

The Economist

Erdogan hammers Turkey

China's stockmarket rally

Netanyahu's hubris

Signals intelligence Trump-style

MARCH 29TH-APRIL 4TH 2025



ELON MUSK'S EFFICIENCY DRIVE

The Economist

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The Economist :: How we saw the world

The world this week

Politics

Mar 31, 2025 10:41 AM



More than 1,800 protesters were detained in **Turkey** following the arrest of Ekrem Imamoglu, the mayor of Istanbul, on corruption charges. Mr Imamoglu is the main potential electoral threat to Recep Tayyip Erdogan, Turkey's president; the opposition says the charges are politically motivated and bogus. Amid the turmoil Turkey's stockmarket fell heavily and the lira slumped against the dollar. Both clawed back some losses after emergency interventions from the stockmarket regulator and the central bank.

Russia plays America

American negotiators held separate talks with **Russia** and **Ukraine** to arrange a maritime truce in the **Black Sea**. Ukraine said it would accept the deal. Russia suggested it would do so only when sanctions were lifted on some Russian banks, which the EU may block. The White House called it a positive step, but the truce, which covers only a small part of a much wider conflict, remains hypothetical.

Sweden's centre-right government announced a rise in defence spending, from 2.4% to 3.5% of GDP. Ulf Kristersson, the prime minister, said all European countries in NATO, which Sweden joined last year, would have to take a “big step forward” in funding defence.

America lowered the diplomatic heat with **Denmark** by altering the itinerary of a visit to **Greenland** by a US delegation. The Danish prime minister, Mette Frederiksen, had said the original plan, in which the delegation would attend a dog-sled race, was unacceptable, because it was part of America’s charm offensive to pry Greenland away from Denmark. The new itinerary involves America’s vice-president, J.D. Vance, visiting America’s space base at Pituffik.

A frail **Pope Francis** made a brief balcony appearance upon his release from hospital, where he spent six weeks battling pneumonia. The pontiff was so ill that his doctors had considered ending his treatment.

England’s regulator for higher education fined the University of Sussex £585,000 (\$755,000) for failing “to uphold **freedom of speech** and academic freedom”, as well as faults in its management and governance processes. The fine relates to the university’s handling of the case of Kathleen Stock, a professor who expressed gender-critical views. The regulator’s investigation found that the university’s policy statement on transgender people had a “chilling effect” on staff and students, meaning they felt they could “not speak about or express certain lawful views”.

The **Israeli** government managed to get its budget through the Knesset, ensuring the survival of Binyamin Netanyahu’s ruling coalition. The bill had to pass by the end of March to avoid fresh elections. The budget includes a huge increase in defence spending. Mr Netanyahu’s opponents criticised funding for projects that placate the far-right parties in his coalition, such as religious

seminaries. Earlier, the Supreme Court told the cabinet to suspend its sacking of Ronen Bar as head of the Shin Bet, Israel's domestic intelligence agency, until the court can hold a hearing.

Israel carried out drone strikes in southern **Lebanon**, after several rockets were fired across the border. A ceasefire between Israel and Lebanon has largely held since November. Israel claimed it killed a senior Hizbulah commander in one of its drone strikes.

Iranian-backed **Houthi** rebels in Yemen claimed responsibility for firing a missile at Ben Gurion airport near Tel Aviv and two other missiles at Israel. All were intercepted. Meanwhile, the Hamas-run health authority in **Gaza** claimed that 50,000 Palestinians have been killed in the war with Israel there. It did not provide a breakdown of civilian and combatant deaths.

Fighting resumed in eastern **Congo** after M23, a rebel group supported by Rwanda, retracted a promise to withdraw from the strategically important town of Walikale. It had announced the withdrawal following the latest round of peace talks between Congo and Rwanda, brokered by Qatar.

The Sudanese Armed Forces said they had recaptured the airport in Khartoum, **Sudan's** capital, from the Rapid Support Forces, the army's main adversary in the country's civil war. The SAF had earlier retaken the presidential palace. Taking command of the airport brings the army one step closer towards regaining control of Khartoum, which it lost to the RSF after the war began in 2023.

At least 27 people were killed by wildfires in **South Korea**, a country where forest infernos are a rarity. The fires, which officials think were started by people burning overgrown grass, were fuelled by a spell of dry weather and high winds.

The Unification Church was in effect banned in **Japan** by a court. The church was founded in South Korea and is often referred to as

a sect. The Japanese government had sought its dissolution following the assassination of Abe Shinzo, a former prime minister, in 2022. Abe's assassin held a grudge against the church and an investigation revealed its links with politicians in the ruling Liberal Democratic Party.

America removed bounties from the heads of three senior Taliban officials in **Afghanistan**. It follows a slight thaw in the icy relations between the two countries. A senior American diplomat visited Kabul recently for the first time since the Taliban regained power in 2021. The visit led to the release of an American held captive by the regime since 2022.

Sending the wrong Signal

The White House tried to play down the worst security breach of Donald Trump's presidency. Jeffrey Goldberg, the editor of the *Atlantic*, was added to a **security chat group** by mistake, and was sent details in advance of America's plans to bomb Houthi rebels in Yemen. The chats on the Signal app also revealed J.D. Vance saying that he hates "bailing Europe out again", and Pete Hegseth, the defence secretary, sharing his "loathing of European freeloading". Mr Trump held no one to account for the breach.

Congressional authorisation for PEPFAR, the American President's Emergency Plan for **AIDS** Relief, expired. That does not end the initiative, but, together with the foreign-aid freeze announced in January, casts doubt on its future. The *Lancet HIV* reported an estimate that, if PEPFAR ceased and aid-reductions by certain other countries also went ahead, as many as 2.93m more people than otherwise might die of AIDS by 2030.

The Trump administration gave notice that it would soon revoke a programme that has given 530,000 **migrants** from Cuba, Haiti, Nicaragua and Venezuela a temporary legal right to live in the United States. It said they should leave or face deportation.

Lawyers representing the **Venezuelan** government asked **El Salvador's** Supreme Court to free some of the 238 Venezuelans who were deported from the United States to a prison in El Salvador under an agreement with the country. America says they are gang members; the lawyers disagree.



Brazil's Supreme Court decided that Jair Bolsonaro should stand trial for his alleged involvement in a plot to overthrow the government. Mr Bolsonaro lost his re-election bid for president in 2022. He is accused of devising a coup against the winner, Luiz Inácio Lula da Silva, and of trying to undermine the democratic system. Mr Bolsonaro says the charges are “baseless”.

Canada's new prime minister, Mark Carney, called a snap [election](#) for April 28th. Mr Carney's Liberal Party has staged a remarkable comeback in the polls, as voters rally around their government in defiance of Mr Trump's imposition of tariffs and his disparaging of Canada as America's 51st state (he referred to Justin Trudeau, Mr Carney's predecessor, as Governor Trudeau).

<https://www.economist.com/the-world-this-week/2025/03/27/politics>

The world this week

Business

Mar 31, 2025 10:41 AM



Reuters

Rachel Reeves, **Britain's** chancellor of the exchequer, laid out her [Spring Statement](#), a sort of mini-budget. With official forecasters lowering the economy's expected growth rate this year to 1% and the government facing high borrowing costs, Ms Reeves announced further cuts to incapacity benefits and stricter eligibility requirements for disability allowance. This, she said, would allow her to keep within her fiscal rules. There were no tax rises, and defence spending was increased. Annual inflation was forecast to come in at 3.2% in 2025, up from a previous estimate of 2.6%.

Indonesia's central bank intervened to prop up the rupiah after it fell to levels last seen during the Asian financial crisis of 1998. The currency has been hit by market concerns about the government's finances amid a big public-spending increase, and by the global uncertainty over trade.

Not ready for take-off

London's **Heathrow airport** went on a PR defensive after shutting down entirely for 18 hours when a fire at a local electricity

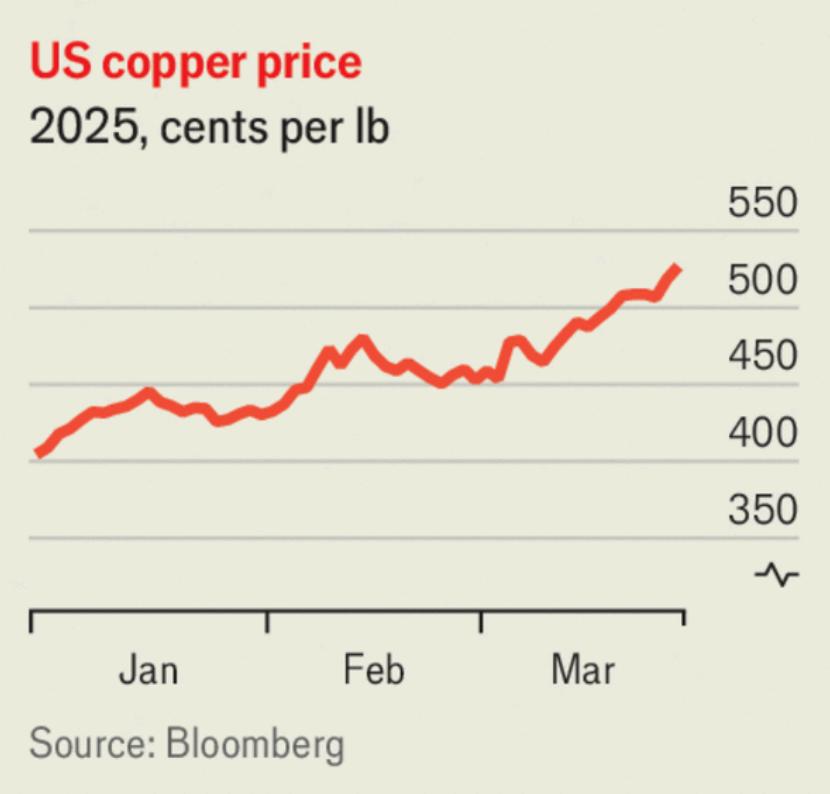
substation knocked out its critical systems. The closure of the international hub led to chaos in flight schedules. Many airlines will want compensation. Questions were raised about why the airport relied on just one substation. Britain's National Grid insisted that the network was capable of supplying it with power.

A federal judge set June 23rd as the start of **Boeing's** trial on a criminal charge of misleading regulators about the safety of its 737 MAX aircraft ahead of two fatal crashes in 2018 and 2019. Boeing pleaded guilty last July, but the families of the crash victims objected to the terms of the plea deal. The judge rejected the guilty plea in December, citing the use of diversity measures to select a monitor to oversee Boeing's compliance with the deal, rather than choosing a monitor on merit. Boeing hopes to avoid the trial by resolving the matter with the Justice Department.

There was some much-needed good news for Boeing when Donald Trump selected it to build the American air force's Next Generation Air Dominance **fighter jet**. Dubbed the F-47 (in part after Mr Trump's term as America's 47th president) the jet will replace Lockheed Martin's F-22 Raptor.

Hyundai, a South Korean conglomerate best known for producing cars, announced that it would invest \$21bn in America, including a steel plant in Louisiana and various factories to supply it with parts and materials. Marking the announcement, Donald Trump claimed this was proof that his tariffs policy was working as intended. "Money is pouring in," he said. Hyundai already has big established investments in America. By announcing its latest deal now it hopes to win carve-outs from Mr Trump's trade levies.

Mr Trump's latest salvo in that trade war was to announce 25% **tariffs** on all imports of vehicles and car parts, to take effect soon. On April 2nd Mr Trump will also announce wide-ranging reciprocal tariffs on countries he thinks have an unfair trade advantage with America. He calls it "Liberation Day".



The Economist

Copper prices shot up amid speculation that the Trump administration will soon impose punitive tariffs on imports of the metal, which has upended the market. Traders have been sending their purchases of copper, which is widely used in pipes, cables and electric cars, to American warehouses linked to COMEX, America's main commodities-trading platform, to avoid the duties. Copper prices in New York are now much higher than on the London Metal Exchange.

SAP overtook Novo Nordisk to become **Europe's most-valuable company** by stockmarket capitalisation. Based in Germany, SAP, a provider of business software, has benefited from hype surrounding artificial intelligence. Novo Nordisk, by contrast, has seen its share price fall by half since June as the hype around its bestselling weight-loss drugs, Ozempic and Wegovy, recedes.

Schadenfreude

Tesla's sales in Europe fell sharply in February, down by 40% year on year, and by 76% in Germany, where Elon Musk has expressed support for the hard right. This was despite a 26% overall rise in sales of battery-electric vehicles, according to the European Automobile Manufacturers' Association. The left, which once embraced Mr Musk for his green credentials, has turned against him. In America the FBI has created a task-force to tackle what it describes as acts of “domestic terrorism” against Tesla cars and facilities.

Nike's stock dropped to a five-year low, after it forecast another big decrease in revenue. The sportswear company listed a litany of challenges, from weak demand in China to tariffs and “geopolitical dynamics”. All a far cry from its mantra of “Just do it”.

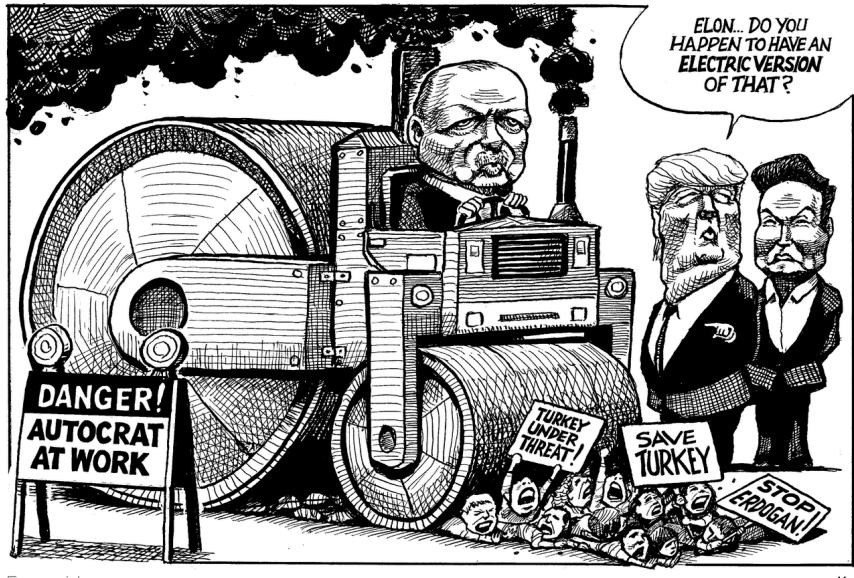
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The world this week

The weekly cartoon

Mar 31, 2025 10:42 AM



Dig deeper into the subject of this week's cartoon

President Recep Tayyip Erdogan is throttling Turkey's democracy. Protests are the last thing keeping Turkey's democracy alive. Ekrem Imamoglu's wife on how his arrest has turned a mayor into a movement.

The editorial cartoon appears weekly in The Economist. You can see last week's [here](#).

<https://www.economist.com/the-world-this-week/2025/03/27/the-weekly-cartoon>

The Economist

This week's covers

How we saw the world

Mar 31, 2025 01:03 PM

IN MOST OF the world our cover is devoted to Elon Musk and his revolution against the federal government in Washington. In the Middle East and Africa we write about Israel's remarkable resurgence after the horrors of October 7th 2023, and the hubris that now looms.

Of all the things President Donald Trump has done at home since his inauguration in January, putting the Department of Government Efficiency under Mr Musk has turned out to be the most polarising.

Mr Musk's fans believe that in the 2010s a priesthood of partisan bureaucrats schemed with the media and universities to impose a progressive agenda on America. To them, dismantling this soft authoritarianism requires rough tactics. By contrast, Mr Musk's critics see him as a self-dealing villain drunk on far-right ideology.

We started with two ideas: a moody photograph of Musk in black and white and an elevated Elon peering down at the mortals scurrying around Washington like ants. The world's richest man has transformed at least two industries. Just imagine if he could pull off the same trick with the federal government—an organisation whose annual expenditure of \$7trn is roughly equivalent to the combined revenues of America's 20 biggest companies. Across the West, voters are frustrated because their governments are more adept at slowing things down than at making them go.

We worked up the super-human Musk as a cover. He does, after all, conceive of himself as a saviour who will put people on Mars and turn humankind into a multiplanetary species.

Ordinarily, chances to start government afresh crop up only in times of war, plague or natural disaster. A sympathetic reading of DOGE is that Mr Musk is trying to bring creative destruction to bureaucracies by other means.

But that looks much too optimistic. So far DOGE has broken laws with abandon and destroyed careers. It has lied about waste and seized personal data protected by law. Some federal employees still have to send weekly emails listing five things they did last week. But the inbox is full and they bounce back.

To make this cover work, we needed a lot more edge.

That thought took us to a Cybertruck running amok on America's most famous lawn. Or perhaps it could be carrying off the Capitol dome—which is not too far from the truth, given that DOGE wants to close outfits like the Department of Education that are supposed to fall under the purview of Congress.

These new images had an extra piquancy because Tesla has recently recalled a batch of Cybertrucks. But we wanted to show the machinery of the state, rather than the legislature or the White House.

That took us to our final idea. The feathers are flying and the federal government is at risk of becoming roadkill. For the final cover, we jazzed up the eagle, plonked the truck in the desert and gave it a personalised number plate.

Rather than seeking to make government work better, DOGE's actions so far look as if they are designed to expand the president's power and root out wrongthink. Facing lawsuits and some adverse

rulings, Mr Musk and others have attacked judges, accusing them of staging a coup. Mr Musk—and America—have a huge opportunity. They must not blow it.



Leader: Is Elon Musk remaking government or breaking it?

United States: Elon Musk is powersliding through the federal government

Business: Musk Inc is under serious threat

Just 18 months ago Israel was in grave peril. Surrounded by enemies, bickering with its main ally in Washington and reeling after Hamas's attack caused the most murderous day in the country's history, the Jewish state seemed vulnerable and confused.

But it has staged a remarkable turnaround. It is fighting again, in Gaza, in the West Bank, in Lebanon and in Syria and with full American backing.

Unfortunately, its military supremacy comes with bitter strife at home and a danger of overextension.

We started with a photograph showing an Israeli soldier, a Palestinian woman and an excavator in the West Bank. But it struck our correspondents as out of date. The army is waging its biggest offensive in the West Bank in decades. More than 40,000 Palestinians have been displaced from four refugee camps in the north. Far-right lawmakers are pushing ahead with plans to expand Jewish settlements.

Or perhaps we could go with a collage of the prime minister, Binyamin Netanyahu. His government is using aggressive tactics to curb the independence of Israel's institutions. In recent days the cabinet has endorsed the firing of the head of the Shin Bet, the domestic security agency, and of the attorney-general. The two officials happen to be involved in investigations of Mr Netanyahu's aides over allegations of graft and other sins. The prime minister says he is innocent.

We preferred the final idea, however. Israel is planting flags—in Gaza, Lebanon, Syria and the West Bank.

This new, hegemonic Israel is the product in part of the lingering trauma of October 7th. Before the massacre Israel sought to avoid all-out conflict, contenting itself with periodic strikes against its foes, to assassinate threatening leaders or destroy sophisticated weapons. When it fought, as it did several times against Hamas, it kept the wars short. The goal was to deter and weaken its adversaries, not to obliterate them.

In hindsight, many Israeli generals and spies see that policy as naive. They are no longer willing to tolerate threats on their borders —even hypothetical ones. The trouble is that hegemony will impose a heavy burden on the Israeli army, on society and on the economy. Can Israel carry it?



Leader: Israel's expansionism is a danger to others—and itself

Briefing: An unrestrained Israel is reshaping the Middle East

<https://www.economist.com/the-world-this-week/2025/03/27/this-weeks-covers>

Leaders

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Efficiency drive

Is Elon Musk remaking government or breaking it?

So far, there is more destruction than creation

Mar 27, 2025 06:17 PM



NEXT TO SPACE travel, remaking the government sounds easy. Elon Musk conceives of himself as the saviour of humanity, who will [put people on Mars](#) as a prelude to making humankind a multiplanetary species. But of all the things President Donald Trump has done at home since his inauguration in January, putting DOGE (the Department of Government Efficiency) under Mr Musk has turned out to be the most [polarising](#). The world's richest man

is exalted by some as an altruistic genius and hated by others as a self-dealing villain. Is he remaking the government, or breaking it?

This newspaper looked forward to what Mr Musk might do with some hope. He has transformed at least two industries. If he could reform the federal government—an organisation whose annual expenditure of \$7trn is roughly equivalent to the revenues of America's 20 biggest companies—that would be a boon for humanity. Across the West voters are frustrated because their governments are more adept at slowing things down than at making them go. Yet large democracies have for decades struggled to come up with a convincing fix.

So far, however, DOGE has stirred up animosity, as it has barged into one agency after another. It has broken laws with glee and callously destroyed careers. It has made false claims about waste and seized personal data protected by law. This week's [big scandal](#)—the unintended inclusion of a journalist in a Signal group of senior officials discussing an imminent attack on Yemen—has nothing to do with DOGE. But it does not inspire confidence that Mr Trump's inner circle can handle big tasks responsibly.

Some transgressions along the way might be worth it if DOGE brought about a true transformation. Proceeding with all due caution can be a recipe for stasis, after all. Who now remembers the recommendations of the Grace commission, which was tasked by President Ronald Reagan to find ways to cut waste in government?

Ordinarily, chances to start government afresh crop up only in times of war, plague or natural disaster. A sympathetic reading of DOGE is that Mr Musk is trying to bring creative destruction to bureaucracies by other means. His preferred method at Twitter (now X) was to break things and see what happened. Perhaps what America has seen so far is the destruction and the creation will come afterwards. Optimists note that Argentina's President Javier Milei has achieved real progress with Musk-like tactics, and that

the painful reforms carried out by Reagan and Margaret Thatcher in the 1980s were hated by many at the time but proved beneficial.

Others retort that the government is not like the companies Mr Musk has transformed. If a firm goes bust, another will spring up to take its place; by contrast, government, in theory at least, provides critical services that the private sector does not or will not lay on in sufficient quantities. There may be some places where DOGE is doing good, like hiring Joe Gebbia, who is a co-founder of Airbnb, to streamline the retirement process for federal workers. Unfortunately, examples of DOGE making government less effective are much more numerous.

The inspectors general, whose job is to look for waste and fraud, have been fired. DOGE has sacked people at the FDA, the agency that approves drugs for medical use, which will slow innovation. It has driven lots of principled people to resign, including Louis DeJoy, who was appointed by Mr Trump to run the postal service. Employees of some agencies singled out by DOGE still have to send a weekly email listing five things they did last week. But the inbox is full and they bounce back.

DOGE's scope to save money is smaller than advertised. It is targeting discretionary spending (the part of the budget not on autopilot) and defence is excluded, for now. That means Mr Musk's attack surface is just 15% of the budget. Because much of the rest of government spending is redistribution, there are no huge efficiencies to be had there. If he were cutting administrative costs wisely, that would be welcome. But too many of DOGE's planned cuts have turned out to be misprints, like the \$8bn contract it cancelled that was actually worth only \$8m. Nor has it identified lots of burdensome regulation to cut, as was the hope of Vivek Ramaswamy, briefly DOGE's co-head.

Worst is that DOGE's actions so far look as if they are designed not to make government work better, but to expand the president's

power and root out wrongthink. USAID and the Department of Education were created by Congress, and legally only Congress can get rid of them. Republicans have legislative majorities, but have not tried to pass the necessary laws. Instead, DOGE is trying to close these institutions by fiat, expanding executive power for its own sake. Facing lawsuits and some adverse rulings, Mr Musk and others have attacked judges, accusing them of staging a coup. Some of Mr Trump's backers believe that in the 2010s America was gripped by a soft authoritarianism, whose instruments of power were universities, the media and partisan bureaucrats, and that a little authoritarian behaviour is now required to break it. Efficiency doesn't have much to do with it.

DOGE goes rogue

Even this does not mean DOGE has failed—yet. There are three possible outcomes. First, that just as rivals laughed at Tesla and SpaceX in their early days, DOGE will come good in time. Second, that Mr Musk will break the government. The third, likeliest scenario is that DOGE becomes snarled up in court; many good civil servants are fired or quit; fewer talented people see government as an appealing career; and America is left with a stronger president and a weaker Congress.

This would be a huge missed opportunity. Imagine the Musk of the early 2010s, the genius-builder, in charge of procurement at the Pentagon or federal infrastructure projects. Instead, America has got late-era Musk, radicalised by his own social-media platform, flirting with authoritarian movements and stuck in the same mind-numbing partisan thinking as millions of less talented folk. ■

<https://www.economist.com/leaders/2025/03/27/is-elon-musk-remaking-government-or-breaking-it>

A perilous path

Israel's expansionism is a danger to others—and itself

It risks turning hubris into disaster

Mar 27, 2025 06:36 PM



IT IS HARD to believe today, but 18 months ago Israel was in grave peril. Surrounded by enemies, bickering with its main ally in Washington and reeling after Hamas's attack caused the most murderous day in the country's history, the Jewish state seemed vulnerable and confused. Now, by contrast, Israel is rampant. It is still fighting—occasionally in Lebanon and Syria, more permanently against Palestinian militants in the West Bank and once more, on an even larger scale, in Gaza, where an American-

sponsored ceasefire has broken down. But this time Israel is fighting on its own terms and with full American backing. You might think that makes it safe again. Yet its renewed military supremacy comes with a danger of overextension and bitter strife at home. As its government charges ahead, it risks [turning hubris into disaster](#).

The improvement in Israel's security has been remarkable, and welcome. Since the atrocities of October 7th 2023 Israel has attacked and greatly weakened Hamas. Military action in Lebanon has decapitated Hezbollah. Iran's baleful influence across the Middle East has been shattered, as its proxies in Gaza, Lebanon and Syria have foundered. Israel fended off two big Iranian missile barrages with America's help, and struck back against Iran's air defences.

However, the Israeli government has drawn two worrying conclusions from this success. One is that cruel tactics work. Having killed tens of thousands of civilians in Gaza, it has again withheld aid and shut off basic services, in what looks like a violation of international law. In Gaza it is preparing for a new occupation as part of what may become a huge ground operation. Shameful plans for ethnic cleansing are gaining currency. Encouraged by President Donald Trump's vision of an American "takeover" and the resettlement of Gaza's population, the Israeli government has approved the establishment of an agency for the "voluntary" departure of Palestinians. Since last year it has engaged in a rapid de facto annexation of the West Bank, expanding Israeli settlements, forcing tens of thousands of Palestinians from their homes and allowing violent settlers to rampage unchecked. A push for formal annexation is gathering pace.

The government's second conclusion is that, after deterrence collapsed on October 7th, it must protect itself by creating buffer zones and striking perceived threats as early as possible. The army

is attacking Lebanon, even if that discredits Lebanese groups who are working to shut Hizbulah out of power. Rather than wait to see if the new government in Damascus can put Syria together again, Israel is bombing it. That same logic could well lead to a pre-emptive strike against Iran, to prevent it acquiring a nuclear weapon. Having been softened up by Israeli bombing, the Islamic Republic's defences are weaker than they have been in decades.

