest thing in the world to cut the suspension rate to 0% tomorrow,” says Jon Clark, co-director of the Brooke Charter Schools, a well-regarded network in Boston. But simply refusing to suspend misbehaving children would be damaging for their classmates, whose learning would deteriorate in the face of disruption, and for their teachers, whose jobs would be made much more difficult.

Yet many schools are already turning to less punitive schemes. One programme, called Positive Behavioural Interventions and Support (PBIS), tries to improve schools by explicitly teaching good conduct as though it were any other subject. Another strategy, known as restorative justice, does not take offending children out of the classroom but teaches them to acknowledge that others have been harmed by their actions and then to make a plan to put things right. Both approaches seem to result in better behaviour.

High-performing charters have often been criticised for their strict disciplinary codes, which detractors claim are used to force difficult children out, thereby improving scores. That criticism may be dated, as many charters have revised their policies to be less severe. “We don’t do militaristic discipline—one of our main themes is love,” says Scott Gordon, the CEO of Mastery Schools, a network of 25 charters in Philadelphia and Camden, New Jersey, which uses restorative justice. Those who do misbehave are moved to a “peace corner” and then to a “restorative conference”.

KIPP charter schools, which acquired a reputation for excellent results and strictly regulated behaviour, has now relaxed its attitude. The network is “getting rid of its focus on detention and demerits” in favour of recognising “curiosity, grit and resourcefulness”, says Richard Barth, the organisation’s CEO. KIPP’s Philadelphia schools stopped using the “bench”, where misbehaving pupils were made to sit apart from classmates, in 2009, and has not expelled a pupil for several years, says Marc Mannella, the head of the regional office. Behaviour is kept in check in other ways. At KIPP Philadelphia Elementary, eight-year-old pupils practise centring themselves for the day ahead with a yoga session.

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Lexington

The Mueller probe is as much about the rule of law as Russian meddling

It is in terrible danger

Apr 14th 2018

POWER corrupts, goes the old saw. Yet Donald Trump's presidency is the opposite case. It reflects the still-dumbfounding reality that one of the world's oldest democracies elected a fully formed rascal to its highest office. Mr Trump did not even try to hide his designs. He promised to run the country as he ran his family business, which would logically mean nepotistically, autocratically, with great regard for his personal interests and little for the rules. And so he has.

The president has bent anti-nepotism laws to put his daughter and son-in-law in the house whose first occupant, John Adams, hoped only to "do a little good". He has retained his business interests and cloaked his finances in secrecy. He has spent a third of his time as president at his commercial properties. He persists in claiming to have or to deserve sweeping powers over Congress, the judiciary and the constitution no matter how often he is

reminded that he does not. His example permeates his cabinet of grifters. Ben Carson's $31,000 dining set, Ryan Zinke's secretarial flag, Scott Pruitt's 18-man security detail, and private jets all round, were imitations of Mr Trump's greater vanities.

Only after Mr Trump has left office will a proper accounting of the damage he has done be possible. Yet the fallout from an FBI raid on the offices of his personal lawyer, Michael Cohen, on April 9th could go some way to determining the extent of it. The raid appears to have sent Mr Trump hurtling towards the head-on collision with the rule of law that always seemed likelier than a trade or shooting war to define his presidency.

No one, save Mr Trump, represents the president's tarnishing of American democracy more than Mr Cohen. An aggressive operator whose duties as a lawyer for the Trump Organisation allegedly included paying off his boss's mistresses and threatening journalists ("I'm warning you, tread very fucking lightly, because what I'm going to do to you is going to be fucking disgusting," he reportedly told one from the *Daily Beast*), he became the Republican Party's national deputy finance chairman last year. He was by then known, as an adviser to Mr Trump's campaign, for essaying the same tactics in politics that had earned him the nickname "Trump's pit-bull".

Asked in a memorable interview on CNN why his boss was trailing in the polls, Mr Cohen assumed a blank, show-me-the-evidence expression, and refused to accept the premise of the question. "Says who?" he kept repeating, even after it was put to him that the polls said so. It was an exhibition of Trump-style reality denial without the showmanship, as inept as it was cynical. The same can be said of Mr Cohen's role in the intrigue that appears to have led the FBI to his Manhattan hotel room, residence and law office. It concerns his efforts to buy the silence of Stormy Daniels, a retired porn star, a couple of weeks before Mr Trump's election, and then cover his trail.