This is a dangerous path for Israel: in the region, with the Palestinians and at home. In the region Israel will struggle to maintain military dominance if it demands too much of its own forces. It has a citizen army of reservists, who serve at moments of national peril. Soldiers who have families to care for and businesses to run cannot live their lives if they are permanently being called up. In addition, Israel still depends on America to project force. But Mr Trump is not a dependable ally—especially if a war against Iran becomes drawn out. Even if his support endures, the Democrats could be back in power in 2029 and they would be less tolerant of annexation. And last, as repeated Israeli strikes around the region lead to a popular backlash, Arab leaders will gradually come to reflect their people's hostility. In time that could threaten Israel's regional alliances, with Egypt and Jordan and with several other Arab countries through the Abraham accords.

As for the Palestinians, Israel cannot simply cancel their yearning for a homeland. After the horrors of October 7th most Israelis oppose the creation of a Palestinian state or the incorporation of Palestinians as full citizens inside Israel. But other options are dire. Formal annexation of Palestinian land would lead either to ethnic cleansing, or the creation of non-citizens without full rights, or to further cooping up Palestinians in tiny non-viable statelets. If those policies are enacted, it will be an affront to the values on which Israel was founded.

Overextension may be most corrosive within Israel. The trauma of October 7th ought to have united Israeli society. However, the

country is once again divided. A clear majority of Israelis support negotiations with Hamas and a withdrawal from Gaza in order to bring the remaining hostages there home. They believe that the prime minister, Binyamin Netanyahu, is prosecuting the war to appease the hard right, whose support he needs to prevent his government from collapsing. Increasingly, army reservists wonder if they are fighting a war in the national interest or in the interest of a minority that happens to wield influence.

This comes as the government is showing a distressing eagerness for democratic backsliding. It is using aggressive tactics to curb the independence of Israel's institutions. In recent days the cabinet has endorsed the firing of the head of the Shin Bet, the domestic security agency, and of the attorney-general—both decisions are fiercely contested. The two officials happen to be involved in investigations of Mr Netanyahu's aides over allegations of graft and other sins. At the heart of Israel's crisis is a campaign by religious Zionists who see their vision of Israel as a country embracing the biblical lands of Azza, Judea and Samaria, as they call Palestinian territory, being thwarted by the country's secular institutions.

Israel looks strong. But its army is tired and its politics is split. Meanwhile, the most dynamic part of the Israeli economy, its tech sector, is highly mobile. Before October 7th tech workers dismayed at political divisions and erosion of the rule of law threatened to move abroad. They may one day make good on those threats. For many years Israel depended on its American ally to tell it when to stop fighting. With Mr Trump in the White House, those days are over. Israel now needs the wisdom to practise self-restraint. ■

<https://www.economist.com/leaders/2025/03/27/israels-expansionism-is-a-danger-to-others-and-itself>

Dark times

President Recep Tayyip Erdogan is throttling Turkey's democracy

But no one outside Turkey seems to care

Mar 27, 2025 04:00 PM



Getty Images

RECEP TAYYIP ERDOGAN has been running Turkey for 22 years, and has spent much of that time eroding its democracy. His government controls the courts, the security apparatus and almost all the media. Yet until last week Turkey remained a place where the opposition could, in theory, win elections, and occasionally did, at least at the local level. Since the arrest on March 19th of Ekrem Imamoglu, the mayor of Istanbul and Mr Erdogan's strongest rival, along with many of his associates, that [may no longer apply](#).

Some have thought Mr Erdogan an aspiring dictator ever since the 1990s, when as an Islamist he campaigned against Turkey's secularism. He once called democracy a tram you get off when you reach your stop. However, his first years in power were reassuring. It was only later that he cracked down on NGOs and used trumped-up prosecutions to attack opponents. Mr Erdogan crushed Kurdish militias in a military campaign in 2015 and jailed peaceful Kurdish dissidents. The next year, after foiling a coup attempt, he

imprisoned tens of thousands of people, only some of whom had played a part in the putsch, and muzzled the media. Still, the Turkish president consistently beat the opposition in elections that were largely free, if far from fair.

Mr Imamoglu's arrest marks a turning-point. For months the charismatic mayor has led Mr Erdogan in opinion polls for the next presidential election, due in 2028 or before. Last year his Republican People's Party (CHP) shocked Mr Erdogan's Justice and Development (AK) party by beating it in local elections. Years of economic mismanagement and corruption scandals have sapped Mr Erdogan's popularity. Mr Imamoglu's emergence as the CHP's leader promised a chance of a democratic transfer of power. But his imprisonment, on charges of corruption that experts consider baseless, suggests that Turkey's president would rather end democracy than risk losing.

Mr Erdogan seems to have picked this moment shrewdly. Donald Trump has shown little interest in other countries' democratic standards. Europe is preoccupied by the war in Ukraine and its difficulties with Mr Trump. Indeed, the Europeans need Turkey's help and are courting Mr Erdogan to supply troops for a potential peacekeeping force in Ukraine. As America steps back from Europe, Turkey's army, the second-largest in NATO, is more vital than ever. And since the migrant crisis of 2015-16, the European Union has relied on Turkey to keep waves of refugees away from its borders.

For all these reasons, the international reaction to Mr Imamoglu's arrest has been meek. The European Commission merely urged Turkey to "uphold democratic values", though France and Germany made tougher statements. Europe could do more. Greece and Bulgaria have toughened their borders, meaning that Turkey can no longer so easily threaten to flood the EU with migrants. Mr Erdogan still appears to value Turkey's long-dormant candidacy for EU membership. He has also wanted to broaden his country's

customs union with the EU; the bloc should make it clear that is out of the question while Mr Imamoglu remains behind bars.

Yet outside powers cannot stop Mr Erdogan from turning Turkey into an autocracy. Only its citizens can do that. Some of them may be alarmed by his growing authoritarianism, others by the worsening prospects for the economy as investors lose confidence that reformers will be able to make their voices heard. The hundreds of thousands braving police batons to protest against Mr Imamoglu's arrest have the democratic world's sympathy. Alas, they will not get much else. ■

<https://www.economist.com/leaders/2025/03/25/president-recep-tayyip-erdogan-is-throttling-turkeys-democracy>

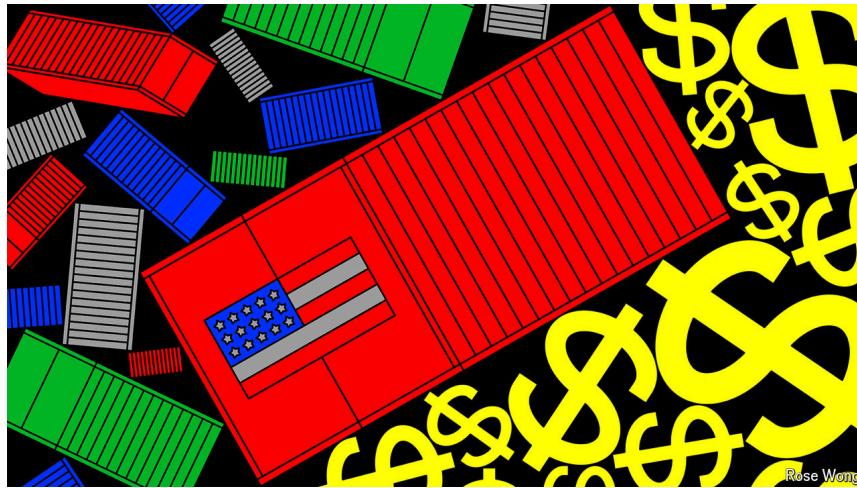
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The cost of uncertainty

The unpredictability of Trump's tariffs will increase the pain

Businesses are struggling to adjust

Mar 27, 2025 03:53 PM



DONALD TRUMP has already raised the average tariff on America's imports by about twice as much as he did in his entire first presidency. Just as damaging, though, has been the uncertainty about what comes next.

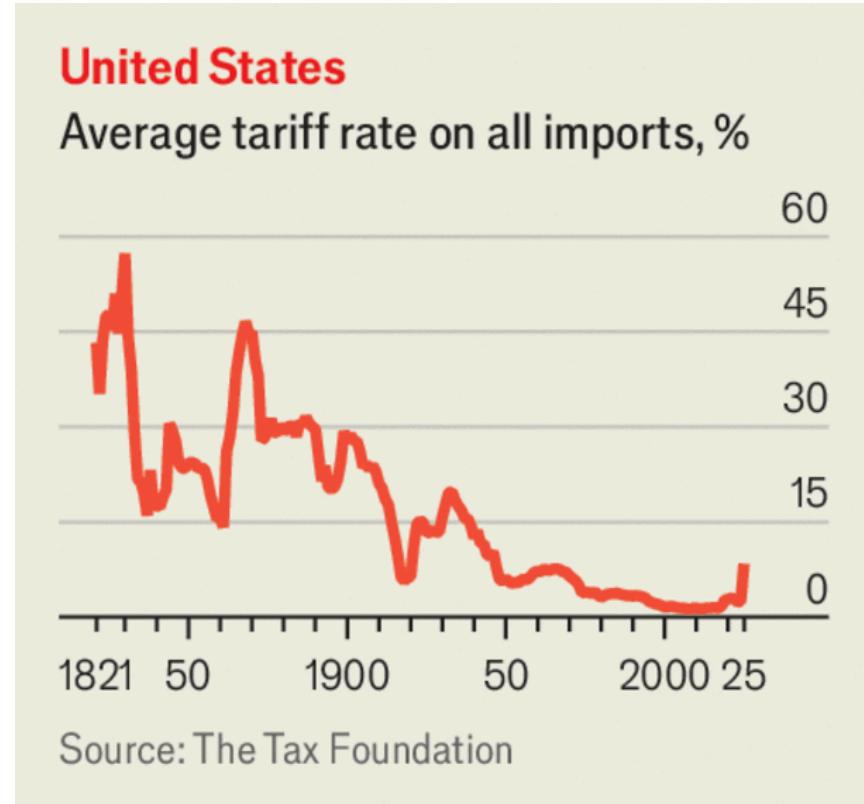
After April 2nd—"Liberation Day", Mr Trump calls it—there will be another round of levies. The president promises 25% tariffs on all imported cars and country-by-country "reciprocal" tariffs based on how much his administration objects to a counterparty's trade and tax policies. Will these plans change? Who knows? Mr Trump's use of emergency powers means that he can do as he pleases.

This freedom may suit him. It does not, however, suit America's businesses, which have no idea how bad the trade war will get; nor its consumers, who fear future inflation. The liberation America

needs is from the paralysing uncertainty brought about by Mr Trump's chaotic approach.

Since the president came to office, hefty tariffs on Canada and Mexico have twice been announced only to be mostly postponed. A long-threatened 10% levy on China has doubled in size. Industry-specific measures have proliferated. Mr Trump has already struck aluminium and steel imports, and has pledged new levies on chips, lumber and medicines. The price of copper has soared as reports swirl that it is to be targeted next. His justifications are dizzying: tariffs have been linked to border control, drug smuggling, VAT, trade deficits, TikTok and Mr Trump's territorial ambitions. The president recently threatened to put levies on any country buying Venezuela's oil. Such "secondary" tariffs, placed on the trading partners of target countries, would be devastating.

What's a business to do? When currying favour with Mr Trump, firms play up their investment plans. But when speaking to shareholders, they warn about the unpredictable environment. Surveys show an [alarming fall](#) in planned capital expenditure. The White House claims that, by prompting firms to invest in America, its tariffs on cars will boost GDP, jobs and real incomes.



The Economist

Ironically, however, the uncertainty makes it harder for tariffs to change investment patterns. Factories last for a long time. Building one in response to a tariff that could disappear at any moment is a gamble. The tariffs Mr Trump implemented during his first term failed to stem the secular decline in American manufacturing jobs. They did, however, push up costs for downstream producers, such as the firms that made goods using imported steel.

It would be naive to think that the tariff regime will be settled on April 2nd. The president exults in his power to dole out punishment and grant exemptions at will. It makes companies and countries beat a path to his door to beg for mercy. In contrast to his first term, Mr Trump seems little concerned by the falls his policies cause in financial markets. And this time his staff are proving to be pliant. Scott Bessent, a hedge-fund titan turned treasury secretary, used to be a source of comfort to investors. He now says that market corrections are “healthy” and the economy could benefit from a “detox”.

Although Mr Trump is committed to tariffs, he is hardly a details man: his unpredictability partly reflects his malleability. This creates an opportunity. His advisers are debating how to implement his agenda. Some reportedly favour using emergency powers only as a stopgap during which the more studious approach of his first term—in which tariffs followed investigations—can be resurrected. Establishing even a bare-bones process would represent a big improvement.

The most beautiful word in the dictionary

America's trade partners must also consider how they can stabilise the situation. It will be tempting to retaliate on April 2nd, as many countries have against existing levies. But retaliation carries a cost, because it brings economic pain, and because it might stoke further escalation from America. For most countries retaliation is simply self-defeating. Even those who have the clout to push back should be careful how they use it.

Better, then, to offset the damage America is inflicting. Given Mr Trump's reciprocal approach, some countries may be able to win concessions by lowering their own tariffs. And countries could bring down the barriers that exist among themselves, integrating with each other as Mr Trump pulls America back. The president is intent on wreaking trade havoc. It need not span the globe. ■

<https://www.economist.com/leaders/2025/03/27/the-unpredictability-of-trumps-tariffs-will-increase-the-pain>

Not too late

Labour can still rescue Britain's growth prospects

But after a messy Spring Statement, the window of opportunity is narrowing

Mar 27, 2025 04:00 PM



Reuters

WHAT A MESS. Rachel Reeves lamented a “world that is changing before our eyes” as she laid out, in her Spring Statement on March 26th, a cobbled-together set of cuts that kept the government just on the right side of its fiscal rules. But blaming chaos abroad (and, without naming him, Donald Trump) is too easy a get-out for Britain’s chancellor. The government is stuck in a hole mostly of its own making.

Economically, Ms Reeves had left herself a wafer-thin fiscal space of £10bn (\$13bn, 0.4% of GDP) in October’s budget, a gamble that failed. Politically, the walls have been closing in. Since winning power, Labour has wasted political capital on trifling issues such as winter-fuel payments for pensioners, inheritance taxes for farmers and an inexplicable ministerial craving for free concert tickets.



The Economist

That has left the government adrift and the public finances at the mercy of bond vigilantes and an erratic White House. Vital reforms, such as [a rethink of the ballooning health-benefits bill](#), have been rushed through to meet the arbitrary timelines of the Office for Budget Responsibility (OBR), the fiscal watchdog.

Troublingly, there could easily be a re-run of this scramble in the autumn. Ms Reeves's restored fiscal buffer is back at £10bn. But gilt yields are already above the latest forecast's assumptions. And the OBR also flagged a "downside scenario" to its rosy productivity estimates. Even a slight downgrade would wipe out tens of billions in fiscal space at the next budget. Extra urgent spending on defence is also possible.

The temptation will be to finagle more borrowing, perhaps by fiddling with fiscal rules, as Ms Reeves did in October. That would be an error. Britain's economic problems are too severe to be massaged away. The country needs growth. Ms Reeves insists she

has been bold in pursuing this, but Labour's thinking has not been nearly radical enough (see Britain section).

The government now has an opportunity to put this right. The voters who would most oppose sensible reform—Eurosceptics, NIMBYs, pension zealots—are already cross. Charm will not win back their support, but a serious boost to growth might. Laying out growth-boosting policies, and persuading the OBR of their merit, might create a virtuous cycle of higher tax receipts and kinder economic forecasts to finance Labour priorities such as the welfare state.

So far, Labour's best idea for growth has been to build more infrastructure and housing. But flagship projects, like Heathrow's third runway and a railway between [Oxford and Cambridge](#), will not be finished until the mid-2030s. Contrast Labour's insouciance with Josh Shapiro, Pennsylvania's governor, who in 2023 marshalled the full forces of his government to fix a collapsed motorway in 12 days, instead of the expected 12 months or more.

On housing, the government wimpishly ducked the chance to end Britain's blocker-friendly, case-by-case planning system in its landmark planning bill earlier this year. But the law is still working its way through Parliament. It is not too late to add in deeper changes, such as permission-by-default for new housing near railway stations, a presumption in favour of building to four storeys in cities, or piloting a policy of proper zoning in at least one city.

America's chaos brings opportunities, too. A decent offering for high-skilled migrants could lure talented scientists who are anxious about ideological crackdowns and the risk of losing research funding. The contours are already clear for a sensible deal with the European Union, which would include greater freedom of movement for young people and using agricultural trade as a test case for better regulatory alignment.

That leaves taxes. Labour's pre-election pledge not to touch Britain's main taxes was always foolish, and was broken in spirit if not in letter by October's employers' national insurance rises. A future budget could raise much-needed cash by nudging up VAT, levying national insurance on the same base as income tax (including income from savings, pensions and property), or by paring back the "triple lock" that ratchets up the state pension. Better yet, some of that windfall could be used to get rid of stamp duty, which jams up the housing market, or to fix destructive tax traps for [high earners](#).

Second chances are a rare thing in politics. With its huge majority, Labour has at least one more of them. Counting this government out would be premature. But if the mess of the past few months is not a stern enough wake-up call, then perhaps it really is beyond saving. ■

<https://www.economist.com/leaders/2025/03/26/labour-can-still-rescue-britains-growth-prospects>

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Prioritising foreign aid

First, jab more babies

As aid shrinks, donors and recipients should focus more on health

Mar 27, 2025 06:15 PM



FOREIGN AID is shrinking. Rich countries are cutting their budgets for helping the world's poor, partly because they need to spend more on defence and partly because they suspect that aid does not work well. To make the best use of a smaller pot, aid agencies and recipients alike will have to prioritise. One of the best approaches would be to concentrate more on public health, and on funding mechanisms that have been proved to work.

Many people in poor countries lack basic health care, and the cheapest life-saving medicines are extremely cheap, so health aid can be wonderfully cost-effective. On average, each dollar spent on vaccination yields a hefty \$54 in returns. Between 1974 and 2010, health aid extended life expectancy across the developing world and saved a vast number of children from dying before the age of five.

This is not only good in itself. It also contributes to future prosperity, since healthier populations tend to be more productive.

Meanwhile, medical research keeps throwing up fresh opportunities to do good. [Two new malaria vaccines](#) are innovative, cheap and effective. Yet the money to roll them out has yet to be found.

Curbing infectious diseases creates benign spillovers. An Ebola outbreak that is spotted fast and scotched at source does far less harm than one that is allowed to spread. The donor-funded drugs that keep HIV patients alive also prevent them from passing on the virus. The benefits extend to the rich world, too, since bugs respect no borders and treatment is far more expensive in rich countries than in poor ones. In America just two cases of Ebola cost one hospital over \$1m in 2014; each extra HIV infection costs hundreds of thousands of dollars to treat over a patient's lifetime.

Sometimes health aid is done badly. It can crowd out domestic health spending and foster dependency. Donors with conflicting agendas can skew national health systems towards their priorities. Stop-start disbursements can make it impossible for local authorities to plan. Yet in recent decades some donors have learned from the mistakes of the past. The best give predictable, long-term support. They provide technical help for programmes that have proved to be cost-effective. And they often offer matching funds—a dollar of aid for every dollar the receiving government chips in—to spur more public spending on health.

Exemplars of this approach include Gavi, a global alliance to promote vaccines, and the Global Fund, which fights AIDS, tuberculosis and malaria. Gavi bulk-orders vaccines, thus making them cheaper, so that more can be bought and distributed. It buys from many suppliers, ensuring that the system has redundancy. Crucially, Gavi does not simply give vaccines away. Recipient countries must cover part of the cost, with Gavi offering larger subsidies to poorer ones. Nineteen countries have “graduated” from this arrangement, and are now deemed rich enough to pay the full (but still reasonable) price. Gavi is also an important part of the

world's defences against the next pandemic, maintaining stockpiles of vaccines for diseases such as Ebola, cholera and yellow fever. It has plans to do the same for mpox. When another big one strikes, the world will be grateful.

However, even Gavi struggles to raise enough money. It needs \$9bn to help inoculate 500m children over the next five years, and to save hundreds of thousands of lives in Africa with the new malaria vaccines. Yet it had to postpone a recent refinancing meeting because donor countries were busy, and a leak to the *New York Times* suggests that America plans to cut it off. Gavi, the Global Fund and many other health-aid organisations face crippling uncertainty. They simply do not know what funds will be available in the coming years. The least donors can do, even as they cut back on aid, is to say clearly what they will and won't pay for.

Governments in the global south will have to step up, too. Many have neglected health. In 35 poor and middle-income countries, home to 2.5bn people, public-health spending has fallen since 2019 both per person and as a share of the budget. As aid gets less generous, policymakers will have to decide what matters most. Jabbing babies is a good place to start. ■

<https://www.economist.com/leaders/2025/03/27/first-jab-more-babies>

Letters

- **Trying to define a “labour shortage” in economics**

A selection of correspondence :: Also this week, women in the boardroom, Syria's prospects, Voltaire's last words

A selection of correspondence

Trying to define a “labour shortage” in economics

Also this week, women in the boardroom, Syria’s prospects, Voltaire’s last words

Apr 03, 2025 11:50 AM



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Labour shortages

A Free exchange column expressed some scepticism about whether there could be any such thing as a “[labour shortage](#)” (March 15th). This might depend on the interpretation of that term. The consensus in economic theory is that the demand for labour in competitive conditions is the marginal value product (MVP), that is, the market value of the additional production that results from adding an additional employee at going prices. In a labour shortage, the wage is less than the MVP. To use Alfred Marshall’s terms, the demand price of labour is above its supply price.

There are a few ways that this might occur. Wages might be “sticky”, so that they simply do not adjust to market conditions. This explanation, more often used to explain labour surplus (unemployment), leaves many questions unanswered and may merit your scepticism. Also, wages may be less than the MVP in conditions of monopoly power and monopsony power, that is, the pricing power in output and labour markets respectively. In these cases, although an expansion of employment and output would be profitable at going prices, firms may hesitate to expand for fear that prices would shift unprofitably as a result. They may then devote resources to attempt to recruit labour at the going prices, with success only in unusual cases.

And finally, although it is little discussed in most economics, there is the case of increasing returns to scale. This means that the factors of production complement and enhance the productivity of one another so strongly that output increases more than in proportion to increasing inputs. In such a case, payment of inputs according to their MVPs would more than exhaust the total output, and so is impossible.

This was discovered in about 1890 by Friedrich von Wieser and is readily demonstrated mathematically. Since there is not enough to pay each input its MVP, and assuming the non-human inputs, such as capital and materials, receive no less than their respective MVP, we might expect that the wage would be below the MVP of labour. Thus a labour shortage, in one sense, is unavoidable. I suspect that this is the circumstance that we face in modern production.

Whether we use the term “shortage” or not, employers will be frustrated in their attempts to recruit more employees, and are likely to perceive this as a shortage.

PROFESSOR ROGER MCCAIN
School of Economics
Lebow College of Business



Paul Blow

Stealing ideas at work

Bartleby set out an impressive number of virtuous responses to counter someone who **takes credit for your ideas or creations** (March 8th). Another riposte comes from “The Red Shoes”, a film released in 1948.

When a young composer becomes distraught at discovering that his professor has stolen his music for a new ballet and confronts him about it, the professor simply says, “It is better to be the one who is stolen from, than to be the one who has to steal.”

J.M. INNES
Adelaide, Australia

Bonnie Garmus got the ideas for her novel, “Lessons in Chemistry”, from sitting in meetings at the ad agency she worked for. When she came up with a creative suggestion she was ignored, but later in the meeting some man would present her proposal and everybody would agree that it was great. It led to her departure from the ad industry and her bestselling book, which was made into a TV series. That’s no consolation for others with similar experiences, but it is a source of *Schadenfreude* for women (and junior men) who can relate to her experience.

NOEL TURNBULL

Port Melbourne, Australia

Indira Gandhi said her grandfather told her there were two kinds of people, those who do the work and those who take the credit. He told her “to be in the first group; there was much less competition.”

PENDEXTER MACDONALD
Boston



Getty Images

Too few female executives

Reports suggesting that Britain is on track for gender parity in the workplace ([Graphic detail, March 5th](#)) are easily debunked when you dig a little deeper into the data. The number of women on company boards in Britain may be creeping closer to equal representation, but is that really a fair reflection of gender parity? Other studies, such as the Women Count report, show that when it comes to executive committees, which are the engine rooms of a business, female representation is falling.

More women on boards is good news, but we also have to recognise that we are a long way from true equality for women in the workplace. Non-executive director roles should not be used to meet boardroom quotas. It cannot be a case of ticking a box and allowing women to sit at the table, without taking the lead.

The fall in female executives is a serious cause for concern. Women make up over half of Britain's workforce, so it's not down to a lack of talent. Businesses and legislators have a duty to tackle this. More needs to be done to remove biases and promote female talent to the top. After all, investing in women's success can pay dividends.

PROFESSOR GEETA NARGUND
Chair
The Pipeline
London



Why Syria isn't Yugoslavia

You laid out the stark alternatives facing Syria: either move towards federalisation, or risk a balkanisation of the kind seen with the break-up of Yugoslavia in the 1990s ("Playing the odds", March 8th). The ethnic and sectarian tensions exacerbated by territorial claims in Syria are a haunting echo of the disintegration of Yugoslavia. Syria's fate could be much worse. At least before its break-up Yugoslavia boasted a thriving tourist industry, an excellent sporting pedigree (it hosted the Winter Olympics in 1984), functioning energy and transport infrastructure, and a well-run state apparatus across its constituent elements.

Syria, by contrast, already meets the criteria of a failed state. It has poor provision of public transport, crippled infrastructure, poor digital networks with half the population offline, 7.4m internally

displaced people, and economic inertia brought on by years of crippling sanctions.

And unlike the disintegration of Yugoslavia, Syria's neighbouring countries and regional players are almost exclusively concerned about their own geostrategic interests. Syria needs multilateral intervention that lays out the groundwork for a federalised constitution favourable to all Syrians.

JORDAN SCOTT

Newcastle

The West should consider appointing a UN-funded anti-corruption inspector-general to Syria. The International Commission against Impunity in Guatemala, or CICIG, is a good model for this, though its success depended on executive and international support.

LUKE ZAKEDIS

Washington, DC



Preparing for the afterlife

Sceptical as one might be of the truthfulness of famous dying words (“[The babble and the beyond](#)”, March 1st), there is one tale that is too fun to forget. Voltaire believed in God but was known for his stance against religious intolerance and fanaticism. Asked

on his deathbed by a priest to renounce the devil, he replied, “This is no time to make new enemies!”

YACOV ARNOPOLIN

New York

<https://www.economist.com/letters/2025/03/27/trying-to-define-a-labour-shortage-in-economics>

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Rethinking trade

The global trading system needs new rules, not tariffs, say Wally Adeyemo and Joshua Zoffer

A former deputy treasury secretary and a presidential economic adviser on the need to draw a sharper line between open economies and the rest

Mar 27, 2025 04:00 PM



Dan Williams

IF PRESIDENT DONALD TRUMP is true to his word, reciprocal tariffs on the world will come as soon as next week. This follows tariffs on America's allies in Mexico, Canada and the EU, as well as China, who have all responded with tariffs of their own. Mr Trump is pulling the world back towards the kind of protectionism not seen in a century. But the return of tit-for-tat tariffs is just the latest symptom of a dysfunction that has been growing for more than two decades.

It is clear the global trading system is broken. But the use of tariffs as a first, second and last resort won't fix it. What would is a new set of trade rules that fit the realities of the global economy.

Today's governance of global trade, including the World Trade Organisation (WTO), grew out of the Bretton Woods agreement of

1944, a rules-based system designed to promote international financial stability and market-based economic governance. That system was premised on shared commitments to multilateralism, open markets and good-faith economic dealing that emerged in response to the Depression and the second world war.

China's accession to the WTO in 2001 was premised on the belief that it would behave similarly. That turned out to be spectacularly wrong. President Xi Jinping's policies have shown China's unwillingness to live within the constraints of this rules-based order and lack of interest in becoming a market economy. While developed countries opened their markets and cut their subsidies for domestic industries, China spent the past several decades doing exactly the opposite: undercutting intellectual-property protections and spending hundreds of billions of dollars on subsidies in an effort to dominate global manufacturing and supply chains. This is why the Obama administration, in which one of us served, refused to grant China market-economy status and the full privileges of WTO membership.

As China took these actions, advances in internet communications, robotics and other technologies led to increased automation. This created pressures that hit advanced, industrialised economies hard —resulting in the loss of millions of jobs, the hollowing-out of industrial bases and a backlash against globalisation.

In response, many countries have adopted self-help measures like tariffs and industrial subsidies, and beggar-thy-neighbour policies such as digital-services taxes. The WTO has proven incapable of enforcing its rules that supposedly bar many of these practices. Ironically, China has even sought to use the WTO to challenge the legality of America's Inflation Reduction Act and Europe's efforts to protect itself from China's own battery subsidies.

We should be clear-eyed about where all of this is heading if we don't change course. The global economy is starting to look a lot

like the Siege of Melos, according to Thucydides: “The strong do what they can and the weak suffer what they must.” America is using its economic heft to bully other countries with tariffs, using them to demand everything from more inward investment to actions to curb the flow of fentanyl into the country. Meanwhile, China is using its industrial overcapacity to flood the world with cheap goods and make it harder for other countries to develop their own manufacturing sectors.

A global economy where might makes right will hurt everyone, but it will be particularly hard on emerging and developing economies. It will slow growth, lower incomes and encourage economic migration—further fuelling the discontent seen recently in rich countries.

Trade has lifted untold millions around the world out of poverty, and consumers have benefited from reduced goods prices. But it is also true that in many cases those lower costs were the result of labour or environmental arbitrage and distortive industrial policies, not true competitive advantages. China and many of the largest multinational companies have been the winners of this arrangement. Others, especially developed economies and their workers, have suffered. And going forward, China’s overcapacity will make it harder for developing countries to move up the global value chain through manufacturing. They, too, will lose out.

It is time to admit that the WTO is not fit for purpose. We need a new set of rules and institutions that are up to the task of governing today’s global economy. This system will have to be able to distinguish between market-oriented, open economies that respect labour and environmental protections, and everyone else. And it will need a different set of rules, including tariffs and other barriers, for countries in the second camp.

The success of the system should not be judged by trade balances alone, as some in Mr Trump’s orbit advocate. The underlying

substance of labour and environmental rules driving those balances, as well as investment and capital flows, must be taken into account.

The system should promote competition and prosperity by strengthening these safeguards and creating the conditions needed for fair trade. The goal should be for developing countries to grow, adopt higher standards and move into the trading bloc of open economies. They cannot be allowed to operate outside the global trading rules indefinitely. If they are, workers and companies operating in more advanced economies will continue to be punished for holding themselves to the high standards their own laws require.

The system will also need a wider mandate, recognising that trade is just one part of the global economy. Today, for example, capital and trade flows are being distorted by incentives in the international tax system for multinationals to shift jobs and assets to low-tax jurisdictions—rendering smaller businesses uncompetitive and short-changing governments on tax revenues. A new system must address these challenges together, starting with implementing the 15% global minimum tax agreed by most OECD countries.

The rules governing global commerce must change to address these challenges. And that starts with reimagining the global trading system. The world does not need to wait for America to catalyse this effort. Other market-oriented economies, including the EU and the 12 members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, represent roughly one-third of global GDP. If these countries are willing to forge a new way forward on trade, rooted in fair, market-based competition and protection for labour and environmental standards, the rest of the world should welcome it. ■

Wally Adeyemo was America's deputy treasury secretary from 2021 to 2025. He is the Carnegie distinguished fellow at Columbia

University's Institute of Global Politics and its Centre on Global Energy Policy. Joshua Zoffer was special assistant to the president for economic policy from 2023 to 2024. He is a non-resident senior fellow at the Centre on Global Energy Policy and a policy fellow at Stanford's Institute for Economic Policy Research.

<https://www.economist.com/by-invitation/2025/03/25/the-global-trading-system-needs-new-rules-not-tariffs-say-wally-adeyemo-and-joshua-zoffer>

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Turkey's political crisis

Ekrem Imamoglu's wife on how his arrest has turned a mayor into a movement

Recep Tayyip Erdogan can't defeat democracy, says Dilek Imamoglu

Mar 27, 2025 04:00 PM



WHEN MY HUSBAND, Ekrem Imamoglu, was arrested in the early hours of March 19th, millions across Turkey felt exactly as I did: not only sorrow but a strong sense of injustice and rising anger. Under the rule of the present government, spanning more than two decades, many Turks have been forced to face these feelings as their country sinks deeper into authoritarianism.

I had sensed for days that something was coming. Ekrem—the man who wrestled Istanbul from the grip of Recep Tayyip Erdogan's Justice and Development Party (AKP) in local elections in March 2019, and who has defeated it twice since then—has long faced a relentless effort to push him out of public life. But in recent months the attacks have become more vicious.

As his wife, and companion in the fight for justice, I have stood firm beside Ekrem through every smear campaign, every fabricated

case and every crude attempt at character assassination. His detention came days before he was elected as the candidate of the main opposition Republican People's Party (CHP) for the next presidential race. Now, Ekrem, the mayor of Istanbul, and his team, who have challenged an unjust, unequal and unlawful system, face baseless charges. The charges against him would be laughable if their intent weren't so grave. A university diploma he earned 31 years ago was suddenly declared invalid, with the aim of disqualifying him from being a presidential candidate.

Ekrem's arrest and suspension from office were aimed at intimidating him and the public. Instead, they have galvanised people across Turkey. Across provinces and political divides, regardless of age, background or gender, millions see this moment as a tipping-point for the country's democracy. Ekrem's case now stands as a symbol of something larger—the collapse of the rule of law, the shrinking space for freedom of expression, and the growing schism between those who rule and those who feel their votes are nullified.

Turkey today faces converging crises in economic, political and institutional spheres. Inflation has eroded wages, driving millions of people into poverty. The education system is broken. Many of our best and brightest are leaving the country.

But in this bleak climate there is growing hope. The CHP—founded by Mustafa Kemal Ataturk—emerged from the local elections of 2024 as the country's leading party. The message from the voters was: enough is enough.

Ekrem has become a symbol of the change that Turkey desperately needs, and he is widely regarded as its engine. Whether behind a desk or iron bars, he is not alone. In the CHP's open primary, more than 15m people supported him as the party's presidential candidate. He represents the millions who want to be governed fairly and who still believe in the founding premise of our republic:

that sovereignty belongs unconditionally to the people. That will has not been broken, despite bans, arrests and threats.

As his wife, and as a citizen, I will not give up. I draw my strength and courage from women across Turkey—mothers, professionals, students, young people, workers who have held firm. I believe in the country we can rebuild, grounded not in fear but in democracy, the rule of law, equality, inclusion and co-existence.

The road ahead is difficult—both for my country and my family. However, those who believe that imprisoning individuals will silence ideas are mistaken. Justice cannot be outlawed. Conscience cannot be detained. This country has endured dark periods—and it will emerge from this one, too, with its democratic will intact. We owe that not only to the founders of the republic but also to the people of all ages and walks of life who have taken to the streets to demonstrate their desire for a better future.

Dilek Imamoglu, the wife of Ekrem Imamoglu, the mayor of Istanbul, has played a prominent role in the protests and rallies held since his arrest.

<https://www.economist.com/by-invitation/2025/03/26/ekrem-imamoglus-wife-on-how-his-arrest-has-turned-a-mayor-into-a-movement>

Briefing

- **An unrestrained Israel is reshaping the Middle East**

Living by the sword :: Its quest for hegemony will strain domestic cohesion and foreign alliances

Living by the sword

An unrestrained Israel is reshaping the Middle East

Its quest for hegemony will strain domestic cohesion and foreign alliances

Mar 27, 2025 06:19 PM | DUBAI, JERUSALEM and WASHINGTON, DC



Javier Palma

TEN YEARS and a lifetime ago, [Binyamin Netanyahu](#) offered a stark vision of the future. Israel's prime minister told a parliamentary committee that there could never be peace with the Palestinians. "I'm asked if we will forever live by the sword," he said. "Yes." His words were a source of controversy, not least among the leaders of the Israel Defence Forces (IDF), who did not think the government should give up on diplomacy. Yet today Mr Netanyahu's vision is an almost unquestioned reality. It has remained so even though Israel has reversed the sense of peril it felt immediately after Hamas, a Palestinian militant group, went on a rampage across southern Israel on October 7th 2023, killing more than 1,100 people and kidnapping 250 more.

Israel's [15-month assault on Gaza](#) has battered Hamas; it can no longer mount a serious attack. Hizbullah, a Shia militia in Lebanon, is also reeling after Israel pummelled it, too. In addition, the

overthrow of Bashar al-Assad, Syria's dictator, has cut Hizbulah's main supply line to Iran. The "ring of fire" around Israel that Iran had created by funding such militias has burned down to embers. And Israel has withstood Iranian missile attacks and smashed Iranian air defences in retaliation.

In years past, Israel might have been content to stop there. But its current leaders favour an unbridled assertion of power, some for pragmatic reasons, others for ideological ones. They are seizing territory beyond their borders, advocating further strikes on Iran and contemplating the outright annexation of Palestinian land. The goal appears to be regional hegemony (see [leader](#)). But the doubts about such an approach remain the same as when Mr Netanyahu first endorsed the life of the sword: can Israel sustain an indefinite war—and should it?

Israel's changing approach to Gaza shows how its strategic ambitions have grown. During the war's first year it was reluctant to occupy much territory within the enclave. Instead, the IDF seized a buffer zone inside its borders, and two corridors that bisected it, but little else: the army feared a prolonged counter-insurgency. Then came a six-week ceasefire with Hamas, agreed in January, which was meant to buy time to negotiate a permanent end to the war.

Back for more

On March 18th Israel abandoned the ceasefire and resumed attacks on Gaza. It is gearing up for a fresh ground offensive. Lieutenant General Eyal Zamir, the new IDF chief, has promised more aggressive tactics. Israel plans to depopulate large parts of the strip and lay siege to anyone who remains in them. It also intends to hold territory. Israel Katz, the defence minister, has warned the occupation may be permanent. These plans have not yet been implemented, but if they are, they will escalate an already bloody war, which has claimed more than 50,000 lives in Gaza.

In the West Bank, meanwhile, the army is waging its biggest offensive in decades. More than 40,000 Palestinians have been displaced from four refugee camps in the north of the territory. Mr Katz has said that Israeli troops might remain in those camps for the rest of the year. Far-right lawmakers are pushing ahead with plans to expand Jewish settlements, which are illegal under international law. On March 23rd the security cabinet voted to legitimise 13 “outposts”, wildcat settlements that had been built without the government’s approval. The right hopes to persuade Donald Trump, America’s president, to back their plans to annex part or all of the West Bank, which would make it impossible to create a Palestinian state.



Elsewhere, Israel has occupied a swathe of Syrian territory (see map), including Mount Hermon, the region's highest point. It seems to have no intention of leaving. Israel is courting the Druze·, a minority group concentrated in southern Syria. It may hope to fracture Syria into a federation of autonomous ethnic statelets; some Israeli commentators have urged the Druze to secede. Israel still occupies five hilltops in southern Lebanon, although it promised to withdraw from them in late January under the terms of its ceasefire with Hizballah.

Then there is Iran. Mr Netanyahu has dreamed for years of conducting military strikes on Iran's nuclear facilities. He is energetically lobbying America's government to bless such an attack and ideally to join in. America's spies believe that Israel is likely to act within six months.

This new, hegemonic Israel is the product in part of the lingering trauma of October 7th. Before the massacre Israel sought to avoid all-out conflict, contenting itself with periodic strikes against its foes, to assassinate threatening leaders or destroy sophisticated weapons. When it went to war, as it did several times against Hamas, it kept the wars short. The goal was to deter and weaken its adversaries, not to obliterate them.

In hindsight, many Israeli generals and spies see that policy as naive. They are no longer willing to tolerate threats on their borders —even hypothetical ones. Syria's new rulers have been clear that they want a peaceful relationship with their neighbour (and after a decade of civil war, they are in no position to fight the Middle East's strongest army). That has not stopped Israel from seizing even more Syrian territory, to protect the land it seized in 1967.

For Israel's hard right, though, the goal is not merely to protect the country but to expand it. They have dreamed for years of rebuilding Jewish settlements in Gaza, which were evacuated in 2005, and annexing the West Bank. Some fantasise about a "Greater Israel" that stretches from the Nile to the Euphrates. They are a minority in Israel, but they are an increasingly powerful one. Mr Netanyahu may not share their yearning for a biblical kingdom, but he needs their support for his earthly goals. He wants to stay in power, and that requires keeping his extremist allies on side.

In January Itamar Ben-Gvir, the head of the hard-right Jewish Power party, left the coalition to protest against the Gaza ceasefire. He rejoined the government after Israel restarted the war. That gave Mr Netanyahu the numbers to pass this year's budget, on March

25th. If he had not done so by the end of March, early elections would have been triggered. Breaking the ceasefire thus helped clear the way for the prime minister to remain in power until late 2026.

Mr Netanyahu also wants to stay out of jail. He has been on trial for corruption since 2020 (he denies the charges). A state of perpetual war has helped postpone his legal reckoning. He has argued that he is too busy with affairs of state to spend much time on the witness stand: “I am leading the country through a seven-front war,” he lectured the judges in December. In February the court approved his request to testify only two days a week, not three.

In the past, Israel’s allies might have tried to temper its belligerence. Mr Trump did press Mr Netanyahu to accept ceasefires in Lebanon and Gaza. But his attention has wandered. When Mr Netanyahu visited Washington in February, many Israelis thought he would be strong-armed into negotiating the second phase of the Gaza ceasefire, which was meant to bring the war to a permanent end. Instead Mr Trump proposed a madcap scheme to depopulate Gaza and turn it into a holiday resort. Phase-two negotiations never started.

Nor are regional leaders exerting much pressure. When the Gaza war began, many Arab autocrats feared it would spark unrest in their countries. That has not happened. With their streets quiet, rulers contented themselves with rhetorical condemnations of the war. None broke off diplomatic relations with Israel. The Abraham accords, which saw Israel normalise ties with four Arab countries in 2020, remain intact. Saudi Arabia says it is still willing to join the pact, though only if Mr Netanyahu lays out a path to Palestinian statehood, which is hard to imagine.

Domination fatigue

Even with all these factors in its favour, however, Israel is discovering that being a hegemon is hard. For a start, it is straining Israel's army. Reservists have put their lives on hold for long tours of duty. The 295,000 soldiers mobilised since the start of the war have served an average of 61 days (the pre-war average was around 25 days a year). A third of them have spent more than 150 days in uniform. Burnout is setting in: some units are finding that only 60-70% of soldiers report for duty when summoned. "We know we will only have about half of our men for the next round," says the personnel officer of a reserve unit scheduled for deployment to Gaza next month.

The new budget earmarks 110bn shekels (\$29bn) for defence—75% above the 63bn shekels allocated in 2023. Civilian ministries' spending is to be cut by 5bn shekels. The budget also raises national-insurance contributions and trims some public-sector salaries. Value-added tax has already increased from 17% to 18%. Even so, the deficit will be 4.9% of GDP. Public debt climbed from 60% of GDP in 2022 to 69% last year.

Not everyone is being squeezed, though. Mr Netanyahu's allies will get 5bn shekels in "coalition funds" to dole out on pet projects, including more than 1bn shekels for religious schools attended by ultra-Orthodox Jews, who mostly refuse to serve in the army. Yair Lapid, the leader of the opposition, calls the budget the "greatest robbery in the history of the country". Protesters blocked the entrance to the Knesset ahead of the vote.

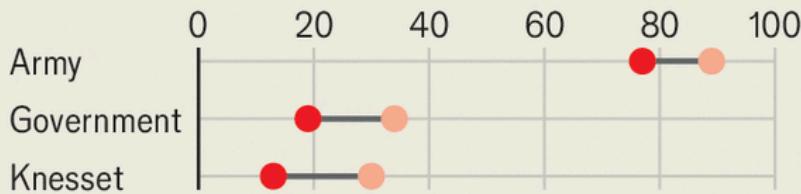
That points to a deeper crisis. The past few years have shattered public confidence in the state, not only owing to its failure to prevent October 7th. Years of political turmoil preceded the massacre. Mr Netanyahu called four inconclusive elections between 2019 and 2021, only to be briefly forced from power. When he returned in late 2022 he set out to hobble the Supreme Court, triggering the largest protests in Israel's history.

Not feeling it

Israel, Jewish citizens

Trust in each institution*, %

● April 2018 ● May 2024



Opinion of Israel's overall situation, %



Source: The Israel Democracy Institute

*Quite a lot/very much

The Economist

In 2018, 55% of Israeli Jews thought the country was in a good situation. Today just 11% do (see chart). The Israel Democracy Institute (IDI), a non-partisan think-tank, conducts an annual survey of trust in public institutions. It has found big drops in support for the government, the Knesset and even the army.

Mr Netanyahu is doing little to regain their confidence. In another IDI poll, 73% of Israelis said they wanted to implement the second stage of the Gaza ceasefire, during which Hamas was to free its remaining 59 hostages. The decision to abandon the deal—and the hostages—sparked big protests. Many Israelis believe the interests of the state are being subordinated to those of the prime minister. Some reservists are debating whether to ignore draft notices for a new ground offensive.

On March 16th Mr Netanyahu said he would sack Ronen Bar, the head of the Shin Bet, Israel's domestic-security service. The high court has temporarily stayed that decision. A week later ministers unanimously approved a no-confidence motion against Gali Baharav-Miara, the attorney-general, initiating the process of removing her from office. (They will struggle to see the process through.)

The prime minister has self-interested reasons to want the two gone. The Shin Bet is investigating allegations that several of his aides took payments from Qatar to promote the Gulf state's interests, at the same time as Qatar (with Mr Netanyahu's encouragement) was sending \$30m a month to Hamas. As for Ms Baharav-Miara, her office is overseeing the corruption case against Mr Netanyahu. Israel is thus in a remarkable situation where a defendant is trying to fire his prosecutor.

It is a toxic brew: the government is asking its citizens for big sacrifices even as those citizens despair of their government. A prolonged occupation of Gaza, to say nothing of annexing the West Bank, would add to both the burden and the division. Though many Israelis are sceptical that they can make peace with the Palestinians, they do not share the right's longing for a "greater Israel". An endless occupation will engender endless resistance. The Palestinians may be too weak to challenge Israel today, either on the battlefield or the diplomatic stage, but history suggests they will not remain so indefinitely.



Syria may also become a cautionary tale. On March 25th the IDF said its troops in southern Syria were attacked by gunmen. They returned fire and called in an air strike, killing at least five people. The shoot-out sparked outrage among some Syrians, who urged the interim government to send forces south. Israel says its troops are in Syria to prevent threats from emerging, yet it may end up creating them.

Another question is whether America's mercurial president will be a reliable ally. For now, he seems inclined to let Israel fight. Mr Netanyahu and his right-hand man, Ron Dermer, seem to have convinced Mr Trump's people that Israel can win a decisive victory over Hamas in the next few months. On Syria, too, the Trump administration is so far aligned with Israel's view that the country's new rulers cannot be trusted.

But backing Israel is expensive and Mr Trump hates spending lavishly to defend America's allies. On top of \$18bn in military aid, America has burned through at least \$5bn to fund its own military operations in the Middle East since October 7th. The president may eventually balk at the cost of supporting a hegemonic Israel.

Peace-prizenik

Moreover, Mr Trump wants to be a dealmaker (and, he hopes, a Nobel laureate). In his first term, faced with a choice between

allowing Israel to annex parts of the West Bank and pursuing the Abraham accords, he opted for the latter. Mike Huckabee, his nominee for ambassador to Israel, has long been a vocal supporter of annexation. At his confirmation hearing on March 25th, however, he tried to distance the administration from his past views: “It would not be my prerogative to make [annexation] the policy of the president.”

When it comes to Iran, Mr Trump is at odds with many of his advisers, who oppose efforts to negotiate a new agreement that would limit the Islamic Republic’s nuclear programme. “Everyone around him is against a deal,” says an Arab diplomat. Some officials in Washington wonder if recent American air strikes against the Houthis were not only a warning to Iran but a trial run of sorts.

For now, though, Mr Trump seems intent on making a deal. Steve Witkoff, his Middle East envoy, thinks he can negotiate one quickly. He has told Republicans that he does not want to repeat the experience of John Kerry, Barack Obama’s secretary of state, who spent months in 2015 haggling over a 159-page pact, known as the Joint Comprehensive Plan of Action (JCPOA).

This dilemma may soon come to a head. The European signatories to the JCPOA have until October 18th to trigger the deal’s “snapback” provision, which would reimpose UN sanctions on Iran. Military planners would also prefer to carry out any strikes before winter weather makes the task harder.

If Iran is unwilling to negotiate a serious deal, it seems plausible that Mr Trump would not only bless an Israeli strike but join it. If Iran is willing to talk, however, Mr Netanyahu could find himself with an unpalatable choice: defy the president and act unilaterally, or back down and accept a nuclear pact that will probably be weaker than the JCPOA, which he denounced.

Even for a hegemon, regional diplomacy is fraught with such quandaries. One way or another, Israel will have to find a way to live with 5m Palestinians, with its neighbours in Lebanon and with whatever regime emerges in Syria. It will also have to live with itself. For decades, external threats helped unite the country. Now, by trying to stamp out those external threats so ferociously, Israel's government is deepening divisions at home. ■

<https://www.economist.com/briefing/2025/03/26/an-unrestrained-israel-is-reshaping-the-middle-east>

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Cyber muck

Elon Musk is powersliding through the federal government

But to what end?

Mar 31, 2025 10:54 AM | CHICAGO



Patrick Leger

THE UNITED STATES INSTITUTE OF PEACE (USIP) was established by Congress in 1984 to promote an end to conflict all over the world. Forty years later it came to an end with an armed stand-off at its headquarters, a glass and acid-etched concrete building just off the National Mall.

USIP is not part of the executive branch. It is an “independent nonprofit corporation”, according to its founding law, and owns its own building. Yet on February 19th Donald Trump issued an executive order to shut it down. Its president, George Moose, resisted but could not hold out. On the afternoon of March 17th Elon Musk’s “Department of Government Efficiency” (DOGE) came to visit.

The incursion was just one of dozens of raids conducted by DOGE on various parts of government. The tension it sparked, and the

nature of DOGE's tactics, illustrate the extent to which Mr Musk has become Mr Trump's enforcer.

According to an affidavit by Colin O'Brien, the Institute's head of security, at around 2.30pm, three cars packed with men turned up at the headquarters. They were let into the lobby by Kevin Simpson, an employee of Inter-Con, a contractor which had managed the building's security until Mr O'Brien cancelled the contract. Mr Simpson had nonetheless retained a physical key. According to Mr O'Brien, Derrick Hanna, a vice-president at Inter-Con, said the firm had been threatened with losing all of its government contracts if it did not co-operate and let DOGE in.

USIP's lawyer then called the DC police department to report a break-in. Mr O'Brien meanwhile electronically locked all of the building's internal doors. The stand-off was resolved when the police, apparently on the advice of Ed Martin, Mr Trump's interim US attorney for the District of Columbia, forced Mr O'Brien and his colleagues to open up, before escorting them off the premises. By the following day the institute's website was offline and its signage had been removed from its headquarters. The organisation's 400-or-so staff, many of them working in conflict zones, are now in limbo.

In the past two months DOGE has ripped through the federal government. It has already obliterated one whole department, USAID, America's aid agency. Within others it has unleashed chaos with sudden firings and equally sudden reversals under court orders. Almost across the board, with its threatening emails, mass firings and its hoovering-up of sensitive government data, DOGE has provoked something close to panic among civil servants. "They have created confusion, fear and loathing across the entire federal workforce," says Max Stier of the Partnership for Public Service, a charity that works to improve government. Is this a necessary part of a transition to more efficient government, or is something else going on?

There is little doubt that the government needs to change. “Reform is absolutely needed on both a micro level and a macro level,” says Steve Goodrich, a consultant with decades of government experience. Reports from the Government Accountability Office list failure after failure. And Mr Musk’s record in the private sector is replete with success in cutting costs and getting seemingly impossible things done quickly. Part of his mantra is that the only unbreakable rules are the laws of physics.

When DOGE was first mooted, few predicted it would so quickly shape Mr Trump’s second term. After all, this would not be the first time a Republican president brought in a businessman to fix the government. In 1982, Ronald Reagan also pledged to “drain the swamp”. He launched the Grace Commission, led by Joseph Peter Grace, a chemicals industrialist. Grace’s group promised to save \$424bn of spending in three years, not much less relative to the economy than Mr Musk’s promise to cut \$1trn in one year. Most of its recommendations came to little.

Ludicrous speed

The planning for something far more dramatic under Mr Trump seems to have begun even before the election. On a recent podcast, Senator Ted Cruz recalled a meeting with Mr Musk in September or October where the tech billionaire said he wanted “the login for every computer” at the government. By the time Mr Trump took office on January 20th, there was a clear blueprint. With an executive order, Mr Trump inserted DOGE into an existing organisation, the United States Digital Service (USDS), and gave it a mandate to access any government IT system.

With this, Mr Musk’s new employees—almost all young, male software engineers—set to work. They wear hoodies, carry multiple phones and suck on Zyn nicotine pouches. Some have been sleeping at the offices of the General Services Administration. To career civil servants they are known as the “Muskrats” or “the

Bobs” (after consultant characters in “Office Space”, a cult film). The youngest, Edward Coristine, nicknamed “Big Balls”, is just 19 years old and, according to Reuters, previously ran a firm that provided tech support to a cybercrime ring.