Compared with the allegations of collusion between Team Trump and Russian election-hackers being investigated by Robert Mueller, this may seem trivial. Mr Cohen was within his rights to pay Stephanie Clifford, as Ms Daniels is properly known, $130,000 to keep quiet about having allegedly bedded Mr Trump. The legal difficulty for Mr Cohen concerns his subsequent claim to have done so with his own money and without Mr

Trump's knowledge. It is reported that he could have broken banking laws, by raising the money on false pretences; or that he could have broken campaign-finance laws, by failing to declare it as a benefit to Mr Trump. Such transgressions are potentially serious, yet rarely prosecuted. The scandal has nonetheless assumed an outsize importance for two reasons that go beyond Ms Clifford's effectiveness in promoting it.

First, it has been billed as an early test of whether Mr Trump can be held to account. The Justice Department would not have sanctioned the raid, given the sensitivities involved, without strong grounds to suspect wrongdoing. It is hard to imagine Mr Cohen breaking the law on his boss's behalf without his knowledge. Second, even if he did, Mr Trump may be in trouble, because rolling up Mr Cohen could help Mr Mueller gain a better understanding of the president's private affairs.

Bye bye bagman

The FBI raid was launched partly on the basis of information provided by the special counsel. It is expected to furnish him with fresh documentation of Mr Trump's financial and other arrangements, opening up new vistas of potential inquiry. If Mr Cohen is found out to be in serious jeopardy, Mr Mueller, who has already struck plea deals with three Trump campaign advisers, might even try to turn Mr Trump's self-declared consigliere, provided the president does not pardon him first. In short, if Mr Trump has crossed serious lines, related to the Russia probe or otherwise, the chances of him being held to account, one way or another, appear to have risen. His frazzled response to the raid seemed to confirm that. He called it a "disgrace" and "an attack on our country" and warned, more aggressively than he had previously, that he might try to sack Mr Mueller.

It is more important than ever to prevent that. Because the Mueller investigation, as the related raid on Mr Cohen has just underlined, is about something even more important than the sanctity of elections. The probe was launched by the Justice Department, as a defensive measure, after Mr Trump sacked his FBI chief James Comey: its unwritten mission is to ensure the wheels of justice remain free of presidential interference. As the investigation into Mr Trump gets broader, that has never looked more necessary or more imperilled. So this presents the Republican congressmen who alone could

pass legislation to protect Mr Mueller from Mr Trump's mooted attack with a choice. Either they can stand with their party's elected champion, or they can stand for the rule of law. It seems they can no longer do both.

The Americas

- **Cuba: Farewell at last** [Fri, 13 Apr 06:00]
- **Canada: Chinese checkers** [Fri, 13 Apr 06:00]
- **Foreigners in Chile: A smaller welcome mat** [Fri, 13 Apr 06:00]
- **Bello: Up for grabs** [Fri, 13 Apr 06:00]

Farewell at last

Cuba bids goodbye to the revolutionary generation

There will be a new face at the top this month. At first, little else will change

Apr 12th 2018 | HAVANA

RAFAEL is about to finish his degree at Havana University, but his mind is elsewhere. The finance and economics he is learning are “what they use here in Cuba”, he explains, ie, not much use anywhere else. Cuba’s socialist government pays for his education but the stipend for living expenses is just $4 a month, enough for ten meals at the university canteen. Additional lunch money comes from his siblings, who live abroad. Rafael (not his real name) wants to go, too. He is looking for scholarships to get a master’s degree in Europe. If he finds one, he plans to stay abroad, where he can earn real money.

Rafael is among the many young Cubans who respond to their crimped prospects not by agitating against the system but by plotting to escape it. He does not oppose Cuba’s communist regime, nor does he take much interest in it. So he is unexcited by a power shift that will make headlines around the

world. On April 19th Raúl Castro (pictured left) plans to step down as president, bringing to an end nearly 60 years of rule by the family that led the country's revolution. Rafael thinks it is time for Mr Castro to go. But "it doesn't matter to me."

It will matter to most of Cuba's 11m people, who have no easy way off the island. In a country where transfers of power are rare, the one about to occur is momentous. Mr Castro, who is 86, is expected to hand power to the "first" vice-president, Miguel Díaz-Canel. He had not been born when Raúl's brother, Fidel Castro (pictured right), toppled the American-backed dictatorship of Fulgencio Batista in 1959. The post-revolutionary generation will bring a change in style and raise Cubans' expectations of their government. It is unclear whether the new leaders will meet them.

Cuba neolibre?

Mr Díaz-Canel, an engineer by training, has acquired a reputation for modesty during his quiet three-decade ascent through government and the Communist Party. As a leader in his home province of Villa Clara, in central Cuba, he rode around on a bicycle rather than in an official car. At the (one-party) parliamentary elections last month, he queued up with other voters and chatted to the press (Mr Castro zipped in and out of his polling station).

Mr Díaz-Canel has sometimes seemed more liberal than other apparatchiks. He backed gay rights before it was fashionable. In 2013 he calmed a furore caused by the censorship of some student bloggers who were critical of the government. He met the students in front of the press and said that in the internet age "banning something is almost a delusion."

His elevation to the presidency will be part of a broader generational change. Several octogenarian conservatives, such as José Ramón Machado Ventura and Ramiro Valdés, will probably leave the council of state, a body with lawmaking powers. Mr Díaz-Canel is expected to replace government ministers with his own people.

But substantive change, if it happens, will not be abrupt. Although *la generación histórica* will no longer run the government day to day, it will still be influential. Until 2021 Mr Castro is expected to remain head of the

Politburo, which controls the Communist Party and thus the overall direction of policy. Mr Ventura will remain second-in-command. Mr Díaz-Canel will be only the third most powerful member.

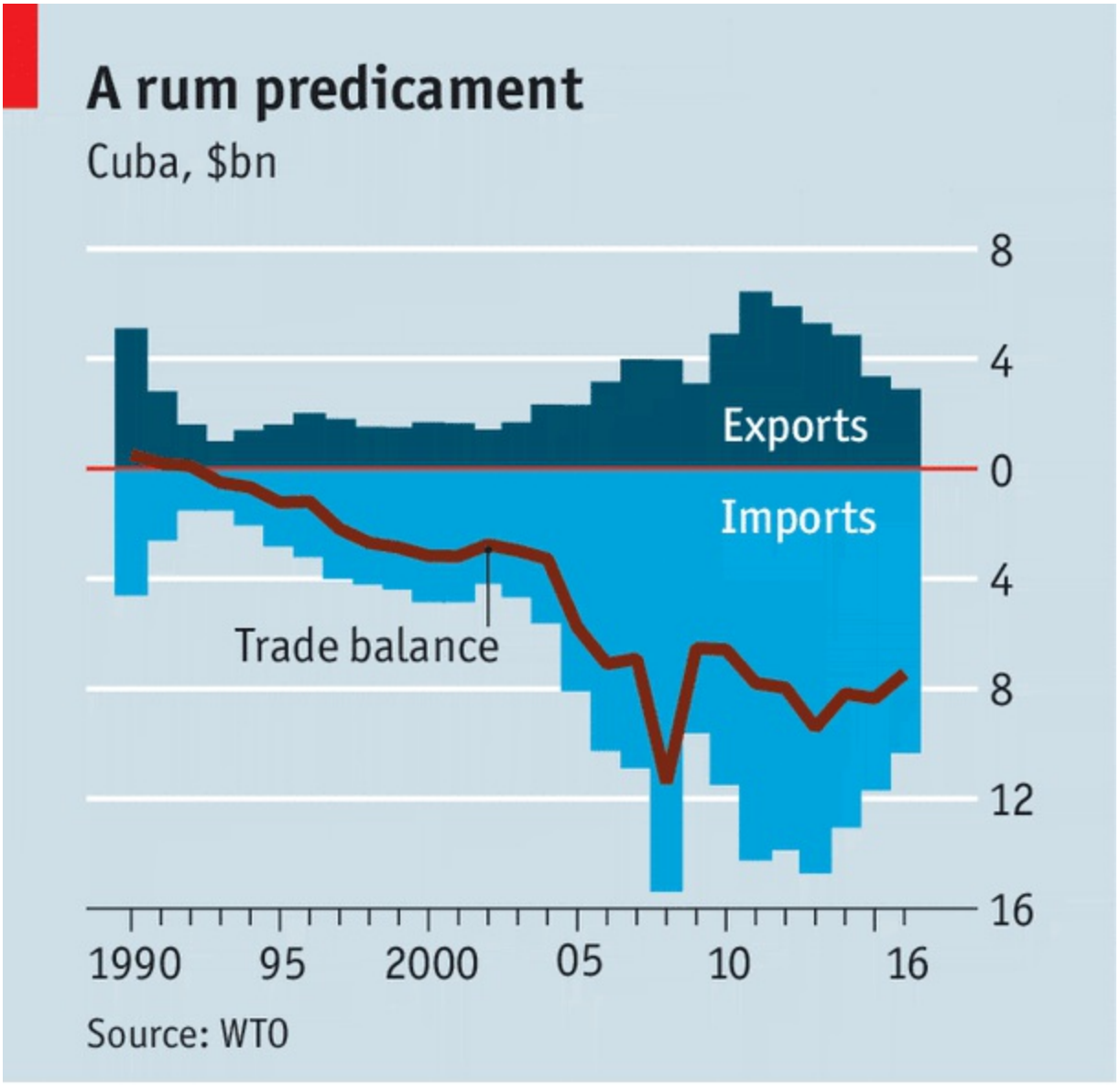
He may not be the reformer some Cubans are hoping for. In a speech to a private Communist Party meeting, a video of which was leaked last August, he vowed to shut down critical media and boasted of his efforts to throttle civil society. He called the loosening of the American embargo on Cuba by President Barack Obama starting in 2015 an attempt to destroy the revolution. Mr Díaz-Canel was shoring up his flank to ensure his promotion to the presidency, says William LeoGrande, of American University in Washington, DC. Others see the speech as evidence that Mr Díaz-Canel will be no friendlier to critics of the regime or to the United States than the Castros were. No one expects him to allow opposition parties or to free the press.