Mr Musk says that he doesn’t think “anything has been this transparent ever”, but DOGE has been secretive from the beginning. Its workers hid their names at the agencies they arrived in. For several weeks, government lawyers told judges that they did not know who the administrator formally in charge of DOGE was. At the end of February they relented and named Amy Gleason, a former USDS employee, as acting administrator. But in a sworn statement on March 19th, Ms Gleason admitted that nobody reports to her, and that DOGE still has no organisational chart.

DOGE appears to be run by Mr Musk directly and by his trusted lieutenants from business, such as Steve Davis, a longtime collaborator. Mr Trump told Congress on March 4th that DOGE is “headed by Elon Musk”. Mr Musk seems to have almost completely ditched his other jobs, and has been sleeping at the Eisenhower Executive Office Building, next door to the White House. He has an office there where he has apparently installed a gaming computer with a large curved monitor.

The extent of Mr Musk’s ambition became clear a week after the inauguration, when almost all federal workers received an email offering “deferred resignation”. It was entitled a “fork in the road”, the phrase Mr Musk used when he took over Twitter in 2022. Since then tens of thousands of “probationary” government workers have been fired, only to be reinstated after judges ruled that the Office of Personnel Management (OPM), the federal government’s HR department, had exceeded its authority. Many of them are now back.

DOGE’s work has gone far beyond trimming headcounts, though. Its workers have also grabbed government data. In February, when

USAID was, in Mr Musk's words, fed "into the woodchipper", DOGE recruits were trying to take control of the Treasury's central payment system to stop its payments out to contractors. In the weeks since, they have tried, with varying degrees of success, to get access to data from the Internal Revenue Service, from the Social Security Administration and from the Department of Labour, among other places. On March 20th Mr Trump signed an executive order strengthening their ability to do this, though court fights continue.

Some of the efficiency drive has been beyond parody. After one early mass firing of probationary workers at the National Nuclear Security Administration, which manages America's nuclear weapons, the agency was forced to issue an agency-wide memo to get contact details with which to beg them to come back. The DOGE workers who did the firing had apparently not thought to ask for personal email addresses before cutting off government ones. In another mess, the names of recently recruited CIA agents were sent in an unclassified email to the OPM after DOGE's request for the details of all probationary employees. Their names may now be known not just to DOGE, but to China's government too.

What does this add up to? Mr Musk is not yet cutting the budget deficit much. Civil servants' wages make up only around 5% of federal spending. Firing IRS agents in particular could cost a fortune in uncollected taxes. Other cuts have hit scientific research and software licences. Some of this no doubt needed trimming, but the cuts have been indiscriminate.

Super heavy

As for efficiency, it is hard to see much of it. "I've done nothing but put out DOGE fires for six weeks," says one government lawyer. Veterans Affairs psychiatrists now deliver therapy in busy open-plan offices because they can no longer work from home.

Park rangers have to beg to be allowed to buy petrol. An inbox to which workers have been ordered to send weekly bulletin-point diaries is full. Workers are furious. One employee at the Treasury who voted for Mr Trump three times describes Mr Musk as “the literal antiChrist”.



Patrick Leger

There are enormous conflicts of interest here, notes Don Moynihan of the Ford School of Public Policy in Michigan. After all, Mr Musk’s companies have faced probes from almost every federal regulator the billionaire is now gutting. Yet Professor Moynihan goes on to say that graft does not explain DOGE. Even with Mr Trump filming a free Tesla advert on the White House lawn; the commerce secretary tipping its stock on live TV; and people who vandalise Teslas threatened with deportation to El Salvador, Tesla’s market value has [slumped](#).

In his interview with Mr Cruz, the Tesla boss described his work as “reprogramming the Matrix”. He laid out a conspiracy theory in which vast sums of government money are sent by “magic money machines” to left-wing charities whose leaders “buy jets and homes and... live like kings and queens”. What remains is used to bribe foreigners to move to the United States. “By using entitlement fraud, the Democrats have been able to attract and retain vast numbers of illegal immigrants and buy voters,” he said. Some 20m people have supposedly been spread across swing states to rig elections. The obvious problem with this is that it is nonsense. To

take one example, the \$1.9bn Mr Musk says was sent personally to Stacey Abrams, a Democratic politician in Georgia, was spent on renewable-energy projects.

Insane mode

Grover Norquist, a conservative activist, once famously said he wanted to cut the state “to the size where I can drag it into the bathroom and drown it in the bathtub”. Half a dozen federal workers interviewed by *The Economist* have cited that same quote to explain what they think Mr Musk is doing. He has, for example, taken an axe to the Social Security Administration—ordering dozens of its physical offices to be closed and threatening to get rid of its phone helplines. This is unlikely to stop much fraud, but it may mean that fewer people who are entitled to benefits claim them. Some think that the ultimate plan is to replace most workers with an AI and that this explains why DOGE is grabbing so much sensitive data.

One thing that is certain is that Mr Musk is centralising power to get things done that might otherwise be blocked by Congress or the courts. DOGE’s demolition of USAID achieved a longstanding goal of Mr Trump’s to reduce money sent to foreign countries, and though a court has now ruled it was probably unconstitutional, it will be hard to rebuild the agency. Courts are simply not set up to reverse these sorts of scorched-earth tactics, argues Anna Bower of Lawfare, a specialist legal-news site. Similarly, cutting off grants to universities may damage things like cancer research, but by putting that power directly in the hands of the president, Mr Musk has helped Mr Trump to impose his will on institutions like Columbia University.

The power to make sudden cuts gives Mr Trump enormous leverage. Republican congressmen, who are meant to hold the power of the purse, now have to ring up Mr Musk and ask for cuts in their districts to be reversed. In a tweet posted on March 7th Tom

Cole, a representative from Oklahoma, announced that he was “thrilled to announce that common sense has prevailed” after he worked with DOGE to reverse office closures planned for his district. Two days before, Mr Musk met with Republican members of Congress and handed out his mobile phone number. The possibility of targeted cuts is something Republican congressmen must consider before expressing disloyal thoughts.

What this adds up to is an upending of America’s constitutional order of a sort unseen since Nixon’s presidency, if not before. It may yet burn out. Mr Musk has already begun to clash with cabinet members, some of whom do not like having their authority usurped. Polling suggests the billionaire is far less popular than his boss. The takeover of USIP aside, there are some signs of tactical retreat. Most cuts now at least are nominally “advised” by DOGE, rather than directly ordered. The pressure on the group will only grow in coming months, says Ms Bower, as litigation ties the government up in knots and discovery reveals more of what DOGE is up to. All of this might doom the work of lesser men. But with his businesses, Mr Musk has defied gloomsters. If his project in government succeeds, he could get a lot done. Whether that would be good for America is another thing. ■

<https://www.economist.com/united-states/2025/03/27/elon-musk-is-powersliding-through-the-federal-government>

Re-education classes

MAGA is already rewiring American education

The Department of Education is being dismantled; universities are being brought to heel

Mar 31, 2025 10:54 AM | WASHINGTON, DC



WHEN AMERICAN presidents announce education policies, they are inevitably flanked by a phalanx of pupils. The executive order signed by President Donald Trump on March 20th was no exception—the children even held up their own mock executive orders after practising their autograph. Except that this was not an order to reform curricula, increase testing or even to expand school choice: it was an order that the education secretary put herself out of a job by closing down the federal Department of Education.

This will not end education as we know it in America. The department has been a Republican bugbear ever since it was created during the presidency of [Jimmy Carter](#). It was seen as a meddlesome nanny-state agency that encroached on state sovereignty and that required too many reports for too little assistance. Because secondary and primary education in America is highly devolved and funded through state and local taxes, the dependency on federal financing remains low. In 2020 federal

dollars accounted for only 7.5% of school revenues (though this is higher for schools with large shares of poor children).

Should such funds remain constant but come from other federal departments—say, the health department, as recommended in the Project 2025 policy book—the impact would be small. Civil-rights enforcement in schools could be taken up by the Department of Justice; data collection could move to the Census Bureau.

What is unusual here is that Mr Trump is not attempting to get Congress, where his party enjoys majorities, to enact these changes into law. Instead, he is trying by executive fiat to demolish a department created by Congress and given specific appropriations. Doing so would violate the separation of powers. For that reason, the executive order pushes the education secretary, [Linda McMahon](#), to achieve this demolition “to the maximum extent appropriate and permitted by law”.

Though this step is hardly trivial, what is happening to American universities is more attention-worthy. They are much more dependent on federal dollars for research grants and student loans. And Mr Trump is using this to coerce universities to change discipline policies, hiring practices and even the courses that they teach.

The Trump administration froze \$400m of federal funds for Columbia University for failing “to protect American students and faculty from antisemitic violence and harassment” during pro-Palestinian demonstrations last year. In a letter, the administration made its conditions for releasing the money clear: expelling and suspending the students who participated in protests; a crackdown on discrimination against Zionists; and the potential removal of a disfavoured department studying the Middle East, South Asia, and Africa. The last demand strikes to the heart of academic freedom—the right for the university to decide which classes and curriculums

to teach. On March 21st, Columbia announced it would acquiesce, though two teachers' unions are suing.

The administration has also frozen \$175m in funding for the University of Pennsylvania because it allowed trans women to participate in women's sports (following the policy of the collegiate sports authority at the time, reversed only in February). Funding cuts to the National Institutes of Health have been immediately felt on campuses: some medical schools are eliminating their PhD programmes and thousands of research staff are being laid off. The desire to halt ideas emanating from gender-studies departments will result in harm to relatively uncontroversial medical and science research.

Universities that felt emboldened to take on the administration during Trump I are more focused on avoiding the financial consequences of attracting the president's ire. On March 8th immigration agents arrested and began deportation proceedings against Khalil Mahmoud, a graduate student at Columbia who led pro-Palestinian demonstrations. Trump administration officials said this was justifiable because of his alleged pro-Hamas sentiments (though they have not presented categorical evidence of this). Other deportations of academics are taking place, too. Mr Mahmoud's case was the prelude to other deportations, including of academics at Brown University and Georgetown University over their alleged sympathies for Hizbullah and Hamas.

There are also signs of pre-emptive compliance. The University of California system announced on March 19th that it was rescinding the use in its hiring of "diversity statements"—documents that attest to a candidate's devotion to diversity, equity and inclusion. The voguish practice, which this newspaper opposed as a threat to academic freedom, seems to be rapidly disappearing from academia. Other creative means that universities devised to implement affirmative action in admissions and in hiring—navigating around Supreme Court rulings finding the practice

unconstitutional—may also be hastily abandoned. That attempt at neutrality might be too little, too late for a Trump administration that seeks to extinguish leftish campus illiberalism with its own conservative illiberalism. Schools like Columbia receive a fifth of their funding from the federal government. They cannot afford to have Mr Trump as an enemy for too long. ■

<https://www.economist.com/united-states/2025/03/23/maga-is-already-rewiring-american-education>

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Bayou boundaries

America's Supreme Court tackles a thorny voting-rights case

Louisiana v Callais could affect control of the House of Representatives in next year's midterms

Mar 31, 2025 10:55 AM | WASHINGTON, DC



Kent Nishimura/The New York Times/Redux/eyevine

LOUISIANA V CALLAIS, a case the [Supreme Court](#) heard on March 24th, contains a political puzzle. Why is the solidly Republican state defending a congressional map that cost the party a seat in 2024—and will probably keep that seat in Democratic hands after the 2026 midterms, when the fight to control the House of Representatives could be very close?

The answer arises from two rounds of litigation following the 2020 census. After Louisiana drew a map with just one district where black voters formed a majority, a federal court ordered the state to add a second. Noting that nearly a third of Louisiana's voters are black, the court ruled that the first map violated section two of the Voting Rights Act of 1965 by diluting black voters' power. But the second map also drew fire. Plaintiffs identified in court papers as “non-black” voters claimed it was “racially balkanising” and in

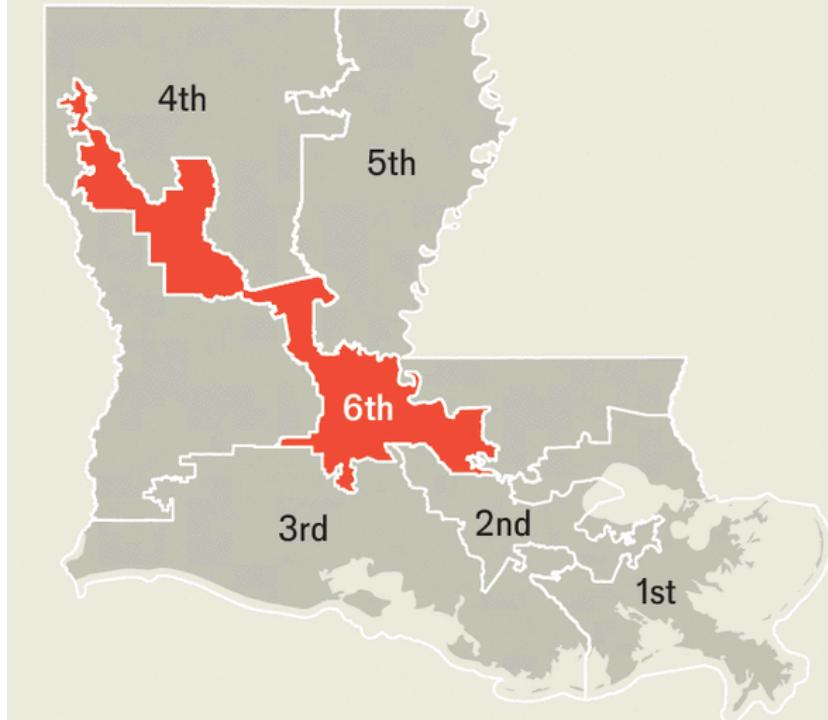
violation of the equal-protection clause of the 14th Amendment. A different federal court agreed and threw the new map out.

This left Louisiana in an awkward position. If it did not try to save the second map, J. Benjamin Aguiñaga, the state's solicitor general, told the justices, the federal court might have drawn one that would have "placed in jeopardy" the seats of Mike Johnson, the House speaker, and Steve Scalise, the majority leader. Mr Aguiñaga admitted he "would rather not be here", stuck between civil-rights advocates and white plaintiffs with "diametrically opposed visions of what our congressional map should look like". Yet the state made a "politically rational decision" by drawing and defending the second map to protect high-ranking Republicans in Washington.

Acknowledging these motivations might sound sordid. But the Supreme Court decided in 2019 that gerrymandering for partisan gain, while lamentable, is constitutional. And by emphasising the legislature's political goals, Mr Aguiñaga was trying to defang the plaintiffs' central contention: that race was the "predominant criterion" in the state's redistricting. According to *Shaw v Reno*, if race predominates, the map must satisfy strict scrutiny, an often fatal level of review.

Bayou boundaries

Louisiana congressional districts, March 2025



Source: Louisiana Government

The Economist

The liberal members of the court seemed to accept Mr Aguiñaga's explanation that the state's goals were primarily political, not racial. Justice Elena Kagan suggested that Louisiana had adopted what Chief Justice Roberts referred to as a district resembling "a snake that runs from one end of the state to the other" (see map), rather than a "normal-looking" alternative the original plaintiffs had offered, because it was protecting important seats. Such an oddly shaped district, Justice Sonia Sotomayor argued, was drawn to satisfy "Louisiana's political needs".

Some conservative members of the court were not persuaded, judging by the questions they posed to Stuart Naifeh, a lawyer for the NAACP Legal Defence Fund, a civil-rights group. "Isn't saying race is one consideration another way of saying race

predominated?” asked Justice Neil Gorsuch. Chief Justice Roberts asked if he really thought “the drawing of this district was not predominantly based on race”.

But two of Donald Trump’s appointees, Justices Amy Coney Barrett and Brett Kavanaugh, sounded like possible votes to join the three liberal members and uphold Louisiana’s map. Travis Crum, a law professor at Washington University in St Louis, thinks Justice Clarence Thomas, another conservative, might join the liberals, too, but for idiosyncratic reasons.

Mr Aguiñaga’s final plea was for “breathing room” to chart a course between the Voting Rights Act’s requirement of race-consciousness and *Shaw*’s ban on using race as a predominant factor in redistricting. Without the leeway that precedents have afforded until now, Mr Aguiñaga said, “respectfully, I don’t know what this court’s voting cases mean”. ■

<https://www.economist.com/united-states/2025/03/25/americas-supreme-court-tackles-a-thorny-voting-rights-case>

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2 fast 2 furious

Texas troopers are in more and more lethal car chases

An unremarked cost of greater border security

Mar 31, 2025 10:55 AM | El Paso



Texas Department of Public Safety/The New York Times/Redux/eyevine

A RED CAR weaves in and out of traffic on a highway in El Paso, Texas. It's June 2022 and Texas Department of Public Safety (DPS) troopers are in hot pursuit. They are chasing someone they suspect of smuggling migrants across the southern border. The high-speed pursuit, which reaches 100mph (160kph), eventually runs parallel to the border wall. As the troopers drive closer they seem to hit the car. It flips and lands upside down. One passenger flies through a window; the others crawl out. The DPS radio traffic is mostly unintelligible except for one word. "Shit."

The dash-cam video of the chase was revealed by public-information requests from KTEP, El Paso's public-radio station. Rather than being a one-off, the pursuit fits a dangerous pattern. As Greg Abbott, Texas's Republican governor, has ramped up Operation Lone Star, an \$11bn (and counting) border-security initiative, residents of El Paso have watched their roads become more dangerous. Officials in Texas's biggest border city are careful

to say that they understand the need to go after smugglers. For several months during President Joe Biden's administration Border Patrol apprehended more migrants near El Paso than on any other part of the frontier. But evidence suggests that DPS chases are overly aggressive and sometimes deadly—the result of a pursuit policy that is reckless compared with other law-enforcement agencies.

“Operation Lone Star never really touched El Paso until the last couple years. It was always more of a south Texas thing,” explains Dylan Corbett of the Hope Border Institute, an advocacy group. When the number of migrants crossing the border increased in 2022, the mayor declared a state of emergency, which allowed the city to qualify for additional funds under Operation Lone Star. El Pasoans say troopers then fanned out around the city.

An investigation commissioned by the county attorney found that DPS chases increased more than seven-fold between 2022 and 2023, to nearly 400 pursuits. Half of chases since 2018 reached speeds of over 100mph. An analysis of DPS records by KTEP suggests that roughly a quarter of chases in the first nine months of 2024 ended in a crash. Human Rights Watch, an NGO, totted up incidents from state data and news reports and found that DPS chases contributed to at least 106 deaths and 301 injuries in counties participating in Operation Lone Star since 2021.

Criminologists say state troopers, and DPS in particular, are notorious for their lax pursuit policies. The Police Executive Research Forum suggests always considering alternatives to chases, limiting the times when pursuits are warranted, and giving supervisors—rather than officers—the power to decide when a chase should end. DPS bucks all of these guidelines. “They just do things that are basically taken from the wild, wild west,” says Geoffrey Alpert of the University of South Carolina. “The problem is, in the wild wild west, a horse couldn’t really hurt you.”

While El Pasoans lobby for a stricter policy in Texas, politicians elsewhere who are under pressure to prove their law-and-order bona fides want to loosen things up. “We’re not seeing the pendulum swinging back yet, but it’s kind of teetering,” admits Mr Alpert. The federal government is rediscovering its need for speed. In 2023 Customs and Border Protection issued a new policy limiting when agents could rush after suspects. President Donald Trump rescinded it. ■

<https://www.economist.com/united-states/2025/03/27/texas-troopers-are-in-more-and-more-lethal-car-chases>

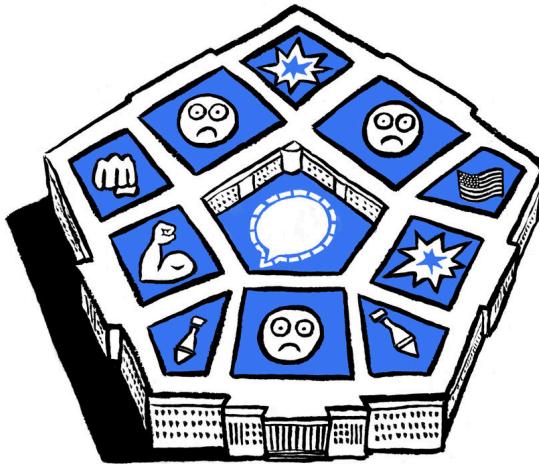
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Lexington

The cover-up is worse than the group chat

A wiser president would admit a lapse and be grateful for the chance to prevent a more devastating blunder

Mar 31, 2025 10:57 AM



LEAVE IT TO Vice-President J.D. Vance, the most media-savvy and self-assured of Donald Trump's media-savvy, self-assured disciples, to make the most penetrating observation: "I think we are making a mistake," he wrote on March 14th on Signal, a messaging app, to Mr Trump's top national security officials.

Mr Vance was saying more than he knew. He was referring to an impending American attack on the Houthis, the Iranian-backed militia in Yemen menacing cargo ships in the Red Sea. But he was inadvertently describing the group's sloppiness with America's national security. Their gabfest on Signal was revealing and disturbing about the ad hoc, towel-snapping approach this administration takes to policymaking; the aftermath has been revealing and even more disturbing about this administration's hypocrisy, and its indifference to honesty and accountability, which apply only to perceived adversaries.

Mike Waltz, the national security adviser, has since taken “full responsibility” for one mistake, accidentally inviting Jeffrey Goldberg, the editor-in-chief of the *Atlantic*, to join the chat, the contents of which he subsequently published. It should be said, though, that Mr Waltz’s concept of “full” is partial. He insisted on Fox News that Mr Goldberg’s phone number “somehow” was “sucked in” to his phone and added to a contact.

The mistake Mr Waltz admitted was actually a public service, since, one hopes, it will result in less fecklessness. What follows is a catalogue of other mistakes, those important in Trumpworld, and those important in the real world and thus relatively irrelevant to this White House. But first a disclosure: Lexington not only preceded Mr Goldberg as editor of the *Atlantic*, he hired Mr Goldberg and worked with him for years. That supplies the appearance of a conflict and also the substance behind Lexington’s view that Mr Goldberg is among the finest journalists in the business.

In a more decent, grown-up world, Mr Waltz would be apologising for his emojis (a fist, an American flag, *and* a fire?). But his biggest mistake, in Trumpworld, may prove to be the sucking-in of Mr Goldberg’s number in the first place. That has made Mr Trump suspect him of the cardinal sin of leaking, according to *Politico*. Mr Waltz, a former congressman, was already under suspicion within the MAGA movement for insufficiently unthinking devotion to the president. Though he has ingratiated himself in recent years with Mr Trump, Mr Waltz, a one-time hawk on Ukraine, accused Mr Trump in 2015 of “cosying up” to Vladimir Putin.

Mr Waltz’s past heresy points to the second Trumpworld mistake, which was Mr Vance’s. His objection to the strike was, at best, a gesture at debate, more of a passive-aggressive lament than an effort to persuade. He complained that Europe might disproportionately benefit. His dissent was striking not for the insult to allies—that’s become the stock in trade of American

diplomacy—but for its suggestion that a certain very stable genius had not thought things through. “I am not sure the president is aware how inconsistent this is with his message on Europe right now,” he wrote. Pete Hegseth, the defence secretary, countered that restoring freedom of navigation was a “core national interest”.

And yet Mr Hegseth went on to commit the gravest real-world mistake, putting American pilots at risk. He was that needy guy on the group chat who overshares. He comes across as longing to impress, spiking his texts with an acronym here and a “strike package” there. “THIS IS WHEN THE FIRST BOMBS WILL DEFINITELY DROP,” he wrote, alerting his colleagues, and Mr Goldberg, and anyone else who might be listening in, two hours before the attack was to take place. Can anyone doubt that Mr Trump might still be ranting about traitorous incompetence if Lloyd Austin, Joe Biden’s defence secretary, had handled a mission so carelessly? Surely there can be no one who is surprised by how this president is responding to his own administration’s buffoonery, by waving away the mistakes and attacking Mr Goldberg. A wiser White House would have expressed chagrin at a lapse and maybe even, swallowing hard, have tipped its hat to the journalist for exposing a problem before it led to any harm, a deft way to underscore that, this time, everything worked out okay.

This White House, brazen beyond belief, insists the *Atlantic*’s revelations are no big deal. The claim would be even more transparently ridiculous if Mr Goldberg had published what he knew as the warplanes left the ground. Instead, responsibly, he waited until the operation was over, and then did not publish the most sensitive texts until after the administration challenged his truthfulness. Even then, at the request of the CIA, the *Atlantic* withheld the name of an intelligence official revealed by the CIA director—the sort of official one might instead expect to wonder who else was in his group chat, and also to remind his interlocutors about the dangers of spewing secrets in, you know, a group chat.

Here comes the judge

All the official shrugging is curious given the administration's alarm at sharing information that seems much less sensitive. On March 24th the administration invoked the "state secrets privilege" to rebuff a federal judge, James Boasberg, seeking details about flights of illegal immigrants to El Salvador. Mr Boasberg wants to know if the administration flouted his order to turn the flights around. In a sworn statement, Marco Rubio, the secretary of state and a member of the group chat, said that even behind closed doors such disclosures could "cause significant harm to the foreign relation[s] and national security interests of the United States". The administration may get the chance to reconcile its conflicted feelings about secrecy. Mr Rubio, Mr Hegseth and others are being sued as violating federal record-keeping laws by using Signal. The case has been assigned to Mr Boasberg. ■

<https://www.economist.com/united-states/2025/03/27/the-cover-up-is-worse-than-the-group-chat>

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Hispaniola

One island, two worlds

The vast difference between Haiti and the Dominican Republic

Apr 03, 2025 01:46 PM | MEXICO CITY AND SANTO DOMINGO



A YEAR OF staggering violence in Haiti ended in the most brutal fashion. Over the course of five days in December, in a slum near the capital, Port-au-Prince, 207 people were killed by gangsters. The ringleader accused his mostly elderly victims of practising voodoo and causing the death of his child. Bodies were dismembered and burned. Gangs, who control nearly 90% of Port-au-Prince, killed some 5,600 Haitians in 2024. The new year has brought no respite; around 60,000 people fled their homes in the past month amid growing violence. The city is on the brink of complete collapse.



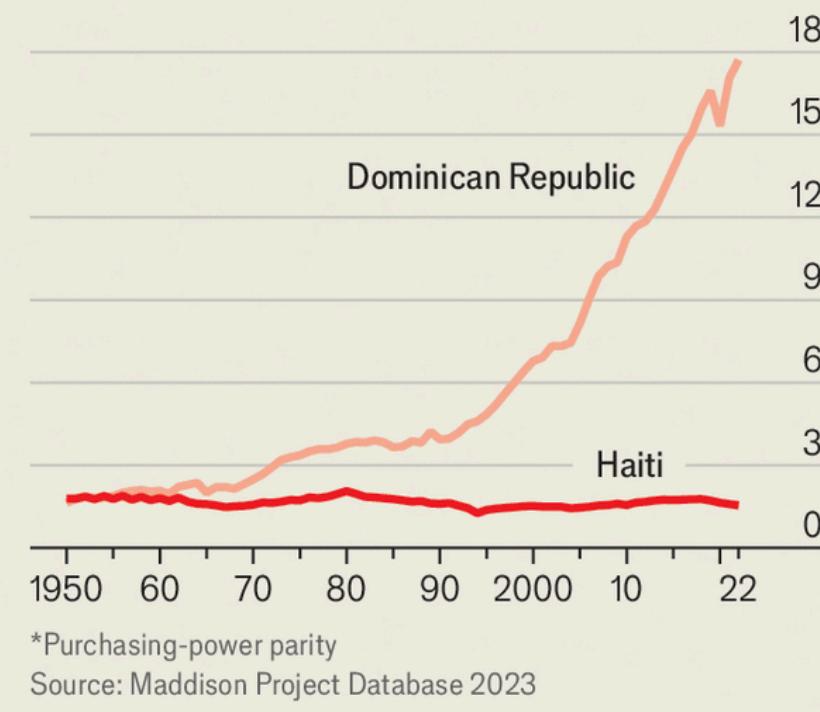
The Economist

Across the border in Santo Domingo, the capital of the Dominican Republic, things could not be more different. Cafés and restaurants in the old colonial district teem with customers as jazz music fills the air. A two-hour drive away lies Punta Cana, a coastal enclave of luxurious beach resorts littered with cocktail-sipping holidaymakers. Some 11m tourists visited the Dominican Republic in 2024, more than any other Caribbean country and, within Latin America, second only to Mexico.

According to any measure Hispaniola, the Caribbean island shared by Haiti and the Dominican Republic, is two different planets in one. People in the Dominican Republic are 11 times richer than those across the border (see chart). A host of other measures—from unemployment to health care to education—illustrate the chasm between the two countries. Economists and analysts long viewed these differences as a grim natural experiment. How can two countries on the same island and under one climate diverge so starkly?

Fork in the road

GDP per person, 2011 prices at PPP*, \$'000



*Purchasing-power parity

Source: Maddison Project Database 2023

The Economist

Up until the 1960s both countries faced similar levels of poverty. But ask just about any Haitian and they will point to the turn of the 18th century as the source of their curse. The cost of pursuing the modern world's first successful slave revolt against France crippled the country financially. France refused to accept independence until 1825, after Haiti agreed to pay a huge indemnity financed by extortionate loans from French banks. From then until 1957 an average of 19% of Haiti's annual revenue was spent on its international debt, the *New York Times* found.

But a bad start cannot explain today's gulf. Spanish rule over the island's Dominican half similarly stymied its economic growth. Haiti went on to occupy its neighbour for 22 years until Dominican independence in 1844, sparking decades of violence between the countries. Some 20,000 Haitians were killed in the 1937 "Parsley" massacre on the Dominican border, so-called because Dominican

soldiers tried to identify Haitians by how they pronounced the word for that herb. Fervent animosity persists today.

Another theory prominent among historians blames deforestation. They say the lush forests on the eastern half of the island blessed with healthy rainfall helped the Dominican Republic thrive. The west, on the other hand, was stripped bare of trees, burdened by overpopulation and less rain. This, they argue, hampered Haitian growth. But research casts doubt on that, too. One IMF paper found comparable amounts of arable land and rainfall over the years on both sides of the island.

A far more convincing explanation lies in governance. Both countries were run by vicious dictators who murdered their opponents and plundered state coffers—but the Dominican Republic was luckier with its tyrant. Rafael Trujillo encouraged investment in public infrastructure and agriculture up until his murder in a CIA-inspired coup in 1961. The sham democracy that followed, bankrolled by the United States, upped the budget-busting spending on roads, bridges and canals. That foundation helped a market-based economy emerge in the 1980s. A “marked divergence” occurs as the Dominican Republic rid itself of Trujillo, says Ernesto Sagás of Colorado State University.

A sliding doors moment?

It was at around the same time that Haiti fell under the Duvaliers’ thumb. “Papa Doc” and “Baby Doc” Duvalier were a father-son dictatorial dynasty that ruled from 1957 to 1986. They showed more interest in thievery than governing. Papa Doc strangled business, driven by his distrust of the *mulatto* economic elite. Baby Doc, partial to flashy cars and champagne, pilfered state assets when most Haitians lacked basic infrastructure. He ordered the dismantling of large chunks of Haiti’s only railway line and sold it for scrap.

When democracy returned in 1987, there was little left to build on. An enfeebled state and chronic economic instability fuelled repeated coups: Jean-Bertrand Aristide, the country's first democratically elected president, was twice deposed by army thugs, in 1991 and 2004. Political turbulence aside, the country is especially prone to natural disasters. An earthquake in 2010 devastated Haiti, killing perhaps 200,000 people. Further hurricanes and storms periodically batter the island, which is ill-equipped to deal with either catastrophes or their aftermath.

Security sharply deteriorated after the murder of Jovenel Moïse, then the president, in 2021. There are no elected officials in Haiti. A Transitional Presidential Council—created to organise elections and re-establish order—is mired in corruption allegations. A UN-backed security force of around 1,000 mainly Kenyan police officers, deployed since June, is failing to make a mark. Gangs control swathes of the country. Economic activity has plummeted. Few dare go outside after dark. The World Bank reckons that the economy contracted for a sixth consecutive year in 2024. The UN estimates that half the population can barely feed themselves.

The Dominican economy, by contrast, is booming. Living standards are rising faster than anywhere else in Latin America. Tourism and remittances account for nearly a third of GDP. At Las Americas Industrial Park, a free-trade zone outside Santo Domingo, manufacturers churn out everything from lingerie to pacemakers.

Stable politics underpins this growth. Last year President Luis Abinader won re-election with 57% of the vote. Power alternates between a handful of parties: all share a commitment to market-friendly policies lubricated by grubby clientelism.

That rankles with some Dominicans. But when asked about Haiti, Dominicans are loth to complain about their lot. “It’s a civil war over there—they are killing each other,” says a young police cadet

outside the national Pantheon. “We worry about the violence coming here.” Some 500,000 Haitians live in the Dominican Republic. Many provide vital labour for farms. The Dominican government has long embraced Haiti-bashing. Last year it deported 276,000 Haitians, many of Haitian descent born in the Dominican Republic.

Marco Rubio, the US secretary of state, wants to tackle the Haiti crisis as a priority. The country’s first elections since 2016 are officially slated for November. But many doubt they will even take place. And if they do, they are unlikely to usher in the change needed to narrow the gap with its prosperous island neighbour. ■

<https://www.economist.com/the-americas/2025/03/27/one-island-two-worlds>

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Just one big question

The strange revival of Liberal Canada

Mark Carney hopes a strong stance against Donald Trump will give his party electoral victory

Mar 31, 2025 11:07 AM | OTTAWA

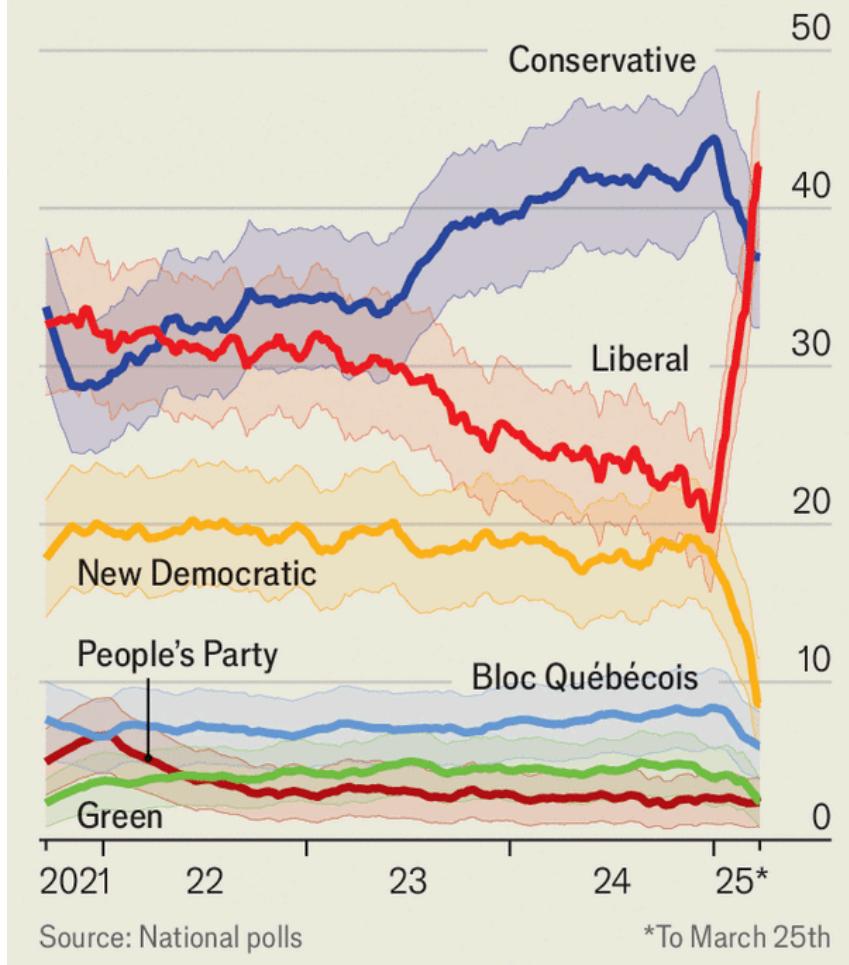


Reuters

THE DILEMMA facing Canada's Conservative Party can be summed up in its campaign slogan: "Canada first. For a change." Just three months ago the party enjoyed its best opinion-poll rating since 1988. Conservative leader Pierre Poilievre's emphasis on housing and promise to reverse a decade of Liberal failure under Justin Trudeau, who was prime minister until earlier this month, gave him a double-digit lead. But Mr Trudeau's departure from politics and President Donald Trump's vow to wage "economic war" against its neighbour have made "Canada first" an uncomfortable echo of Mr Trump's slogan.

In poll position

Canada, voting intention in general election, %



The Economist

Mr Trump’s tariffs on Canada—with the threat of more to come on April 2nd—along with his jibes that it should be the “51st state” have altered the landscape of Canadian politics. According to the Angus Reid Institute, the same pollster, the Liberal Party has jumped by 30 points from a historic low of 16% at the end of 2024 to 46% in its latest poll on March 24th. Conservative support was put at 38%. Mr Trump’s Canada-bashing has plainly boosted the previously flagging Liberals.

They are now led by Mark Carney, a former central banker, whom only 7% of Canadians in a nationwide poll could identify last July. So when Mr Carney called a snap election for April 28th, he chose

to campaign against the least popular politician in Canada: Mr Trump. “He wants to break us so America can own us,” said the former ice-hockey player as he launched his campaign. “We will not let that happen.”

Mr Carney has heartily supported a volley of tariffs on the United States and has hit back at Mr Trump’s expansionist rhetoric. He has the advantage of not being tainted by association with Mr Trudeau. Meanwhile, Liberals have branded Mr Poilievre a “Maple-syrup MAGA” and gleefully seize on the similarities between the two men in attack ads. A “person who worships at the altar of Donald Trump will kneel before him, not stand up to him”, declares Mr Carney. Indeed, both Mr Trump and Mr Poilievre have bashed mainstream media, vaccine mandates and the liberal elite. Yet the Conservative leader insists comparisons are overblown and that he is not “a MAGA guy”.

Some in Mr Poilievre’s entourage think he needs to join this bandwagon and attack Mr Trump more directly. “There is only one issue,” says Kory Teneycke, who ran a successful anti-Trump campaign for the Conservatives in Ontario. “Carney has one message and it’s easy to understand.”

Mr Poilievre has reiterated his willingness to stand up to American aggression, but has stopped short of basing his campaign on it. He has instead hammered away at the housing shortage, carbon taxes and the rising cost of living—the targets that lifted his party above the Liberals two years ago and are still the priorities of a large swathe of the electorate. Yet the issue that has triggered the stampede towards the Liberals has been Mr Trump’s insistence that Canada could avoid tariffs if only it would abandon its independence and join the United States.

No one asks about policy, says Karina Gould, a Liberal member of parliament. “They just want to know that there is going to be

someone there to stand up for Canada.” Mr Carney hopes his slogan, “Canada Strong”, answers that question. ■

<https://www.economist.com/the-americas/2025/03/27/the-strange-revival-of-liberal-canada>

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Disappearances in Mexico

A newly discovered killing site shocks Mexico

Can outrage over the latest case force change?

Mar 31, 2025 11:07 AM | Mexico City



Getty Images

MEXICANS RARELY express outrage commensurate with the country's suffering. But the discovery on March 8th of three cremation ovens, bones and hundreds of shoes at a ranch in Teuchitlán, in the state of Jalisco, has sparked real shock. The horror has reignited fury over Mexico's epidemic of disappearances—and the [government's inaction](#). "Mexico is a mass grave," read one sign at a vigil.

Disappearances became common after 2006, when the government's "war on drugs" caused rivalries between splintering gangs. They rose sharply during the six-year presidential term of Andrés Manuel López Obrador, which ended last year. In 2024 an average of 37 people disappeared every day. The figure has risen to 40 since October. Most are young men, often entangled with gangs. Others are unrelated. The Teuchitlán ranch appears to have been used by Jalisco New Generation Cartel, Mexico's most brutal criminal organisation. Victims probably included those who had been forcibly recruited and killed after they failed to pass training.

Most of the disappeared are presumably dead. Burning the bodies is one method of hiding the crime; others include dissolving them in acid or burying them in the desert. Nearly 6,000 clandestine graves have been found. Mexico's forensic services hold the remains of 72,000 unidentified people, some of who may be on the missing-persons register. The full scale of the crisis is unknown. The official register of 124,000 missing is certainly far too low. Add confirmed killings to the disappearances, and the picture is clear: the risk of being murdered in Mexico is rising.

Disappearances are given little attention because that suits politicians and criminals alike. Officials point to falling murder numbers and fail to mention the rise in disappearances. Criminal groups dispose of bodies because it helps them avoid investigation. "The state doesn't look for missing people," says Francisco Rivas of the National Citizen Observatory, an NGO in Mexico City. The country's many collectives—volunteer groups of relatives of the missing, mainly mothers—do the work of the authorities. One such group unearthed the evidence at the ranch (and have since received threats). Only weeks earlier government security forces had supposedly searched the site and found little.

The discovery has put pressure on Claudia Sheinbaum, Mexico's president, who has promised to improve security since taking office in October. She would not have to do much to beat Mr López Obrador's record. His "hugs not bullets" policy allowed gangs to flourish. More people went missing during his tenure than under the previous two presidents combined. He refused to meet mothers searching for their children, and dismissed activists as seeking to smear his government.

Ms Sheinbaum appears to want to take a more serious approach. Although her government initially blamed bots for amplifying the outrage about Teuchitlán, she has since then outlined six steps to take. They include creating a national database of unidentified bodies; scrapping the practice in some states of waiting for 72

hours before registering someone as missing; and strengthening the National Search Commission, a government body, which will get better equipment, including drones.

Yet activists and relatives say that most of these pledges are not new and fall far short of what is needed. The powers they are talking about already exist, says María Isabel Cruz, who has been looking for her son since 2017. “They need to actually apply them.” Mexico spends too little on security, let alone the disappeared. Forensic experts are lacking.

A thornier obstacle is political. In many places criminals work with local officials to cover up, or even perpetrate, disappearances. Many doubt that officials knew nothing about happenings at the ranch, which is under an hour from Guadalajara, Mexico’s second-biggest city. Mexico’s attorney-general appeared to downplay the issue by suggesting there was not enough evidence to describe the ranch as an “extermination site”. He then failed to turn up to a visit on March 20th by journalists and relatives of the missing, who were dismayed to see that evidence had been removed or improperly secured. A man alleged to be the leader of the training camp has since been arrested.

History does not inspire confidence that what happened at Teuchitlán will be properly investigated, much less resolved. Ms Sheinbaum has set up a new investigation into the Ayotzinapa case, a notorious incident in 2014 when 43 male student teachers went missing in Iguala in the south-western state of Guerrero. Their parents still do not know what happened to their sons or where their bodies are. On Paseo de la Reforma, a grand avenue in Mexico City, the teachers’ faces stare out from posters. Most passers-by barely notice. Families who believe their relatives perished in Teuchitlán can only hope to learn the truth before indifference sets in. ■

<https://www.economist.com/the-americas/2025/03/25/a-newly-discovered-killing-site-shocks-mexico>

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Seating plans

Why India's south is fighting plans to overhaul parliament

Tamil Nadu's leader explains in an interview with The Economist

Mar 31, 2025 11:12 AM | Chennai



BATTLING INDIA'S central government is almost a way of life for M.K. Stalin, the chief minister of the southern state of Tamil Nadu. He entered politics as a teenager, helping his father (who also became chief minister) push for state autonomy and resist efforts to establish Hindi—north India's dominant tongue—as the national language. Aged 23, he was jailed for a year after Indira Gandhi, then prime minister, suspended civil liberties in the 1975-77 “Emergency”. He has a scar on his right hand from the beatings.

Now, at the age of 72, Mr Stalin is reaching a moment in his tug-of-war with the national authorities that could define his career and redraw India's political map. Narendra Modi, the prime minister, plans to reallocate seats in the 543-member lower house of India's parliament after a census is completed in 2026. Supporters say this “delimitation” will account for huge demographic changes since a 1971 census determined the legislature's current maximum size. It

will thus make the body more democratic, they say, by ensuring that each seat represents a similar number of voters.

Mr Stalin is leading a campaign against it, fearing that more seats will go to the poorer, more populous north. In his telling, that would not just penalise the south for its more successful family-planning policies: it would hugely benefit Mr Modi's Bharatiya Janata Party (BJP), which dominates the north. "This delimitation process could systematically dilute the voice of the southern states in national decision-making, creating a permanent political imbalance," says Mr Stalin in a written interview. "We cannot simply be passive bystanders."

On March 22nd Mr Stalin hosted the inaugural meeting of a "Joint Action Committee" of leaders from four other states, who passed a resolution demanding that delimitation be postponed by another 25 years (as it was in 1976 and 2001). Those states included three more of the five in the south (Karnataka, Kerala and Telangana) as well as Punjab, which is in the north but also has relatively good family planning. Andhra Pradesh, the only southern state whose ruling party is in the BJP's national coalition, did not take part.

Divide and rule

The meeting capped a month of protests and fierce public exchanges on the subject. Amit Shah, the home minister, tried to reassure southern states at a rally in Tamil Nadu in February, promising that after delimitation they would not lose a single seat on a "pro rata" basis. "Whatever increase is there, southern states will get a fair share," he said. In the absence of more details, that only fuelled the fire.

The statement "lacks clarity", says Mr Stalin. If Mr Shah is so sure about the government's delimitation plan, "he should formally present it to parliament rather than make casual offhand remarks at public rallies." Mr Stalin also cites the government's record of

imposing disruptive changes without consulting India's states, including the sudden withdrawal of many banknotes in 2016 and the abrogation of autonomy for Jammu & Kashmir, a Muslim majority state, in 2019.

The controversy now threatens to deepen the political, economic and cultural divide between India's north and south. That has long historical roots but has grown starker in recent years, partly because of southern distaste for Mr Modi's Hindu nationalism and partly because the south has moved so far ahead in economic and social development. Many southerners now feel that too much of the tax they pay gets spent on the north.

Northerners, meanwhile, say they are underrepresented in parliament's lower house, the Lok Sabha, making it harder to improve governance. The northern state of Uttar Pradesh (UP), for example, is India's most populous, with 238m people. The average Lok Sabha constituency there includes about 3m people; in Tamil Nadu, down south, it has 2m. And the discrepancy is set to worsen as fertility rates in the north's two most populous states, UP and Bihar, are well above the replacement level of 2.1 children per woman, whereas all southern states are significantly below it.

There is no easy fix. One suggestion is to maintain the Lok Sabha's current size but redistribute seats based on the new census. That is controversial as it could strip southern states of as many as 26 seats. A second option is to expand the Lok Sabha and allocate new seats proportionately based on the census. Parliament would need to grow to 848 seats for southern states to retain the number they have now, reckons the Carnegie Endowment for International Peace, an American think-tank.

That is thought to be Mr Modi's preference, not least because a new parliament building that opened in 2023 has 888 lower-house seats. But southern states reject that option too, as it would cut their vote share in parliament, cementing the BJP's grip on power. Mr

Stalin says he will only accept a formula that keeps Tamil Nadu's current share of Lok Sabha seats.

Mr Modi could try to force delimitation through parliament: he has ways to cajole opposition leaders. Still, he would probably need a constitutional amendment. And after losing the BJP's outright majority in 2024, he might struggle to get the requisite two-thirds majority in both houses, as well as ratification by over half of all state legislatures. He might also torpedo the BJP's drive to win more southern votes.

Postponement would be a climbdown. But it is politically manageable, since Mr Modi has not set an exact timeline. And it would give northern states time to control population growth. Internal migration might mitigate the problem too, as northerners increasingly seek work in the south. Still, "migration alone cannot be the solution," Mr Stalin insists.

The dispute is partly about local politics. Tamil Nadu's next state election is due by early May 2026, and the BJP and its allies hope to unseat Mr Stalin. K. Annamalai, the state's BJP chief, accuses him of exaggerating the delimitation threat to distract from problems such as corruption.

For Mr Stalin, though, this is part of a longer-term struggle. He perceives a BJP drive to crush Tamil identity and erase the role of southern culture in India's civilisation. So while fighting delimitation, he is also pouring state funds into archaeology at Tamil sites and other cultural projects. He has offered a \$1m prize for deciphering inscriptions at Bronze Age sites in northern India, Pakistan and Afghanistan. The results, he hopes, will prove that Dravidians from south India were there long before the Aryans, whom Hindu nationalists consider the country's forebears.

BJP supporters might mock such efforts. But Tamil identity is a potent political force. It has punished central government overreach

before, most notably with violent anti-Hindi protests in 1965. Mr Stalin is not just drawing on the legacy of his father, who helped to lead those protests: he is eyeing his own place in history. ■

<https://www.economist.com/asia/2025/03/27/why-indias-south-is-fighting-plans-to-overhaul-parliament>

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Droning on

Myanmar's battered junta embraces drone warfare

It is unlikely to turn the tide of the war

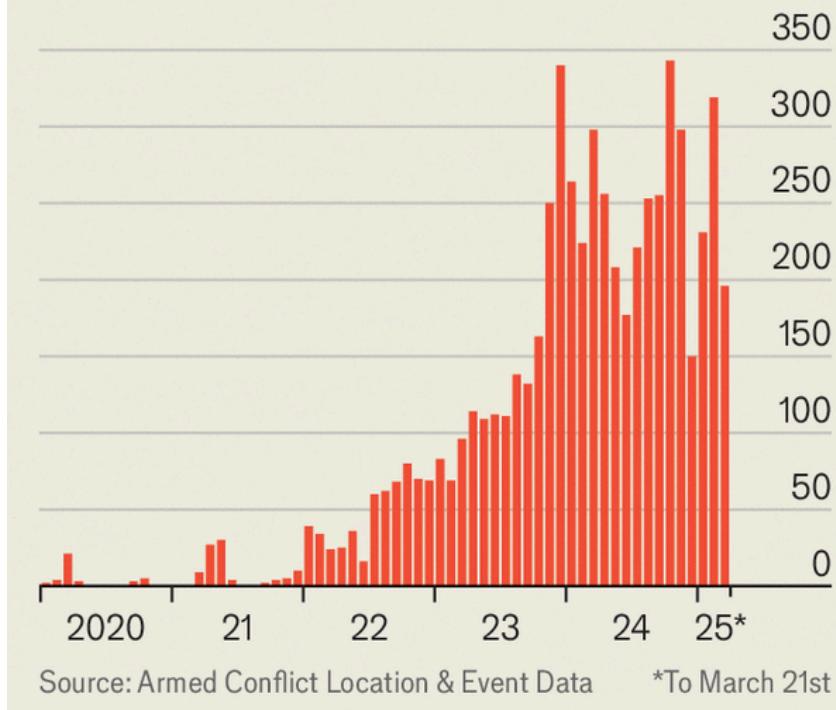
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IN FOUR YEARS of civil war, Myanmar's ruling junta has suffered a slew of humiliating military reversals. But this year it notched up a rare success. In the eastern state of Shan its battered forces managed to recapture a handful of enemy camps located near Tawung Hkam, a village overlooking the approach to Mandalay, the country's second-largest city. It marked the first territorial gains against rebels in Shan by the Tatmadaw, as the armed forces are known, since 2023. Crucial for victory was the use of drones. Footage posted on Telegram, a messaging app, showed a handful of bulky quadcopter drones directing a devastating hail of artillery and mortar fire on rebel positions.

The army moves to the air

Myanmar, monthly number of air/drone strikes



The Economist

*To March 21st

Drones are becoming key to the Tatmadaw's war effort. Over the past year the tempo of its airstrikes has risen sharply (see chart). Rebel fighters say most of them are now carried out by drones instead of the forces' overstretched and costly fleet of fighter jets. Drones are used either as spotters to direct artillery fire, such as at Tawung Hkam, or to drop munitions.

The junta is aping the tactics rebel groups once wielded against it. Soon after the coup, rebel groups used crowdsourced commercial drones to target junta officials. A sweeping offensive launched in October 2023 by the Brotherhood Alliance, a rebel coalition of three ethnic militias, dropped some 25,000 munitions using drones. The junta was caught "completely flatfooted", says Zachary Abuza of the National War College in Washington, DC.

It served as a wake-up call. The junta has been uncharacteristically quick to adapt, say military experts. In early 2024 it bought

between 2,000 and 3,000 agricultural drones from China and modified them to carry bombs. Russia has also supplied Orlan-10 reconnaissance drones, kamikaze drones and jamming devices. But some drones are home-made: the junta's "Drone Force Directorate" recently unveiled a loitering munition that bears similarities to Iran's Shahed-136s, reports Janes, a defence-intelligence company.

Meanwhile, the rebels' drone programmes appear to be faltering. At the Tatmadaw's request, China has tightened its export controls, choking off rebels' supply of parts and off-the-shelf drones. The opposition also faces a shortage of ammunition, says Morgan Michaels of the International Institute for Strategic Studies, a London-based think-tank. The rebels' lack of jamming devices means that the junta has a fairly free rein in the skies. Drone strikes on schools, churches and homes have dented the opposition's authority in areas where it has nominal control.