A more plausible hope is that Mr Díaz-Canel will follow the example of communist parties in China and Vietnam, which opened up markets and allowed citizens to enrich themselves while maintaining political control. But even this may not happen. Attractive as the prospect might sound, Cuban politicians fear it would turn their country into a sweatshop making cheap goods for rich Americans. Socialism, political scientists point out, was less entrenched in Vietnam than it is in Cuba.

But Mr Díaz-Canel cannot avoid economic reform of some kind. The economy is in terrible shape and getting worse. Venezuela, whose like-minded regime has provided aid in the form of subsidised oil, is in economic crisis and sending less of it. The fall in trade between the countries, from $8.5bn in 2012 to $2.2bn in 2016, caused Cuba's first recession since the collapse of the Soviet Union, its benefactor during the cold war. Cuba's budget deficit reached 12% of GDP last year, in part because the government had to clean up after Hurricane Irma, which struck last September.

State-controlled farms and factories are incapable of producing the goods Cubans demand, and a lack of foreign exchange makes it hard to pay for imports (see chart). Shortages, of everything from tampons to salt and sometimes electricity, are a plague. This is straining a 60-year-old covenant, under which the regime provides security, free public services and a tolerable

standard of living in return for its people's quiescence.



Economist.com

If Mr Díaz-Canel is to maintain it, he will not be able to avoid reforming the absurd system of twin currencies and multiple exchange rates. It distorts price signals, stunts productivity growth and keeps Cubans poor. The convertible peso (CUC), used by tourists and some state-owned enterprises for some purposes, is pegged to the dollar at 1:1. Most wages are paid in Cuban pesos (CUP), which ordinary folk can exchange for dollars at a rate of 24:1. At that rate, the typical government salary is worth $25 a month. There are six other

official exchange rates between the two currencies, depending on what sort of organisation is doing the exchanging. For most state enterprises the rate is 1:1, which preposterously overvalues the CUP. Thus, some state firms get vast handouts which make them look productive when in fact they destroy value. In December Mr Castro said that currency reform "cannot be delayed any longer".

But change will be painful. If the currency were suddenly unified and allowed to float, more than half of state-owned firms could go bust, putting hundreds of thousands of Cubans out of work. Members of the regime do not agree on whether the bigger risk is reforming too slowly or too fast. According to foreign diplomats, the government is talking informally to the German government, which has experience in unifying currencies.

Without the Castros' revolutionary mystique, Mr Díaz-Canel's performance will be judged more exactingly. That both makes economic reforms more urgent, and the short-term pain they will cause more dangerous to the regime. The new president may seek to boost his popularity before administering any economic shocks—by expanding internet access, for example. The government is planning a series of constitutional changes. These are thought to include cutting the number of seats in the National Assembly (from 605) and the number of vice-presidents (from six). The post of prime minister may be reintroduced. There is talk of recognising the right to self-employment in the constitution, a sop to the 580,000 people who work in trades opened up to entrepreneurs by the government. Cubans would vote on the changes in a referendum, giving Mr Díaz-Canel a measure of legitimacy.

But Cuba's increasingly disenchanted people care more about economic results than constitutional tweaks. If Mr Díaz-Canel can deliver those, Rafael and youngsters like him might not dream of exile.

Building blocked

The property battle in Vancouver's Chinatown

Developers have changed the face of Canada's western metropolis. Chinatown is resisting

Apr 12th 2018 | VANCOUVER

THE smell of incense fills the narrow stairway of the Yue-Shan Society building, a social club for people with roots in Panyu, part of Guangzhou, a city in southern China. Barely audible is the tinking of a ping-pong ball on a table. On the first floor two games of mah-jong are being played, watched by a handful of onlookers. East Pender Street in Vancouver's Chinatown is home to many such clubs for clans or benevolent associations. Melody Ma, a spectator in her 20s, recalls: "When I was small my grandma would bring me to one of these places."

The gently sloping streets where Ms Ma grew up have not changed much. Vancouver has had a frantic property market since it hosted the winter Olympics in 2010. The downtown area is forested with new condominiums. Prices have risen by nearly 60% in the past three years, partly because of

demand from non-resident Chinese investors. But until recently developers have largely shunned Chinatown. It is part of an area called Downtown Eastside, a district of rundown buildings, methadone clinics and rough sleepers. Many Chinatown residents are old and poor.

Developers now have Chinatown in their sights. Two years ago one built a 17-storey condo on its edge. This alarmed many residents, who had formed a group to halt the high-rise advance, now called #SaveChinatownYVR. Ms Ma is its leader. Recently it has been successful.

The main theatre of battle is a car park known as 105 Keefer, where Beedie Living proposes to build a nine-storey brick-and-glass apartment block. The developer promises 111 luxury flats, with rooftop landscaping and shops below.

The patch of tarmac at 105 Keefer is not much to look at. But it is in an area rich with cultural associations, residents say. Just to the south is a monument that commemorates Chinese-Canadian builders of the Canadian Pacific Railway and veterans of the second world war. Across the street is the Sun Yat-sen Classical Chinese Garden and the Chinese Cultural Centre Museum. “A lot of people were appalled” because of the condo’s “proximity to sacred sites in the heart of Chinatown”, says Ms Ma. Some residents also fear that it will push up rents.

Conservationists hope that the parking lot is where they can halt development, which they say has spoilt the charm of other Vancouver neighbourhoods such as Mount Pleasant. The dispute is part of a debate about the city’s identity, says Andy Yan, an urban planner. Vancouverites, he says, are asking themselves,“Who are we? And what are we building for?” The people who might want to buy the flats that do not yet exist are, of course, not being consulted.

Send me your skilled

Chile gives immigrants a wary welcome

SANTIAGOSebastián Piñera tightens up his country's generous immigration policies

Apr 12th 2018 | SANTIAGO

MARIANGELA's eyes fill with tears as she talks about her parents in Venezuela. A pre-school teacher, she arrived in Chile three months ago with her husband and two children. They live with 48 other immigrants, mainly Venezuelans, in a refuge run by an evangelical church in Puente Alto, a poor district on the outskirts of Santiago. The corrugated-iron rooms are stuffed with bunk beds and mattresses. There is just one bathroom. Children play on a dusty patio among discarded bits of wood and metal and an abandoned sofa.

Despite the discomfort she has to endure, Mariangela feels lucky. She has found work in a shop and her children are going to a municipal school and to a nursery that has waived its fees. "I heard that Chileans were snobs but I have been treated only with kindness," she says, pointing at her olive-toned

skin.

Chile has recently become a magnet for migrants. From 2007 to 2015 the number of immigrants living in Chile increased by 143% to 465,000 people, about 2.7% of the population. That is the third-highest rate of increase among members of the OECD, a rich-country club. Peruvians, Colombians, Argentines and Bolivians made up about two-thirds of migrants in that period. Since then, immigration has shot up at an even faster rate. Last year, Venezuelans were the largest group of new arrivals, followed closely by Haitians. Now 1m foreigners are thought to live in Chile. A third of them are undocumented.

Chileans should welcome immigration. Birth rates are falling, the population is ageing and unemployment is low. Chile has a shortage of workers in health care, technology and agriculture. It needs "both manual and skilled labour" says Rodrigo Ubilla, the under-secretary of the interior. In 2015 immigrants had more years of education, higher salaries and higher rates of employment than Chileans, according to the country's survey of poverty.