Even so, the Tatmadaw's newfangled drones are unlikely to turn the tide of the war. "You can bomb from the air [and] you can punish civilians from the air," notes Mr Abuza. "But unless you have boots on the ground, you cannot control territory." Drones have provided some respite to the generals, but they may not save Myanmar's rotten regime. ■

<https://www.economist.com/asia/2025/03/27/myanmars-battered-junta-embraces-drone-warfare>

India's history wars

Riots over a dead Muslim ruler put Narendra Modi in a tight spot

India's prime minister is due to visit Nagpur, the site of the violence

Mar 31, 2025 11:12 AM



Reuters

THE MUGHAL emperor Aurangzeb, who reigned between 1658 and 1707, has been a hated figure among Indian Hindu nationalists for decades. But a dispute over his tomb is exposing fissures in the movement after riots in the city of Nagpur, in Maharashtra.

Violence broke out on March 17th after Hindu nationalists mounted demonstrations calling for the demolition of the tomb, which lies 500km away from the city. Vishwa Hindu Parishad, a right-wing group, had argued that the emperor should not be venerated, after a politician praised him on March 7th. Nearly 40 people have been injured, and one Muslim has died.

Battles over history are common in India. But this one comes at a particularly tricky moment for Narendra Modi, the prime minister. Mr Modi is due to go to Nagpur on March 30th to visit the Rashtriya Swayamsevak Sangh (RSS), another big Hindu-nationalist group. Mr Modi's trip—his first to the RSS's headquarters since becoming prime minister over a decade ago—is

part of an attempt to repair relations between the RSS and his Bharatiya Janata Party (BJP). The loss of the BJP's parliamentary majority in last year's general election was blamed, in part, on unenthusiastic campaign support from the RSS.

The argument over the tomb of the dead Muslim ruler exposes a problem for the wider Hindu-nationalist movement: how to cater to the party faithful while appealing to a broader electorate, who are more likely to be concerned with the economy than questions of Mughal history.

Many Hindu-nationalist leaders have condemned the role their own camp played in the violence. Devendra Fadnavis, the BJP chief minister of Maharashtra, had endorsed demands to remove Aurangzeb's tomb, but he quickly condemned the riots. The RSS also damned the violence. Sunil Ambekar, who is in charge of national publicity for the RSS, declared on March 19th that the Mughal emperor is irrelevant.

A potential successor to Mr Modi has also come out against the violence. Nitin Gadkari, the BJP minister for roads, appealed for calm in a video message on the same night that riots broke out. So far one politician has conspicuously not commented on the riots: Mr Modi. ■

<https://www.economist.com/asia/2025/03/27/riots-over-a-dead-muslim-ruler-put-narendra-modi-in-a-tight-spot>

A new era for salarymen

Japanese people are starting to quit their jobs

After decades of inertia, workers are now on the move. Why?

Mar 31, 2025 11:12 AM | Tokyo



AP

KAWATA YASUTOSHI was never cut out for traditional Japanese corporate life. As a former guitarist in a heavy-metal band, he found working at a large electronics firm frustrating: particularly the rigid hierarchy, where youngsters did whatever their seniors said. A lot of the work was inefficient, and many hours slipped away either at his desk or at obligatory drinking sessions with his colleagues. Leaving proved tricky, too. When he decided to move to a global IT company a decade ago his superiors berated him, even calling him a “traitor”. Now in his late 40s, Mr Kawata has changed jobs again. “I was hungry for a challenge,” he says.

These days Mr Kawata is less of an outlier. In [Japan](#) the ideal worker was once employed fresh from graduation and expected to stick with one company for life—reaping the benefits of a seniority-based promotion system as he (usually not she) aged. But this rigid “salaryman” model is eroding. While job-hoppers remain less common in [Japan](#) compared with Western countries, they are on the rise.

The number of regular workers shifting to another full-time job reached 990,000 in 2024, an increase of more than 60% from a decade ago. In a 2024 survey by the Tokyo Chamber of Commerce and Industry, 21% of young Japanese employees said they plan to stay with their current employer “until retirement”, down from 35% in 2014. The trend reflects Japan’s demographic reality too; workers have more bargaining power when they choose jobs as the working-age population shrinks. According to one survey, over half of Japanese companies face a shortage of regular workers. Japan’s once-mighty civil service has also faced an exodus of smart young employees looking for something more exciting.

Japan’s archetypical salaryman worker emerged in the post-war boom period (coinciding with *Showa*, the era of Emperor Hirohito’s reign). Their loyalty was demonstrated through long hours at the office and after-hours bonding. A famous advertisement for an energy drink in the 1980s asked, celebrating the dedication of corporate warriors, “Can you fight 24 hours?”

But younger generations have started to question this way of working. The share of men taking paternity leave has jumped from 2% of those eligible a decade ago to 30% in 2023. “The *Showa*-era workstyle is collapsing,” says Ono Hiroshi of Hitotsubashi University Business School. Matsunami Tatsuya, a millennial in Tokyo, thinks that “so many Japanese people don’t find joy in their work.” The salarymen he saw on trains when growing up looked more like lifeless zombies. Determined not to follow the same path, he launched his own recruitment agency, matching workers with startups that are tackling social issues.

At the office, tensions are brewing across generations. Young workers complain about *hatarakanai ojisan*, “older men who don’t work”, referring to veterans who contribute little but remain protected by Japan’s strict labour laws. In a survey in 2022 nearly half of employees in their 20s and 30s reported having such colleagues, citing them as a major cause of falling workplace

morale. They also tend to clog upper-management positions, leaving younger workers little room to advance. “Windows 2000” is another phrase to mock such senior slackers—a play on their hefty ¥20m (\$132,000) salaries. During the pandemic, Japan’s unemployment rate remained around 3% (by comparison, America’s rose from 4% to nearly 15%). Mr Ono likens Japan’s rigid labour market to a “stagnant bathtub”, where water cannot be drained or refreshed.

Calls for regulatory reform have grown. In 2019 the then head of Keidanren, Japan’s largest business federation, declared that the country’s lifetime-employment system was “no longer sustainable”. More recently, during the Liberal Democratic Party’s leadership race last year, Koizumi Shinjiro, one of the leading candidates, pledged to loosen dismissal rules to promote labour fluidity—though his proposal sparked fierce debate, with conservative candidates warning against hasty changes.

But though policy is slow to adapt, attitudes are shifting among older workers too. A famous saying in Japan known as the 35-year-old limit theory warns that changing careers after that age is almost impossible. That theory is starting to crumble. According to Recruit, an employment agency, the number of job-hoppers in their 40s to 50s increased sixfold over the past decade. Wakatsuki Mitsuru, 44, recently left his job at a big Japanese firm after having spent more than two decades there. “I probably could have coasted along for another 20 years until retirement,” he says. “But I couldn’t help thinking: is that what I want?” Labour shortages also mean that companies that used to focus on hiring fresh graduates now increasingly welcome mid-level talent.

This shift has big economic implications. In Japan, a lack of labour fluidity has meant that wage rises depend on *shunto*, the annual spring wage negotiations. Another Recruit study finds that nearly two-fifths of job-hoppers now see their wages rise by more than 10%. That was true for less than one-third of them in 2021. While

Japanese wages have remained low by rich-world standards, growing labour mobility “could improve the situation”, observes Koike Masato, an economist at Sompo Institute Plus, a think-tank in Tokyo. It could also inject dynamism into Japan’s ossified institutions. “When you have the same people staying in the same organisation, the mindset becomes increasingly inward,” says Mr Wakatsuki, reflecting on his previous workplace. Mr Kawata, the bandsman-turned-IT worker, agrees. “Japanese firms need wind from the outside to blow in.” ■

<https://www.economist.com/asia/2025/03/27/japanese-people-are-starting-to-quit-their-jobs>

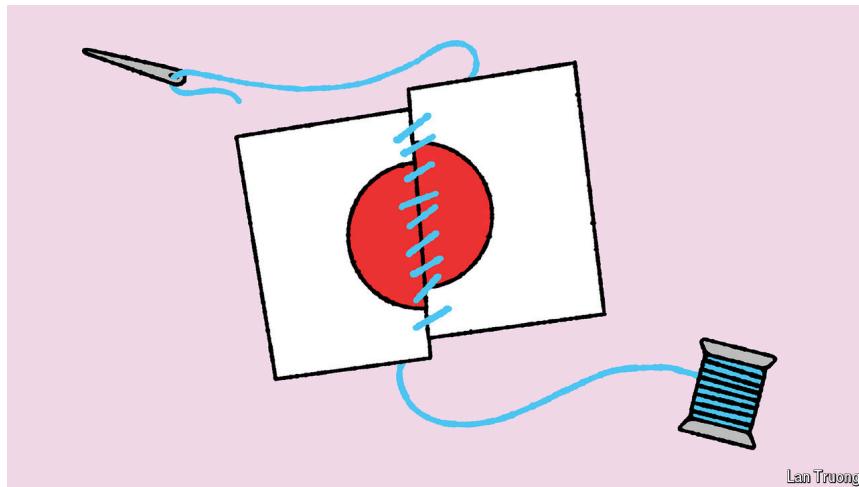
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Banyan

How a year of tremor and terror transformed Japan

Two disasters in 1995 captured the spirit of the country's lost decades

Mar 31, 2025 11:13 AM



Lan Truong

WHO COULD have known that on an ordinary Monday morning in 1995 a commute in Tokyo would turn into a scene from hell? On March 20th five members of Aum Shinrikyo, a doomsday cult, boarded separate trains on the capital's subway carrying bags filled with sarin, a deadly nerve gas. The poison spread through the packed carriages; 14 people died and thousands were injured. “I still wonder: am I dreaming? Did the attack really happen?” says Sakahara Atsushi, a film-maker caught in the attack who still has symptoms today.

For a country as safe and orderly as Japan, the terrorist attack was an unimaginable shock. It came just two months after the Great Hanshin earthquake, a 6.9-magnitude disaster that killed more than 6,000 and left 45,000 homeless. The scale of the Kobe quake caught both residents and authorities off guard. It was the largest tremor to hit a big Japanese city since 1923. Today, Kobe has been

completely rebuilt, and the Aum leaders were executed in 2018. But the trauma of these two disasters remains etched in the Japanese psyche.

The disasters struck a Japan already reeling economically. After decades as a powerhouse, it suffered a terrific crash of stock and property prices in 1991-92 as its asset bubble burst. Many believed that the downturn would be short-lived—but 1995 shattered even that remaining confidence.

The Kobe earthquake exposed a government that was suffocating in red tape. Swiss rescue dogs sent to find survivors were stuck in quarantine, and the Self-Defence Forces (SDF) arrived too late. The once-vaunted “iron triangle” of bureaucrats, politicians and business that powered Japan’s growth “began to look rusty”, says Jeff Kingston of Temple University in Japan.

“There was a marked change in the Japanese consciousness ‘before’ and ‘after’ these events,” wrote Murakami Haruki, a renowned novelist, in 1997. These two “nightmarish eruptions”, he observed, triggered a “critical inquiry into the very roots of the Japanese state”. Just a couple of years earlier, foreign observers still feared Japanese dominance; “Rising Sun”, a 1993 Hollywood thriller, revolved around sinister Japanese businessmen. But Japan’s mood turned gloomy after 1995. The media fixated on how Aum’s recruits included elite-university graduates.

Thirty years on, Japan still lives in the shadow of 1995. Roam around Tokyo, and you may notice something amiss: public bins are scarce, removed following the sarin attack. Even those born after the attack recoil at the name “Aum”. Recently, Banyan nervously attended a study session run by Hikari no Wa—a group that splintered from Aum Shinrikyo. The session seemed innocuous (to your correspondent’s relief), focusing on breathing techniques, meditation and Buddhist teachings. But outside the building hung

angry banners that read: “We will never forget the sarin incident!!” “Your group must be dissolved!” A policeman stood watch, too.

Suspicion of marginal religious sects resurfaced in 2022 after Yamagami Tetsuya assassinated a former prime minister, Abe Shinzo, citing grievances against the Unification Church (also known as “the Moonies”), a group with ties to the ruling party. The government has since moved to dissolve the group, and a court ordered it to do so this week—a rare step, taken in only a handful of cases, most notably against Aum Shinrikyo. Though the two groups are not remotely comparable, the backlash against the Moonies, including their dodgy recruitment tactics, carried echoes of the 1995 trauma.

Political leaders now struggle to lift Japan out of its malaise that began with the bubble’s collapse—what started as a “lost decade” has stretched to over three decades of stagnation. When Ishiba Shigeru, the current prime minister, recently said he wanted to build a “fun Japan”, critics slammed him as tone-deaf, arguing he should focus on solving economic hardships instead.

But 1995 also left a positive legacy. The earthquake inspired what came to be known as “Year one of volunteering”—with over a million helpers flocking to the disaster zone. Civil society flourished. When the Tohoku earthquake struck in 2011, the SDF mobilised immediately. Since 1995, “Japan has come to realise it needs to prepare for risk,” says Fukuda Mitsuru at Nihon University in Tokyo. What emerged from that terrible year was a Japan that no longer believes it is invincible, but can face its vulnerabilities. ■

<https://www.economist.com/asia/2025/03/27/how-a-year-of-tremor-and-terror-transformed-japan>

China

- **Chinese hackers are getting bigger, better and stealthier**

Tracking the hacking :: Experts say it is the main shift in the cyber-threat landscape in a decade

- **The Chinese government is cracking down on predatory law enforcement**

Shakedown :: Extortion by local officials causes a lot of anger

- **Estate agents in China are trying everything to sell flats**

Unreal estate :: You can place your deposit in bushels of wheat or strings of garlic

Tracking the hacking

Chinese hackers are getting bigger, better and stealthier

Experts say it is the main shift in the cyber-threat landscape in a decade

Mar 31, 2025 11:13 AM



CHINA'S POWER is growing rapidly every year. From [warships](#) to missiles, the country is churning out hardware at an extraordinary rate. In the unseen, online world, it is making similar leaps. On March 4th America's Justice Department charged eight Chinese nationals with large-scale [hacking](#) of government agencies, news outlets and dissidents in America and around the world, on behalf of i-Soon, a Chinese company, at the direction of the Chinese government. It also indicted two officials who it said "directed the hacks".

These instances are the tip of a vast iceberg. Over the past decade China's hacking programme has grown rapidly, to the point that in 2023 Christopher Wray, then the FBI director, noted it was larger than that of every other major nation combined. China's growing heft and sophistication have yielded success in three main areas.

The first is political espionage, linked primarily to the Ministry of State Security (MSS), China's foreign-intelligence service. Last year it emerged that one group of Chinese hackers, dubbed Salt Typhoon, had breached at least nine American phone companies, giving them access to the calls and messages of important officials. Ciaran Martin, who led Britain's cyber-defence agency from 2016 to 2020, compares it to the revelations in 2013 by Edward Snowden, a government contractor, that American spy agencies were conducting cyber-espionage on a huge scale. China was "gaining vast access to the nation's communications via a strategic spying operation of breathtaking audacity," he says.

A second is in domains of little espionage value: hacking that lays the groundwork for sabotage in moments of crisis or war. These efforts are led by the People's Liberation Army (PLA), China's armed forces. In 2023 it became apparent that a PLA-linked hacking group known as Volt Typhoon had, over several years, burrowed into an extraordinary range of American critical infrastructure, from ports to factories to water-treatment plants, across the continental United States and in strategic American territories such as Guam.

All of that builds on a third type of hacking: the industrial-scale theft of intellectual property. In 2013 Mandiant, a cyber-threat intelligence firm, which is now part of Google, made waves when it exposed "APT1", the label for a group of hackers linked to the PLA. APT1 was not focused on stealing political secrets or turning off power grids but on stealing blueprints, manufacturing processes and business plans from American firms. A year later America's government took the then unprecedented step of indicting five PLA hackers for this activity. Keith Alexander, a former head of the National Security Agency (NSA), America's signals-intelligence service, described this as "the greatest transfer of wealth in history".

That period ended with a partial truce. In 2015 Barack Obama, then America's president, and Xi Jinping, his Chinese counterpart, announced a "common understanding". Neither country would conduct cyber-espionage to steal intellectual property. The agreement worked. Shortly afterwards commercial espionage of this sort fell dramatically, if temporarily. But that was simply the start of the new era of political espionage and sabotage.

All of these areas have been affected by three big shifts within China's hacking programmes. One is who is doing the hacking. In 2015-16, shortly after being shocked by the Snowden revelations, China reshuffled its cyber forces. The PLA was forced to retrench, focusing on military intelligence and reconnaissance—like Volt Typhoon—and its activity declined. The MSS took over political-intelligence gathering—like Salt Typhoon—which it conducted with gusto, and commercial espionage, which continued on a smaller scale. "Nowadays," writes Tom Uren, author of "Risky Business", a cyber newsletter, "the MSS is the big kahuna."

Quiet down, lads

Second, Chinese hacking got better. About 20 years ago, when cyber-security firms began tracking the threat, Chinese hackers were "very, very loud", says John Hultquist of Mandiant, "incredibly willing to set off alarms, incredibly willing to be caught". A European official concurs. Even five years ago, she says, "Chinese cyber operators were not considered very sophisticated." That has now changed. "The speed at which they improve always seems to come as a surprise to Westerners, even though it really shouldn't," says the official. "If China wants to accelerate in an area, then they will, and they have very smart people."

That points to a third shift. Chinese cyber operations now draw increasingly on a large and flourishing private-sector ecosystem which has become a talent pipeline, enabler and force multiplier for

Chinese cyber operations around the world. Consider the MSS-linked Tianfu Cup in the south-western city of Chengdu (which has emerged as a hub for this kind of activity). It is one of many “capture the flag” (CTF) competitions in which tech-savvy youngsters compete to show off their hacking prowess by finding and exploiting vulnerabilities in software. China has hosted about 130 of these sorts of events since 2004, most of them after 2014, and many backed by government ministries, according to data collected by Dakota Cary, a consultant at SentinelOne, a cybersecurity company, and Eugenio Benincasa of the Centre for Security Studies at ETH Zurich.

These events can draw huge crowds. The Wangding Cup is organised by the Ministry of Public Security (MPS), which runs the country’s police force and gathers domestic intelligence. The cup is known as the “cyber-security Olympics” and can attract 30,000 people, note Mr Cary and Mr Benincasa. The tournaments are scouting grounds for Chinese spooks. As with elite sports, a handful of star hackers tend to drive a team’s success. A decade ago Chinese hackers were allowed to travel to contests abroad; that is now restricted. The vulnerabilities they discover—weaknesses in code that can be used to gain access—“are siphoned straight into the state apparatus”, says a person familiar with the process. In 2021 the government punished Alibaba Cloud, a tech firm, for divulging a vulnerability without first telling the state.



Ben Jones

Talent contests are just the start. Last year, documents belonging to i-Soon were leaked on the internet. They showed that the firm was functioning as a private signals-intelligence agency whose targets spanned 23 countries: Nepal's presidential palace, road-mapping data from Taiwan, South Korean telephone logs, Indian immigration systems and Thailand's intelligence service. i-Soon is one of many such firms in Chengdu.

The firms are not unstoppable ninjas—the leaked files show evidence of internal arguments, disorganisation and failure—but they add to China's cyber heft. Even where MSS hackers do the hacking themselves, they often rely on this corporate hinterland for

the tools and infrastructure to enable their attacks. When Chinese hackers first started, they used to come, undisguised, “right out of Shanghai networks”, says Mr Hultquist. Today they make use of operational-relay-box (ORB) networks, built and maintained by private firms, which use compromised devices around the world, such as home internet routers, to disguise the origin of attacks.

The increasing scale, sophistication and aggression of Chinese hacking are “by far the most significant shift in the cyber-threat landscape in well over a decade”, notes Mr Martin. Volt and Salt Typhoon, on their own, “are strategic compromises of the West on a scale hitherto unseen by any other cyber power”, he warns.

It is not yet an all-out cyberwar. “What separates China from their peers like Russia, North Korea and Iran”, says Mr Hultquist, is that those states routinely cross the line from espionage to disruption, from spying and reconnaissance to outright sabotage. China has “never pulled the trigger”, he says. Even in American infrastructure networks, China has stopped short of inserting destructive code. “We can see them doing the reconnaissance. We can see them getting into place. They’re not showing us the weapon.” ■

<https://www.economist.com/china/2025/03/25/chinese-hackers-are-getting-bigger-better-and-stealthier>

Shakedown

The Chinese government is cracking down on predatory law enforcement

Extortion by local officials causes a lot of anger

Mar 31, 2025 11:13 AM | BEIJING



TO RESCUE CHINA'S lacklustre economy, the ruling Communist Party is trying to revive the animal spirits of entrepreneurs and rehabilitate the profit motive. Xi Jinping, China's leader, has welcomed Jack Ma, a leading tech boss, back in from the cold, and basked in the reflected glory of DeepSeek, a private AI firm. The government has also recently released five employees of Mintz, an American due-diligence firm, detained in 2023. To get rich is, if not glorious, at least less dangerous than it seemed a few years ago.

But there is one kind of buck-chasing the party is determined to quash: profit-driven law enforcement. This is the over-zealous collection of fees, fines and back-taxes by cash-strapped local governments eager to refill their coffers. In his report to China's legislature this month, Li Qiang, the prime minister, vowed "resolute steps to prevent unauthorised cross-jurisdictional and profit-driven law enforcement". On March 24th the Ministry of

Finance said it will “resolutely prevent and correct” random charges, fines and levies.

Such money-grubbing has mushroomed since the pandemic, as conventional sources of revenue have fallen. Last year China’s tax collection fell by 3.4%, and revenues from land sales by 16%. The money raised from fines and confiscations, by contrast, increased by 14.8%.

Desperate local governments have resorted to new and crude tactics to raise money. Last year a mining company in western China was hit with a demand for 668m yuan (\$92m) for alleged tax obligations going back 20 years. In dozens of reported cases executives have been detained on frivolous charges and obliged to bribe their way out of custody.

Distance is no barrier. Officials have crossed jurisdictional lines to hit up companies or individuals in other provinces, a practice known as “fishing in distant seas”. Foreigners are not exempt. Last year a foreign investment manager based in Beijing discovered that his local business partner had been arrested. Even though the charges came from a lowly sub-provincial jurisdiction, his lawyers advised him to leave the country immediately with his family, which he duly did.

Scholars have warned of grave damage to China’s private sector. Zhao Hong of Beijing University wrote in December that fishing in distant seas and other abuses “are tantamount to draining the pond to catch the fish”. Zhou Tianyong, a senior official at the Central Party School, a training institute for cadres, wrote of the profiteering last September in existential terms. In an online post that was quickly scrubbed from social-media sites he wrote that if local officials keep using the detention of entrepreneurs to boost revenue, it would lead to a “national economic disaster”. Enterprises across the country would collapse, he warned, together with hopes of reviving the economy.

Leaders have woken up to the damage the shakedowns are doing to private business. China's highest prosecutorial body, the Supreme People's Procuratorate, has started to crack down. It reviewed 1,500 cases last year and has blocked improper attempts to grab 570m yuan in assets.

As well as legal remedies, some experts propose preventive measures. One idea is that all seized assets should be handed over to the central authorities. That would reduce the incentive for local officials to overreach. The central government is also trying to find less painful ways to fill local coffers. In November it said it would let provinces issue extra bonds worth 6trn yuan over the next three years to replace more expensive, "hidden" debts. This should give local governments more financial breathing room and a less compelling need to gouge their constituents.

In the long term, China needs to reform the unbalanced fiscal relations between the central government, which collects 45% of China's revenues, and local governments, which have to carry out 85% of the public spending. If local governments were less strapped for cash, they might be less feral about collecting it. Until then, profit-driven law enforcement will remain the bane of profit-seeking enterprise. ■

<https://www.economist.com/china/2025/03/27/the-chinese-government-is-cracking-down-on-predatory-law-enforcement>

Unreal estate

Estate agents in China are trying everything to sell flats

You can place your deposit in bushels of wheat or strings of garlic

Mar 31, 2025 11:14 AM | BEIJING



Getty Images

ON THE LIST of professions that are currently flourishing in China, estate agents do not come high up. Houses were once easy to sell, the surest investment available. But as a result of a four-year slump in the market, millions of homes now sit unsold. Some already paid-for properties are not even getting built. New home starts fell by almost 30% in the first two months of this year, compared with a year earlier. As of February, average new home prices had fallen for 21 months in a row.

Around a tenth of estate agents in the biggest Chinese cities have closed since 2021, according to industry estimates. The decline has been even sharper in small towns. Yanjiao, just outside Beijing, has seen hundreds shut, says one survivor. Another says his income has fallen by half in three years. So perhaps some of the wilder antics of those still trying to shift flats are understandable.

In recent months 31 men in the southern city of Huizhou bought flats at the request of their girlfriends, perhaps thinking that they had found “the one”. They then discovered that their girlfriends were estate agents trying to sell those apartments and were not interested in marriage. Authorities launched an investigation, telling local media that 15 women, all at the same firm, were behind the scheme and had used a dating app to find their targets. The incident is probably “just the tip of the iceberg”, warned a newspaper run by China’s housing ministry on March 24th.

Some estate agents are offering valuable inducements. Last year a firm in Zhejiang province said it would give out a 10-gram gold bar (worth around \$1,000) for each house it sold. A Beijing-based company promised to throw in a holiday home in the seaside city of Yantai for anyone who paid for an apartment in the capital with cash. Other firms have offered everything from iPhones to stakes in a private-jet company.

Another tactic is to slash downpayments. A developer in the southern city of Zhongshan allowed a deposit of just 9.90 yuan (\$1.30) for some flats. Developers in the agricultural province of Henan permitted farmers to put down wheat or other crops as a deposit. In 2022 Central China Group, one such developer, ended up with 430 tonnes of garlic after selling 30 apartments, according to local media reports.

Brokers are changing their pitch. Livestreaming is now a popular way to sell houses, with 500,000 agents on Douyin, the Chinese version of TikTok. Some sing, dance and do comedy sketches from unsold homes. In March, “U-bro”, a robot with a camera that shows houses and answers questions, began livestreaming in the city of Wuhan.

Government officials are trying to help by easing developers’ financing woes and encouraging people to trade in their old homes for new ones. But JPMorgan Chase, a bank, expects that in 2025

Chinese property developers will account for two-thirds of Asia's defaults. Many analysts do not expect a recovery in the Chinese market until 2026.

If there is one group that can see a silver lining, it may be young men. The social pressure for them to own a home before women will consider them husband material is huge. But with prices in Beijing in late 2019 at 44 times average salaries, such a purchase has long proved out of reach for many. That ratio is now down to a mere 32 times. Some young men, if they can work out which of the women are not just estate agents in disguise, may be looking to snap up a bargain and pop the question. ■

<https://www.economist.com/china/2025/03/27/estate-agents-in-china-are-trying-everything-to-sell-flats>

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A shot of hope

A faster rollout of malaria vaccines would save many lives

But someone needs to pay for it—just when aid budgets are being slashed

Mar 31, 2025 10:58 AM | MIGORI, Kenya



AFP

WHEN PAULINE OTIENO'S second child caught malaria, a decade ago, it meant an anxious, feverish week in hospital. When her third-born fell sick recently, he recovered after being given some pills and a few days' rest. The difference might have been luck, or it might have something to do with the world's first [malaria vaccine](#). It has been available at Ms Otieno's local clinic in Migori county, in south-western Kenya, since 2019. Her third child had received it; the second had not.

Vaccines are a vital new tool to stop children in poor countries falling sick and dying of malaria. Though not perfect, they are a useful supplement to bed nets and anti-mosquito sprays. A swift rollout in the countries worst affected by the disease, all of which are in Africa, could save as many as 1m lives in the next five years. Yet that probably will not happen. The main reason, as rich countries slash their aid budgets, is that nobody wants to pay for it.

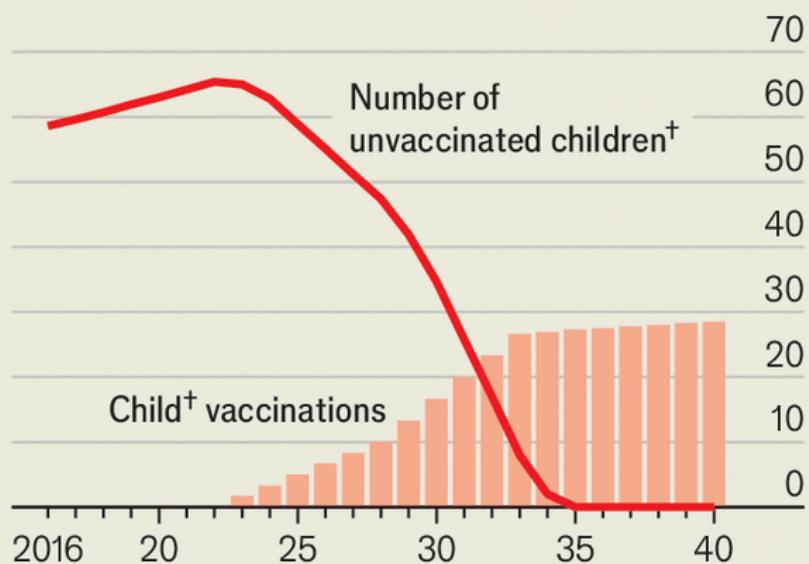
Two vaccines are currently in use. Three doses of the one (known as RTS,S) that has been piloted in Migori since 2019 halve a child's chance of falling ill over the following year, and soften the severity of symptoms. A study in Kenya, Ghana and Malawi shows a drop of 13% in deaths among children who were eligible for the shots. A newer, cheaper vaccine known as R21 has proved to be at least as effective. A fourth, booster dose of either vaccine helps sustain protection.

Manufacturers say they can make enough shots to vaccinate all eligible children in the worst-affected countries. GSK, a British pharmaceutical company, will be able to produce 15m doses a year of RTS,S from 2026. India's Serum Institute, which makes R21, says it can churn out 100m doses a year, rising to 200m if needed.

But most of the current capacity is unused, though African governments have begun rollouts. Gavi, an international alliance that funds vaccines in poor countries, plans to spend \$1.1bn on malaria over the next five years, jabbing 50m children. That could avert 170,000 deaths, save families money on hospital bills and free up resources to fight other illnesses.

Something to hope for

Malaria-vaccination rollout*, m



*Gavi baseline scenario in 20 countries with highest malaria prevalence †Under three years old

Source: Centre for Global Development

The Economist

Yet at the rate envisaged by Gavi it will take another decade to vaccinate all children under three in the countries at greatest risk from malaria (see chart). The Centre for Global Development (CGD), an American think-tank, reckons that goal could be achieved by 2027 at an extra cost of \$3.5bn over five years, which is less than Americans spend every year on costumes at Halloween.

Gavi's ambition is bound by the generosity of the governments and philanthropists that fund it. Donors were supposed to meet in Brussels in March to pledge contributions for the next five years, with a target of \$9bn for all diseases. But the summit has been postponed until June.

The postponement reflects a funding crisis in global health care. Historically nearly a quarter of Gavi's routine funding has come from Britain, which is slashing foreign aid to pay for more defence spending, and one-seventh from America, which said this week that

it would stop funding Gavi. [Seth Berkley](#), who led Gavi until 2023, says that an American retreat would be “very hard” and a British one “devastating”. He hopes that Gavi’s reputation might protect it. Last time it asked for money, in 2020, it raised more than expected. Canada recently pledged C\$675m (\$470m) for the current funding round.

Aid cuts have made the rationale for Gavi no less compelling. Vaccines are a cheap way to save lives yet too expensive for many countries to afford. Just \$4,000 spent on a programme involving R21 is enough to avert one death. By procuring vaccines in bulk, Gavi ensures lower prices and a stable supply. It also shields governments from some of the currency risks they would face if they bought vaccines directly. Even so, the recommended four doses cost \$15.60, which is more than many African governments spend per person on health care in a whole year.

That means that when budgets are tight, resources could be diverted from other anti-malaria interventions. Bed nets are just as cost-effective as R21. The best results come when the two are used together. The Global Fund, which helps pay for nets and other tools, is also trying to raise money this year. It is even more dependent than Gavi on American support.

One way for Gavi to save money, according to CGD, would be to prioritise R21, which is a third of the price of RTS,S. However, Sania Nishtar, Gavi’s chief executive, says diversity of manufacturers helps encourage competition and ensure the security of supply. In the long run, that is probably true. Yet in the short run it will mean buying fewer doses of the vaccine.

Without Gavi’s support, more children will die. Nearly a third of all malaria deaths occur in Nigeria, which is slightly too rich to qualify for much outside help, even though it spends only \$15 a year per person on health care. A vaccine rollout began last year in two of its 36 states. Muyi Aina, the official in charge, says it will reach “a

couple more” by next year and the rest “eventually”. How long until every Nigerian child is vaccinated? “The sooner the better, but you’ve got to be able to pay for it,” he says, citing the high price.

Where vaccines are available, people embrace them. Nurses in Kenya’s Migori county say they have met less suspicion than they did during covid-19 vaccination campaigns, perhaps because the burden of malaria is so familiar. The biggest challenge is reaching children for the fourth, booster, dose. Families are unused to having older children vaccinated and also often move around, for instance to work for months at a time in small-scale gold mines. In some countries, such as Cameroon, conspiracy theories have spread. But civil-society groups and religious leaders have helped to counter misinformation, says Olivia Ngou, a health-care activist there.

In Migori a more pressing problem is the hit to other anti-malaria programmes because of the cuts in American aid. The supply of bed nets is uncertain. Insecticide sits unused in a warehouse, because there is no money to pay for spraying it. With the arrival of vaccines, the world has more tools than ever to fight a cruel disease —if it chooses to wield them. ■

<https://www.economist.com/middle-east-and-africa/2025/03/24/a-faster-rollout-of-malaria-vaccines-would-save-many-lives>

Troubled Rivers

Nigeria's president pushes the limits of his power

A crisis in the oil-rich Niger Delta raises questions about the rule of law

Mar 31, 2025 10:58 AM | Lagos



Panos

AFTER A NIGERIAN firm called Heirs Energies paid \$1.1bn in 2021 to acquire an oil field in the Niger Delta, its boss found the company was losing no less than 97% of the field's daily output to theft and vandalism. "What you put in the Trans Niger pipeline and what gets to the export terminal is not the same," says Tony Elumelu, referring to one main conduit for Nigeria's oil exports (see map).



The Economist

Nigerians were reminded of the pipeline's importance and vulnerability on March 17th, when an explosion put it out of service for several days. In response Bola Tinubu, Nigeria's president, declared a state of emergency in Rivers, the oil-rich state in the Niger Delta where the explosion happened. He also suspended its governor, who belongs to an opposition party. The pipeline, which has the capacity to transport around 450,000 barrels of crude per day, resumed operations on March 25th. But the political crisis sparked by Mr Tinubu's controversial decision is likely to linger for longer. It raises questions not only about stability in a region that is central to the Nigerian economy, but also about the strength of Nigerian democracy.

Despite recent moves towards economic diversification, oil is still the lifeblood of Nigeria's economy. Oil sales account for half the national budget and 80% of export revenue. Though most production has moved offshore and global oil companies have

recently sold most of their onshore assets, the Niger Delta region, and especially Rivers state, remains central to the industry. Mr Tinubu, whose government is keen to attract fresh capital to the sector to increase crude output, has been at pains to show that investors' assets in the Niger Delta are safe.

The president argues that Siminalayi Fubara, the suspended governor of Rivers, has been getting in the way of that aim. When declaring the state of emergency on March 18th, Mr Tinubu claimed that Mr Fubara had allowed violence in the state to escalate. He said that solving the problem required "extraordinary measures to restore good governance, peace, order and security". He appointed a former vice-admiral as interim administrator for the six-month state of emergency.

Recently there have been several other attacks on oil and gas facilities in Rivers. Yet Mr Fubara reckons claims of a security crisis are overblown. The Niger Delta has long been beset by militant activity, oil theft and pipeline sabotage, but security had lately been improving. Mr Elumelu says his firm's transit losses are now only around 10% of production. In January Nigeria produced around 1.5m barrels of crude per day, the highest level since 2020.

That suggests that the real reason for Mr Tinubu's move is political. Before he was suspended Mr Fubara had been feuding with Nyesom Wike, who preceded him as governor of Rivers and is now a powerful minister in Mr Tinubu's cabinet. Ousting Mr Fubara, many suspect, is a way to give a leg-up to Mr Wike, thereby ensuring that an ally of the president continues to call the shots in the oil-rich state.

Whatever Mr Tinubu's motives, the crisis raises questions about the rule of law in Nigeria. The president does not have the constitutional power to suspend governors. Yet the country's legislature rushed to ratify Mr Fubara's suspension. The decisive vote in the Senate was taken by voice, leaving the judgment of

whether a majority had been reached to the Senate president, another close ally of Mr Tinubu. The new interim administrator of Rivers was immediately given access to federal funds that courts had been withholding from Mr Fubara. “No businessman can bring his money to invest in a country where the judiciary is compromised,” Goodluck Jonathan, a former president, said of the events.

There was a time when Mr Tinubu, who was a leading light in the campaign against Nigeria’s military dictatorship in the 1990s, would have condemned this kind of manoeuvring. “The struggle was meant to rescue democracy...[and] ensure enduring adherence to constitutionalism,” he later said of his political activism. Those days appear to be gone. “Tinubu is preparing for [elections in] 2027 and he doesn’t want any governor that will oppose him,” says Rotimi Amaechi, another former Rivers governor. Nigerian politicians will be taking note. So will international investors. ■

<https://www.economist.com/middle-east-and-africa/2025/03/27/nigerias-president-pushes-the-limits-of-his-power>

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My enemy's enemy

Israel courts the Middle East's minorities

Why Israel seeks alliances outside the Arab and Sunni Muslim majority

Mar 31, 2025 10:58 AM | Yanuh-Jat



AP

THE PRIZE for Israel sounds tempting. After the Hamas attack on October 7th 2023 Palestinian labourers from the occupied territories were barred from working in Israel. Unpicked olives rotted on trees. Cranes stood idle over building sites once manned by Palestinians. But now, over the border in Syria, Israel is eyeing a pool of cheap labour, hungry for work. Avi Dichter, Israel's agriculture minister, says he is soon to unveil a "pilot scheme" to bring Druze farmhands from Syria to toil on Israeli-run land. "They'll be willing substitutes," says Mahmoud Shanan, a Druze lawyer and former Israeli army officer who has been building a Druze heritage centre in Israel near the Lebanese border.

Israel is not just seeking economic advantage following Bashar al-Assad's downfall in Syria and the curbing of Iran's regional ambitions. It is now a triumphalist power seeking to forge old and new alliances. Even before Syria's change of regime, Israel's foreign minister, Gideon Saar, had singled out Syria's Druze and

various Kurdish groups as a bulwark against the region's Sunni Arab majority who had cheered when the Islamists of Hamas broke through Israel's border with Gaza.

Israel's foreign ministry boasts that Israeli aid to minorities in the region already flows across Israel's borders. Uri Grinott, an Israeli analyst, notes that this includes weapons. Mr Saar spoke of cementing "natural alliances" with the region's patchwork of ethnic minorities. The more ambitious of Israeli expansionists see a wedge of more than 100m people from minority groups, including Azeris, Berbers, Circassians, Kurds and Yazidis, waiting to follow Israel's lead. Dan Diker of the Jerusalem Centre of Political Affairs, an Israeli think-tank, reckons they could serve as stepping stones to project Israel's influence from north-west Africa across to Iran.

After a string of battlefield victories, some Israelis bask in their country's new power. They reflect that in the 19th century several European countries adopted the Middle East's minorities, Jews included, to carve out colonial influence, just as, more recently, Iran's rulers have spread their clout by turning the region's Shia Muslim minority into proxies, such as the Houthis in Yemen and Hizbullah in Lebanon.

Israel's ambition to seek regional alliances is nothing new. Early Zionists created warm ties with Maronite Christian farmers in Lebanon, who—so it is said—could be heard tending their cattle in Yiddish. After Israel's independence in 1948 David Ben Gurion, its first prime minister, proposed a *brit*—biblical Hebrew for "covenant"—with the region's minorities to confront Arab nationalism fostered largely by Sunnis. Yigal Allon, an Israeli general, championed an alliance with the Druze to extend Israel's reach into southern Syria. Another Israeli general once led Kurdish rebels in Iraq. Golda Meir, another Israeli prime minister, courted Christians in Sudan to counter Egyptian influence.

Some minorities may see benefits in allying with Israel today. Syria is now ruled by a former al-Qaeda leader. A recent massacre of minority Alawites on the country's coast has left them crying for protection. Many Syrian manual workers, who are destitute after the civil war, are aware they could earn many times more in Israel.

For the Druze there is a spiritual lure, too. Several of the holiest Druze shrines are in Israel. For the first time in decades, red-and-white-capped Druze sheikhs recently crossed from Syria to worship at the tomb of Nabi Shuaib, their prophet, also known as the biblical Jethro, Moses's father-in-law, on a hill above the Sea of Galilee. Israel's Druze tend to champion the cause of regional minorities. "All minorities are worried about the extremist jihadist terrorists and want protection," says Mowafaf Tarif, the Druze spiritual leader in Israel, who has begun fielding Syrian Druze applications for work. "If they're going to protect us, let them have an expanded Israel," adds an Israeli Druze activist.

Yet many Israelis recall that what starts as hubris in the region often ends in humiliation. When Israel marched into Lebanon in 1982 it anointed a Maronite Christian as president and expected to seal a peace treaty. But he was assassinated, resistance to Israel grew and Israel had to retreat. The Shia minority who welcomed Israel were soon hurling grenades. "They didn't play the role expected of them," says Mr Dichter, who back then was an intelligence officer stationed in Lebanon's coastal city of Sidon. Likewise, Israel armed Zaydi Shias in Yemen in the 1960s; now their Houthi descendants chant "Death to Israel" and fire ballistic missiles at it.

And alliances can turn sour in a flash. Israel dropped its Kurdish friends in the 1970s after Iran's shah and Turkey's generals offered better terms. (In 1999 Israeli spooks helped the Turks capture the Kurdish leader, Abdullah Ocalan.) In 2000 Israel abandoned the South Lebanese Army, a militia of minorities it had backed across its northern border, though it offered citizenship to some members

and their families. Some Druze remain wary. Though Israel took the Golan Heights from Syria half a century ago, most of the Druze there still balk at accepting Israeli citizenship.

Binyamin Netanyahu, Israel's prime minister, has even promised to protect the Druze and Christians in the suburbs of southern Damascus, where many are concentrated. His finance minister, Bezalel Smotrich, suggests taking the whole city. If the past is a guide, that might well turn out to be foolhardy. ■

<https://www.economist.com/middle-east-and-africa/2025/03/27/israel-courts-the-middle-east-s-minorities>

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The Jewish diaspora

The war in Gaza has unsettled the Jewish diaspora

They have found uneasy alliances with their new protectors on the right

Mar 31, 2025 04:51 PM | JERUSALEM, NEW YORK AND PARIS



Getty Images

NAILED TO THE entrance of the Gun For Hire shooting range in Woodland Park, New Jersey, is a large *mezuzah*, the prayer-scroll that Jews attach to their doors. In the gift-shop are *kippot* (head-coverings) embroidered with guns. The range advertises in local Jewish newspapers and trains synagogue security teams. “We get full *minyanim* [Jewish prayer quorums of at least ten] who come to shoot here,” says Phil Stern, one of the managers.

“There’s been growing demand for guns and training among Jews for years,” says Tzvi Waldman, founder of the New York State Jewish Gun Club. Now an increasing number of liberal Jews go to him for advice about gun ownership, says Mr Waldman, an ultra-Orthodox *Hasid* and a Republican party activist. He puts this down to feelings of general insecurity after the George Floyd riots and fears of white nationalism. But he also thinks that many feel that the threat levels since October 7th have gone “way up”.

On that day more Jews were murdered than on any other since the end of the Holocaust. It shattered the confidence of Israelis in their army and intelligence services. For the diaspora, it called into question the core reason for Israel's existence: to be a haven for a long-persecuted nation.

The shock-waves reverberated beyond Israel's borders. There was fear for Israel, where many Jews have relatives and friends. But there was also distress at non-Jewish friends' and neighbours' ambivalence about, and even justification of, the atrocity they faced at home. The Jewish Agency, a quasi-governmental Israeli organisation, reports that between 2022 and 2024, the number of antisemitic incidents rose by 340% globally, largely driven by protests (violent assaults declined). The Anti-Defamation League, an advocacy group in America, says that 83% of Jewish students there have experienced antisemitism on campus since the war began.

Growing distances

Israel's increasingly devastating war in Gaza brought an additional sense of alienation. Even some of those Jews who initially backed Israel's response wavered as it killed tens of thousands of Gazans, many of them civilians. For some, it challenged their own Jewish identity, though for others it allowed the exploration of a new version tied less to Israel. And so with calamity in Israel, estrangement in the diaspora and divisions within and between the two, what had seemed to be a golden age for the Jews looked as if it might end.

At the turn of the 21st century, after nearly two millennia of almost relentless persecution and banishments, culminating in the industrial slaughter of the Holocaust in which over a third of the world's Jews were killed, they had achieved two almost unimaginable successes. Israel and America were home to nearly 90% of all Jews. In the first, the Jews had a powerful and

prosperous nation-state. The wars and instability of Israel's early decades had given way to a grudging if tacit acceptance by countries in the region. Israel's military might and tech-fuelled economy guaranteed its survival. It made a formal peace with at least some of its Arab neighbours.

In the second place, America, they had become a successful and secure minority, fully integrated into the world's sole superpower. The largest Jewish diaspora in history defined much of American culture, from Hollywood to Wall Street. They secured not only equality, but also outsize visibility and success, given their share of the population—2%—and a political influence that let them rally support for Jews elsewhere, especially in Israel and the former Soviet Union.

After the fall of the Soviet empire and the emigration from there of around 2m Jews, most of them found themselves in liberal democracies, protected from the bigotry and discrimination they had experienced for so many centuries. Antisemitism had not disappeared, but it had become unacceptable in public and in some countries illegal.

Yet there were still some clouds on the horizon. Sergio DellaPergola, an expert on Jewish demography at the Hebrew University of Jerusalem, estimates there were 16.5m Jews in the world on the eve of the second world war. At 15.7m, the current numbers still falls short, 80 years later. In the same period the world's global population has roughly quadrupled.

Assimilation in the West began to blur Jewish identity outside Israel, and with it intermarriage and lower birth-rates, especially among liberal Jews in the diaspora. As a result, two groups have grown as a share of the Jewish population: Israelis, who are now nearly half of all Jews; and the ultra-Orthodox *Haredim*, whose members largely live, educate and raise their children in isolated environments and who now number around 15% of all Jews.

These demographic shifts mean that in many places organised Jewish life is increasingly dominated by a fast-growing Orthodox minority who reject many of the liberal values that most Jews see as the bedrock of their security. Greater religiosity has also translated into greater support for Israel, which itself has been becoming more nationalistic and less liberal.

Politically, many diaspora Jews have felt increasingly homeless. The left, consumed by identity politics, often included them in the “white” majority and expected them to denounce any affiliation with Israel as proof of their ideological reliability. On the right, populist-nationalist parties, evolved from movements that were once openly hostile towards Jews, were ascendant. And so the indifference to the suffering of Jews exhibited by parts of the left, the uptick in antisemitic attacks and the despair of many Jews over Israel’s war in Gaza, all came together to create a sense that that brief golden age was over.

Not quite so clear

But nearly a year and a half since the war in Gaza began, a more nuanced reality has emerged. The wave of anti-Israel attacks has been met by a tough response from governments and police forces, which has increased the protection of Jewish communities in the diaspora. And while many Jews are appalled at Israel’s military tactics, especially in Gaza, they have held countless solidarity events for Israel. Jewish groups also say they have seen rising attendance at communal meetings, as their members have sought to reassert their identity in the face of antisemitic attacks.

There is also a renewed interest in Jewish life. “Since October 7th people are returning to the community and feel the need to be part of it. Services are full, including places outside Paris where barely anyone used to turn up,” says Laurence Haguenauer, a civil servant and president of a progressive Jewish organisation in Paris. Some progressive Jewish communities that used to criticise Israel now

say prayers for Israeli soldiers “and all the civilian victims” (though others also pray for Palestinian prisoners and Gaza’s dead).

Donald Trump has ratcheted up support for Israel and Jewish-American communities. The president removed the limited restrictions placed by the previous administration on arms sales to Israel. He made it clear he would tolerate no international criticism of Israel, imposing sanctions on the International Criminal Court in The Hague for issuing a warrant to arrest Binyamin Netanyahu, Israel’s prime minister. Mr Trump signed an executive order “to marshal all federal resources to combat the explosion of antisemitism on our campuses and in our streets.” The government cut \$400m of federal funding for Columbia University, which saw some of the fiercest anti-Israel protests. Students accused of leading the protests have been arrested and threatened with deportation.

Protests against Israel in America and other Western countries go on, as does international condemnation of Israel’s conduct. But the actions of Mr Trump and his administration have lessened to a large degree the siege atmosphere many Jews feel.

Some of America’s Jews had already shifted their political loyalties. For decades the overwhelming majority voted Democratic in presidential elections. Last year was no exception. But some exit polls showed Mr Trump winning more of the Jewish vote, close to a third, than any Republican since 1988. Surveys show that Mr Trump’s voters tended to be more religious and pro-Israel than those who supported Kamala Harris, the Democratic candidate.

“There’s no doubt *Haredim* feel at home with Trump,” says Yossi Gestetner, a Hasidic political consultant. “We’re a conservative community who don’t want liberals interfering in our schools and other religious affairs. And we have a lot of relatives in Israel. But also on a personal level, we felt Trump was much more open to

us.” As few as two-thirds of American Jews may have voted for Ms Harris. Among them, feelings are mixed. Is a president whose supporters include antisemitic white supremacists a welcome protector?

Similar dilemmas exist in other countries, where parties which were once openly antisemitic are now offering themselves as allies to Israel and the Jews. In France Jews feel much less welcome on the left than they once did. They see Jean-Luc Mélenchon, who aspires to be president, as exploiting resentments among France’s Muslims against its Jews. Meanwhile, on the hard right, another potential contender for France’s presidency, Marine Le Pen, has made a great show of purging the older antisemitic members, including her own father (before he died this year) from her party. But many French Jews still mistrust her.

Never be complacent

These are risky alliances. Mr Trump is fickle. Presidents change. For Jews on the right, especially those more religious and less committed to liberal values, the shifts seem appealing. After all, they argue, we are all in the same camp against Muslim fundamentalism and the anti-Zionist left.

But as voting patterns in America still show, most Jews have yet to be persuaded of these new alliances. So have many elsewhere. The decision of an Israeli minister to invite members of Europe’s hard right, including a close ally of Ms Le Pen, Jordan Bardella, to a conference on combating antisemitism, prompted other guests, including Britain’s chief rabbi, to boycott it. Their invitation was “stabbing Jews in the back”, said Ariel Muzicant, president of the European Jewish Congress.



Getty Images

Where does my help come from?

Open criticism of Israeli policies is increasingly common among many diaspora Jews. That is particularly true for the younger generation. According to a poll by the Pew Research Centre, 33% of American Jews thought Israel's response to the Hamas attack was "unacceptable", but among the 18-34-year-olds it was 42%. At pro-Palestinian protests in America and Britain, groups of young Jewish students proclaimed that the carnage in Gaza was not in their name.

Yet the number of young diaspora Jews volunteering to join and fight in the Israel Defence Forces (IDF) has swollen. The number of new recruits meant the IDF's Hebrew course had to open a fourth company of soldiers last year. Most also intend to emigrate to Israel, but the number of Jewish volunteers who simply arrived to serve, without formally becoming Israeli citizens, jumped from 268 in 2023 to 362 last year. "I felt like a fish out of water in college, surrounded by people hating Israel," says one Seattle-born recruit, taking a brief break from training. "I don't think I'll live in Israel in the future. I have a lot of criticism of Israel. But I didn't want the convenient relationship of a diaspora Jew commenting from the sidelines. I wanted some skin in the game."

Even for Jews who reject the notion of an ethno-national Jewish state, their Jewish identity is largely apophatic. "It's hard to find an alternative for Jewish activity which is not around Israel," says

Daniel May, publisher of *Jewish Currents*, a New York-based magazine that is a platform for Jews on the left who seek to distance themselves from Israel.

Jews in Israel and the diaspora share a conundrum. Restoring Israeli deterrence and ensuring safety for the diaspora involves awkward trade-offs between democratic principles and security priorities, especially when the politicians making them, such as Mr Netanyahu, seem to be in the process of undermining the democratic institutions on which Israelis and Jews have relied. If Jews everywhere fail to articulate shared liberal values and if Israel further erodes its fragile democracy, that truly will spell the end of the golden age. Despite the persistence of antisemitism and threats to Israel, the real challenges to a Jewish future come from hardliners within. Yet perhaps the best development for the Jews is that for once in their long history, their fate is largely in their own hands. ■

<https://www.economist.com/middle-east-and-africa/2025/03/27/the-war-in-gaza-has-unsettled-the-jewish-diaspora>

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Dictatorship's edge

Protests are the last thing keeping Turkey's democracy alive

America and Europe have offered President Erdogan little resistance

Mar 31, 2025 10:45 AM | ISTANBUL



AFP

“THE PRESIDENT had a great conversation with Erdogan a couple of days ago,” Donald Trump’s special envoy, Steve Witkoff, told an interviewer on March 21st. “There’s just a lot of good, positive news coming out of Turkey.” As he spoke, the biggest protests in over a decade were spreading across the country. Perhaps Mr Witkoff was referring to America’s prospective sale of F-35 jets to Turkey, or to the country’s offer to mediate in Ukraine. But that he said nothing about the arrest on March 19th of Turkey’s top opposition politician, [Ekrem Imamoglu](#), or the ensuing demonstrations, was probably not lost on President Recep Tayyip Erdogan. Turkey’s leader is reading the mood in Western capitals and exploiting his position abroad to orchestrate a crackdown at home.