But the abrupt rise in immigration has come as a shock to a country that had no empire and is a long way from the world's main trouble spots. Most Chileans are descendants of Spanish colonisers and indigenous people. Later immigrants from Spain, Germany, Croatia and other places added to the mix. Chileans tend to think of themselves as transplanted Europeans (and largely ignore the country's indigenous heritage).

The new diversity has brought two problems. It has overwhelmed an immigration system designed for smaller numbers. And it has provoked a backlash against newcomers. Sebastián Piñera, who became Chile's president last month, proposes to deal with both by making immigration more orderly but also harder.

Chile has less immigration than many other countries, but 68% of Chileans want to restrict it, according to a survey by the National Institute of Human Rights. Nearly half think immigrants take jobs from locals. Haitians provoke most hostility. Last year the number of Haitians in Chile grew by 100,000, in part because Brazil made it harder for them to come. Most do not speak Spanish and tend to be black as well as poorer and less educated than other

Latin American immigrants. They are subject to more assaults and insults and often work in terrible conditions. Earlier this year, labour inspectors found five Haitian forestry workers living in a stable in southern Chile without electricity or sanitation. Haitians with higher education often do the same manual labour as their compatriots (other immigrants also have that problem, because Chileans are slow to recognise foreign degrees in some professions).

"Haitians are not welcome in Chile," says Edward Sultán, who works for An Nou Pale ("Let's Talk") Foundation, a charity that helps black people integrate into Chilean society. "If you're black, you're considered inferior." A video posted recently on social media showing Haitians arriving at Santiago airport spoke of an "invasion". Checho Hirane, a radio presenter, worried aloud that uncontrolled immigration would "change our race", though he later backtracked.

Colombians are next to Haitians at the bottom of an informal pecking order, says José Leonardo Jiménez, a communications graduate from Venezuela. That may be because some Chileans stereotype Colombians as drug-dealers. Venezuelans, he says, are higher up, in part because they tend to have more education.

While proclaiming that Chile "is open to and welcomes immigration", Mr Piñera is trying to limit and control it. On April 9th he announced that foreigners who come as tourists will no longer be able to ask for temporary work visas once they are in the country. Instead, they will have to apply for a new "opportunities" visa outside Chile. Decisions will be made based on a points system, which favours those with sought-after skills and education.

Think of a number

Successful applicants will be treated well. They will get an identity number which will let them open bank accounts, sign housing contracts and so on. Immigrants will have the same access to public health care and education as Chileans. To attract the most highly skilled, Mr Piñera announced a new visa for postgraduates from the world's top 200 universities.

Haitians will face much more restrictive treatment than others. Tourists will have to apply for 30-day visas outside Chile (compared with the 90-day visas

issued at the border for citizens of most Latin American countries). To soften this blow, the government will issue up to 10,000 “humanitarian” visas a year to Haitians who already have relatives in Chile. Venezuelans will be treated more indulgently. Unlimited numbers will be able to apply for a “democratic responsibility” visa, an acknowledgment of the country’s “grave democratic crisis” and the refuge it provided when Chile was a dictatorship in the 1970s and 1980s.

Unlawful immigrants from all countries who arrived in Chile by April 8th will be allowed to stay. However, Mr Piñera said the government would get tough with people-smugglers and make it easier to expel anyone who violates immigration laws. A new “migration-policy council” will keep updating the country’s strategy. The visa regime will take effect under a presidential decree while the new law is debated in the congress.

José Tomás Vicuña, director of the Jesuit Service for Migrants, says the changes are “worrying”. He fears that expulsions will violate the right of immigrants to due process. Father Vicuña calls the measures directed at Haitians “arbitrary”. And he argues: “The country will spend more money on controlling borders and probably end up with a greater number of undocumented immigrants.”

The government’s new policy is likely to get a mixed reception in Quilicura, a district in the north of Santiago where most immigrants are Haitians. Even before Mr Piñera’s amnesty, the local authorities had made public services available to all, regardless of their legal status. They provide Spanish lessons and help in finding work. Creole-speakers work in schools and health centres. This reduces the risk that immigrants will cluster in ghettos, sell drugs and trade illegally, says Juan Carrasco, the mayor. Mr Piñera’s new policy will help them, by enshrining their right to stay and to use public services. But it may make some Haitians feel more than ever like second-class non-citizens.

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