For more than a week, despite bans on public gatherings, student protesters have [faced off against police](#). More than 1,800 people,

including at least ten journalists, have been detained. Scores have been injured. Every evening tens of thousands of mostly young people pack the square outside Istanbul's city hall. Almost every night, they brave tear gas, water cannons and rubber bullets. Mr Imamoglu, the city's mayor and the Turkish opposition's de facto leader, was arrested on corruption charges widely considered bogus. The outrage shows no signs of subsiding.

On March 23rd, as Mr Imamoglu was being moved to a maximum-security prison on the city's outskirts, the opposition Republican People's Party (CHP) staged a primary election to confirm him as its candidate in the next presidential elections, scheduled for 2028. It was open to all voters, not just CHP members. The party said 15m Turks took part.

Faced with the biggest challenge to his rule in years, Mr Erdogan has seized on reports of policemen injured in clashes with protesters to accuse the opposition of fomenting violence.

“Beware,” he said on March 25th. “Our country will not give in to street terror.” It is a familiar line. Over a decade ago Turkey’s strongman compared a wave of protests, which began with calls to save a popular Istanbul park from developers, to a coup. Scores of demonstrators were prosecuted. Osman Kavala, a businessman and arts patron the government framed as their leader, was sentenced to life in prison in 2022.

Mr Erdogan need not fear pressure from his NATO allies. Turkey is a “good place” and its president a “good leader”, Mr Trump said on March 25th. European leaders, who hope Turkey will join a “coalition of the willing” to supply peacekeeping troops in Ukraine, have been mealy-mouthed. Britain has been silent. European countries’ fear of uncontrolled migration via Turkey dictated policy towards Mr Erdogan in the past, says Senem Aydin-Duzgit of Sabanci University in Istanbul; fear of Russia now plays the same role.

Turkey's economy took a hit after the arrests, though the government tempered the blow. After three days of chaos, during which the stockmarket index plunged by 16% and the Turkish lira hit a record low against the dollar, the authorities restored a measure of calm. It has come at a big cost. Stockmarket regulators have banned short selling. To avoid a currency crash, the central bank has sold at least \$26bn (of \$97bn) in foreign-currency reserves and raised its overnight lending rate. Having replenished its coffers over the past couple of years, the bank can defend the lira in the short term even if foreign portfolio investors head for the door, says Ibrahim Turhan, its former deputy head.

But the damage has been done. Since 2023 Turkey's economic team has cleaned up some of the mess caused by Mr Erdogan's previous policies, which pursued growth at any cost. Dramatic interest-rate increases restored faith in the lira. Annual inflation, which had approached triple digits, dipped to 39%, letting the central bank begin to cut rates cautiously. The crackdown has wrong-footed the technocrats. "Many foreign investors bought into the shift towards orthodox policies," says Piotr Matys at InTouch Capital Markets, a consultancy in London and New York. "Their confidence has been seriously shaken."

Mr Erdogan hopes the CHP can be placated by a court ruling that allows the party to retain control of Turkey's biggest city. (Had Mr Imamoglu been arrested on terrorist charges, the government would have replaced him with its own surrogate.) On March 26th Istanbul's city assembly, where the CHP has a majority, elected one of Mr Imamoglu's associates as acting mayor. The previous day the party's leader, Ozgur Ozel, announced an end to the protests at the city hall, but not before calling a mass rally over the weekend.

On Istanbul's streets there is a sense that the genie is out of the bottle. "The more we keep quiet, the more they attack us. Enough is enough," says Silan, a young woman wearing a surgical mask to protect herself from tear gas and CCTV cameras. Meral, a

housewife, joined the protests with her daughter, a university student. “This is not about Imamoglu or the CHP,” she says. “This is because our right to vote and to be elected is being taken away.”

Mr Erdogan’s rule, now in its 23rd year, is in little danger. Turkey’s battered democracy is. On the eve of Mr Imamoglu’s arrest, you could still claim that the government could be held accountable by voters, if not by the subservient courts or media. With Mr Erdogan’s main opponent packed off to prison, that government has taken a possibly irreversible step towards becoming a regime. ■

<https://www.economist.com/europe/2025/03/24/protests-are-the-last-thing-keeping-turkeys-democracy-alive>

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Adrift

Russia plays for time in Ukraine ceasefire talks

A Black Sea deal starts sinking as soon as America announces it

Mar 31, 2025 10:45 AM | KYIV AND WASHINGTON, DC



IMAGO

AS AMERICAN spooks tell it, Vladimir Putin and Volodymyr Zelensky may be willing to talk about ending their war, but they are not ready to stop fighting. “Both leaders for now probably still see the risks of a longer war as less than those of an unsatisfying settlement,” concluded an annual threat assessment by America’s 18 intelligence agencies published on March 25th.

That helps explain why President Donald Trump’s promise to end the war between Russia and Ukraine (within a day, as he used to say) is proving difficult. His officials say they have achieved “epic” results. In fact the deal is being whittled down with each round of shuttle diplomacy. Russia seems intent on imposing conditions at every stage as its forces grind on.

Take the progress thus far. On March 11th America and Ukraine proposed an immediate and unconditional 30-day ceasefire. On March 18th Russia narrowed that to halting aerial attacks on energy infrastructure and shipping in the Black Sea, with details to be

worked out. On March 25th America announced an agreement to “ensure safe navigation”, but it was immediately thrown into doubt. Russia insisted it would not be enacted until a Russian state bank was reconnected to the SWIFT payment system. The EU, in turn, said that would not happen until Russia withdrew from Ukraine (SWIFT is based in Belgium).

In any case, the Black Sea deal would alleviate only a minor problem. Western sanctions already exclude Russian exports of food and fertilisers. And Ukraine has already re-opened its maritime trade corridor by fighting back the Russian navy and sending cargo through the territorial waters of friendly states. At best, if the accord prevents attacks on ports, facilities in Mykolaiv, a Ukrainian port, could reopen and insurance rates could fall a bit. Russia might enjoy easier terms for exports.

Ukrainian and European officials worry that America is moving to ease sanctions against Russia without real concessions. A White House statement promised to “help restore Russia’s access to the world market for agricultural and fertiliser exports, lower maritime insurance costs, and enhance access to ports and payment systems for such transactions”.

Kremlin-huggers in Washington seem to have the upper hand. Sticks have been applied mostly to Ukraine, which for a time was cut off from the flow of American weapons and intelligence. Russia is being offered mainly carrots: the Americans speak of recognising its annexation of territory, and denying Ukraine NATO membership or security guarantees. Officials are drawing up options to lift sanctions.

In a revealing interview on March 21st Steve Witkoff, America’s envoy for Ukraine, said he sought not just an end to the war but a new geopolitical pact with Russia. It would include co-operation on oil and gas production in the Arctic, exports of liquefied natural gas, artificial intelligence and handling Iran. “Who doesn’t want to

see a world like that?” he asked. He mocked European countries for rushing to arm Ukraine and fortify themselves, trying “to be like Winston Churchill”. The fear that Russia would attack the rest of Europe, he claimed, was “preposterous”.

As the talks drag on, Russia seeks to convince Mr Trump to ignore Ukrainian and European concerns and look to a grand bargain. Ukraine, in turn, wants to prove that Russia is negotiating in bad faith, in the hope that Mr Trump might turn against the Kremlin. In an interview with Newsmax TV on March 25th, Mr Trump conceded that Mr Putin may be stalling but seemed unperturbed. “It could be they’re dragging their feet. I’ve done it over the years, you know.” He was confident, though, that both Russia and Ukraine “would like to see it end”.

American officials hope to clinch a ceasefire within Mr Trump’s first 100 days in office. The danger is that a rushed agreement will mean forsaking Ukraine and caving in to Russia. As America’s spies put it, Mr Putin has good reasons to play for time, because “positive battlefield trends allow for some strategic patience.” Mr Zelensky fears a bad deal would “prompt domestic backlash and future insecurity”. ■

<https://www.economist.com/europe/2025/03/26/russia-plays-for-time-in-ukraine-ceasefire-talks>

Draining brains

Trump is driving American scientists into Europe's arms

But the continent will have to invest more to lure top talent

Mar 31, 2025 10:45 AM



Getty Images

JOHN VON NEUMANN and Albert Einstein were part of a wave of great scientists who fled Nazi Germany, went to America and created new fields of research. The effect on innovation by American scientists was vast. Patenting in chemistry increased by 71%, according to research by Fabian Waldinger, then of Warwick University, and co-authors. America later built on its huge wartime scientific boom to win technological races against its new communist rivals. For decades, America's immense investment in research lured Europe's best scientific talent across the Atlantic.

European policymakers now see an opportunity to reverse the flow. The Trump administration is cutting funding and targeting researchers such as climate scientists for political reasons. Columbia University recently agreed to change disciplinary policies and the political orientation of teaching in some departments after the government threatened to cut \$400m in federal grants. In a letter to the European Commission on March

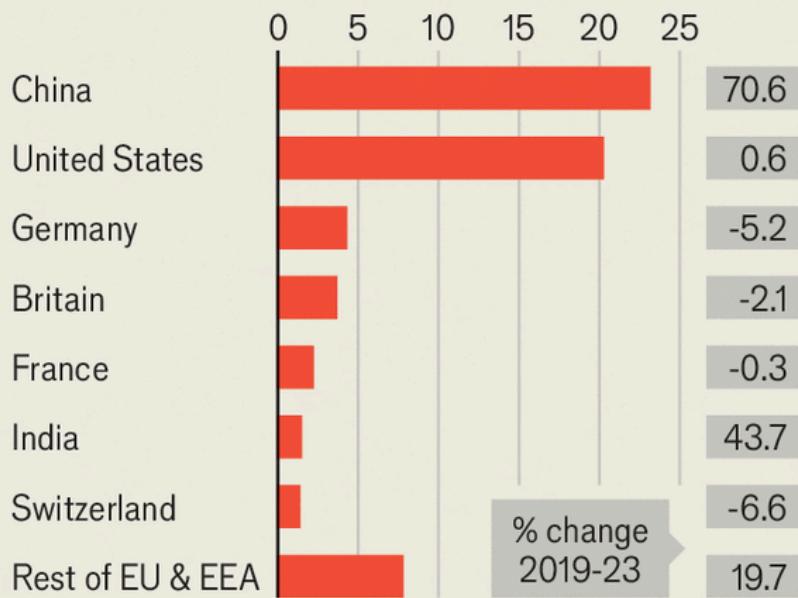
20th, 13 science ministers of European Union countries called for “immediate action” to make Europe more attractive to “brilliant talents from abroad who might suffer from research interference and ill-motivated and brutal funding cuts”.

Universities and research funders are also looking into short-term opportunities. The European Research Council (ERC) grants for senior scientists will be beefed up, says an official. Germany’s Max Planck Society says it has been contacted by top scientists in America interested in moving, and is examining its options. Karolinska Institutet, a medical university in Stockholm, has set up a task force. Aix-Marseille University launched an initiative this month to attract 15 US-based researchers, and has had numerous applications. “The core of our programme is indignation and shock at witnessing the policies of the Trump administration,” says Eric Berton, the university’s president.

Giving refuge to researchers from America is part of Europe’s new urgency about boosting science. “Research, science and talent...are necessary to enhance European strategic autonomy,” write the 13 ministers in their letter. The threat from Russia demands that Europe catch up on cutting-edge military technologies. China is ahead in emerging fields such as quantum computing and cyber-security. Europe’s dependence on digital services from Silicon Valley no longer looks wise. As its industrial model and its population age, it must get better at innovating if it wants to lift growth and build next-generation industries and services.

Where the wild thinkers are

Contributions* to high-quality research,
by nationality of author, 2023, '000



*Adjusted for the number of authors per paper

Source: Nature Index

The Economist

Whether Europe can match America as a science and innovation superpower is uncertain. It has improved its output of highly cited scientific papers, says Reinhilde Veugelers of KU Leuven, a university in Belgium. But Nature Index, a ranking of citations in 145 natural-science journals, shows Europe falling behind while China and India climb (see chart). To make progress, Europe needs more money, more talent and more freedom.

The EU spends about 2% of GDP on research and development, barely half America's 3.6%. Most of the gap is explained by lower R&D spending by businesses. That calls for deeper capital markets to provide risk capital for innovative firms, and a more unified and less regulated market to allow them to scale their products. Project Europe, an initiative of over 150 European tech founders, helps talented young people in Europe who want to solve technical problems and start businesses. "Europe has all the ingredients, but

we fail to bundle them,” says Matthias Knecht, one of the founders. He sees a deep frustration “that Europe doesn’t get its act together”.

Paying boffins better

In higher education overall European spending holds up well, but the continent distributes more of its cash to lower-ranked universities. America has a lot more institutions in the top echelons. “Innovations based on science are the most valuable, economically, and they usually come from the top labs and universities,” explains Monika Schnitzer of Ludwig Maximilian University of Munich. Europe needs to overcome a preference for regional equity and provide more funding for elite institutions—and as continued investment, not as a one-off programme. Building political majorities for such a shift will be difficult.

Europe also needs more talent. “In America, unlike in Europe, there is a hunger for foreign talent. Or at least there was,” says a US-based biomedical researcher from India. If America keeps hassling immigrant researchers, Europe could gain. When the first Trump administration tightened eligibility criteria for H-1B specialist visas in 2017, applicants flocked to Canada. That raised domestic firms’ output and natives’ wages, according to a new paper by Agostina Brinatti of Yale University and Xing Guo of the Bank of Canada. Europe is an attractive place to live, though it could be more welcoming to outsiders, in terms of both visas and career prospects.

The final ingredient is freedom to do research. European universities’ administrative burdens and cumbersome data-access procedures should be simplified. The continent needs more world-class facilities and wider research networks to collaborate globally. Indeed, there is a risk that treating researchers as a strategic resource will segregate science along national lines. That is what happened during the first world war, and researchers’ productivity declined as a result. This time around Europe hopes to strengthen

research co-operation with America, even as it competes to poach its scientific stars. ■

<https://www.economist.com/europe/2025/03/27/trump-is-driving-american-scientists-into-europes-arms>

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The longer they stay

Ukrainian refugees may be in Europe for good

The war may end on terms too dangerous to lure them home

Mar 31, 2025 10:46 AM | Krakow, Berlin and Kyiv



THREE YEARS into the war in Ukraine, the information centre for refugees in Krakow, in southern Poland, is doing brisk business. But things have changed. At the start of the war Ukrainians asked for help finding housing and work. These days, says Ludmila Dimitrow, the centre's co-ordinator, they mostly seek advice on acquiring permanent residency or Polish citizenship. Polish classes are booming. "Whenever we open up a new course for 25 people, 400 apply," says Ms Dimitrow.

The European Union's "temporary protection" scheme, which offers the bloc's 4.3m Ukrainian refugees access to housing, employment and benefits, is due to expire next March. Europe will probably not imitate Donald Trump, who is considering revoking the status of Ukrainian refugees in America. But whether or not the EU's programme is extended (for a second time), Ukrainians in exile are increasingly giving up on the idea of going home.

According to a recent study by the Centre for Economic Strategy (CES), a Ukrainian research group, only 43% of the refugees worldwide plan on returning, versus 74% two years earlier. For many, what matters is not only when the war ends, but how. The growing prospect of a ceasefire without Ukrainian membership in NATO or the EU, along with continued Russian occupation of a fifth of the country, does not inspire much confidence. Many Ukrainians fear Russia would attack again soon.

Ukrainian women, who form the bulk of the war refugees, were once widely expected to go home after the war. Today it is more plausible that an end to martial law would lead even more Ukrainians, especially men of military age who are currently barred from travel, to exit the country. The CES study says that over 500,000 men could leave. Because that would be catastrophic for Ukraine's labour market, and for its capacity to defend itself, the country will hesitate to ease restrictions. "This might take a long time," says Oleksandr Merezhko, a Ukrainian MP.

Ukrainians in Europe are putting down roots. In Poland the share of refugees, most of them women, working or actively seeking work has topped 67%. The government plans to let refugees exchange temporary protection for a residence permit valid for three years. The number that apply "might be a few hundred thousand, or it could be all of them," says Maciej Duszczyk, the deputy minister of the interior.

Ukrainians contribute much more to Poland's economy as workers and taxpayers than they cost in humanitarian assistance. In 2023, they added as much as 1.1% to GDP, according to Deloitte, a consultancy. Even a fresh exodus from Ukraine would not pose a problem. Poland's unemployment rate is just 2.6%, tied for lowest in the EU. Without immigration, the country's workforce would shrink by up to 2.1m people in the next decade due to ageing, says Andrzej Kubisiak of the Polish Economic Institute, a think-tank. Refugees from Ukraine help plug the gap.

In most of the EU, though, the picture is bleaker. In Germany, the employment rate among Ukrainian refugees was just 43% at the end of 2024. The share is even lower in Italy and Spain, though it is rising almost everywhere. In Germany refugees view the lack of child care as the biggest obstacle. Others, however, blame generous state benefits. Of the nearly 1.2m Ukrainian refugees in Germany, over 700,000 receive a welfare payment of €563 (\$607) per month. Christian Democratic politicians have suggested cutting payments to nudge refugees into work.

Poland may do so as well, as popular attitudes towards Ukrainians harden. The country's ruling Civic Coalition has already restricted its "Family 800+" programme, which pays families a monthly 800 zlotys (\$206) per child, to refugees whose children attend Polish schools. The government is now considering limiting it to those who work and pay taxes in Poland.

In theory the job market in Europe is fully open to Ukrainians covered by temporary protection. In practice refugees struggle to find white-collar jobs. In Poland 48% of foreigners, mostly Ukrainians, are employed in positions below their qualifications. In Germany 72% of adult Ukrainian refugees have university degrees, but most are working in low-skilled jobs or are unemployed. Language can be an obstacle, and recognition of professional degrees and certificates is slow or impossible. Employers are also reluctant to hire Ukrainians because countries might revoke their protected status, analysts say.

Those are surmountable problems. Others are less so. Anzhelika, a music teacher from Vinnytsia, in central Ukraine, cleans homes and packs clothes at a warehouse in Krakow. Like millions of Ukrainians in Europe, she faces an unenviable choice. To stay in Poland would mean more time away from her husband, who cannot leave Ukraine. To go back would be to gamble with her two children's future. "Even if the war ends now, it will start again,"

she says. “Under these circumstances, what kind of mother would want to take her son back to Ukraine?” ■

<https://www.economist.com/europe/2025/03/27/ukrainian-refugees-may-be-in-europe-for-good>

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Vowing not to be silent

A fight over a cloister in tourist-filled Florence

Augustinian friars are protesting against a redevelopment plan

Mar 31, 2025 10:46 AM | Florence



ONE OF THE last quiet spots in tourist-saturated Florence is a cloister adjoining the Basilica of Santo Spirito, the residence of Augustinian friars whose predecessors arrived in the 13th century. Michelangelo lived here for more than a year, and a crucifix attributed to him hangs in the sacristy. This oasis of tranquillity is now the focus of a noisy confrontation. Several floors in buildings around the cloister belong to the Ministry of Defence, which once used them to store documents. In 2021 the ministry tendered a contract to restore the property. The winning (and only) bid came from a firm that plans to convert it into private care homes for the elderly. But no one told the friars.

“We found out by chance in January 2022,” says Father Giuseppe Pagano, the prior. “That is when our battle began.” One might think there are worse neighbours for a religious community than well-to-do old people. But the project has touched a nerve among Florentines who feel they are losing their city to wealthy foreigners. Several historic buildings have been converted to luxury

accommodations, and the historic centre echoes with the clack of suitcase wheels on paving stones. The friars' cause has been taken up by a local pressure group, Salviamo Firenze (Let's Save Florence), whose main target is the proliferation of short-term tourist lets. By 2023, according to an official study, these accounted for more than 40% of housing apart from primary residences.

The Augustinians are pinning their hopes on a meeting next month with the mayor. They have an alternative plan to turn the renovated space into a cultural centre. A spokesman for Italy's defence minister says he has ordered an "in-depth analysis of the legal position". But there is talk of a mass occupation of the closed-off part of the convent, if an attempt is made to start work. "It would be a last resort," Father Pagano cautions. But could it not lead to arrests? "There'll be too many of us: all our parishioners are ready to join us. We know of five or six places where we can get in," he adds with a chuckle that, were he not a priest, might be termed devilish. ■

<https://www.economist.com/europe/2025/03/27/a-fight-over-a-cloister-in-tourist-filled-florence>

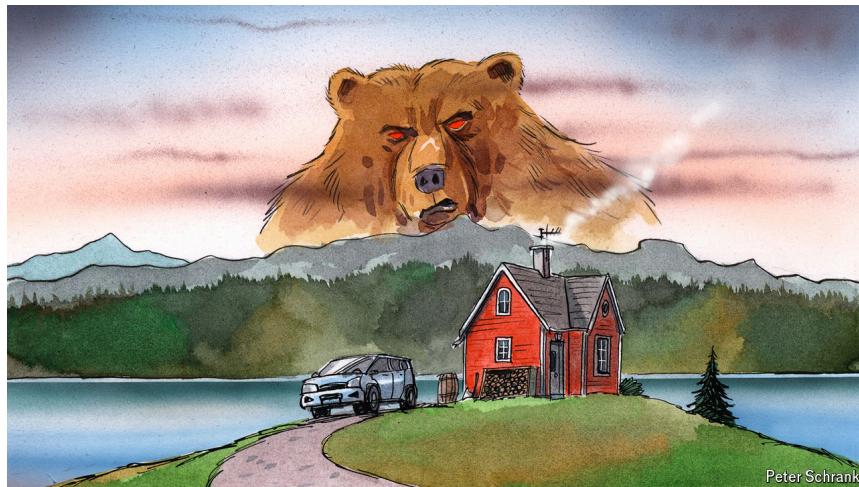
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Charlemagne

The prospect of war has turned Europe into a continent of preppers

Could you survive 72 hours without outside food, water or electricity?

Mar 31, 2025 10:46 AM



IN THE RUN-UP to Christmas, Swedes opening their mailboxes in hopes of greeting cards instead got a chilling reminder of the troubled times they live in. A 32-page brochure mailed by the authorities to the country's 5m households urged citizens to consider how they would behave should Sweden come under attack. “In Case of Crisis or War” is full of practical advice, should an unspecified foe stage an invasion: how to stem severe bleeding (apply firm pressure on the wound), where to find reliable information (tune in to public radio rather than social media) and useful tips on nuclear fallout (radiation levels will fall drastically after a couple of days, apparently). Illustrations of forlorn-looking Swedes sitting in civil-defence shelters ram home the point that war is not something that happens only to other people. It could be you, one day. So what are you going to do about it?

The booklet's purpose is not to frighten citizens, but to jolt them into preparation. A household equipped with basic items—whatever it takes to survive a few days without outside food, water, electricity, heating or Netflix—will be one less headache for local authorities to deal with in times of acute crisis. Such “prepping” used to be a pastime for libertarian types with cabins deep in the woods, a penchant for conspiracy theories and a shotgun under the pillow, not to mention ample piles of tinned goods. These days low-grade survivalism is considered a basic civic duty in Europe. Nordic and Baltic countries, with their harsh winters, proximity to Russia and somewhat dour temperaments, have unsurprisingly led the way. Now governments farther south are taking note. France is preparing its own doomsday booklet for release before the summer. On March 26th the European Commission issued a “preparedness strategy” aiming to make society more resilient to the shocks of war or other crises. It has formally recommended citizens should stockpile 72 hours’ worth of food, just in case.

But what to add to the larder? Every country that has issued guidelines has its own recommendations. The ever-organised Swiss offer a website that can generate a shopping list for aspiring survivalists, based on family size and dietary preferences. A few items recur across Europe. Households need at least two litres of water per person per day just for drinking, and more for cooking and hygiene. A family of four looking to survive a week, as Sweden recommends, should be storing the best part of 100 litres of water. Tinned food, which can be stored without refrigeration and eaten without cooking, is preferable to fiddly grub that requires preparation (wartime is apparently not the moment to attempt that fancy *soufflé* you have been contemplating). Credit cards are good to have on hand, but cash for a week’s worth of shopping and tanking up the car is also useful, should payment systems collapse. A battery-operated radio and flashlight, firewood to keep warm, first-aid kits, duct tape, phone chargers, spare spectacles, iodine tablets, toilet paper, buckets to collect water in, a copy of useful

documents: the list goes on and on. Scandinavians can purchase much of what is needed in ready-made kits, or make their own.

Beyond prodding people to stockpile, state-sanctioned prepping is meant to get a complacent society in the right frame of mind should its circumstances take a sudden turn for the worse. Swedes think of it as part of the realm’s “total defence”, an unwitting homage to dull Italian football tactics. Finns speak of “comprehensive security”, and are more agnostic about the source of threats. A massive cyber-glitch might knock out electricity for days; a natural disaster could cut off the roads supermarkets use to keep shelves stocked. “Whether you are preparing for war or for another crisis, in practice the basic measures you take at the individual level are going to be mostly the same,” says Petteri Korvala, secretary-general of the Finnish Security Committee, which advises the population on preparedness. Such an “all-hazard” approach helps sell the idea to countries far from Russia, too. Covid-19 was a useful reminder that people’s lives can change suddenly.

Above all, authorities want to promote the idea that safeguarding the realm is not just the job of soldiers and police. Businesses, community groups and the wider public play a role in keeping society running, should it come under stress. Places made resilient by a little prepping are less likely to be tested: there is no point in a Russian ship “accidentally” severing a Baltic power cable if the population is well-equipped to deal with the consequences.

Even in the Nordics, citizens’ scout-like instinct to “Be Prepared!” fell into abeyance after the end of the cold war. (The Swedish pamphlet is an update of advice first proffered in 1943, discontinued in 1991 and then revived in 2018.) In the same way a peace dividend allowed governments to cut defence budgets, the public was able to stop thinking about what war might mean for them. No longer. Germany is among the places building lots of new shelters (they are still plentiful in places like Switzerland and Finland). Conscription is being considered across the continent. On

March 7th Donald Tusk, Poland's prime minister, laid out plans for all men to get some form of military training.

A stitch in time

Getting Europeans mentally prepped for worse things to come carries a broader, more sobering message: there are limits to what the state can do for its citizens. Should crisis hit one day, a populace accustomed to being mollycoddled from cradle to grave might have to fend for itself, at least for a while.

Taking heed of the new mood, Charlemagne took a detour to the supermarket to get his family war-ready. A cupboard under the stairs now includes a stock of water next to the wine (also useful in case of lockdown). The larder now bulges with tinned beans. The first-aid kit has been refreshed. If that seems like overkill, remember what the Finns say: “You can only prepare in advance.”



<https://www.economist.com/europe/2025/03/27/the-prospect-of-war-has-turned-europe-into-a-continent-of-preppers>

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Britain's wimpish effort to balance its books

It is only storing up trouble for the future

Mar 31, 2025 10:42 AM

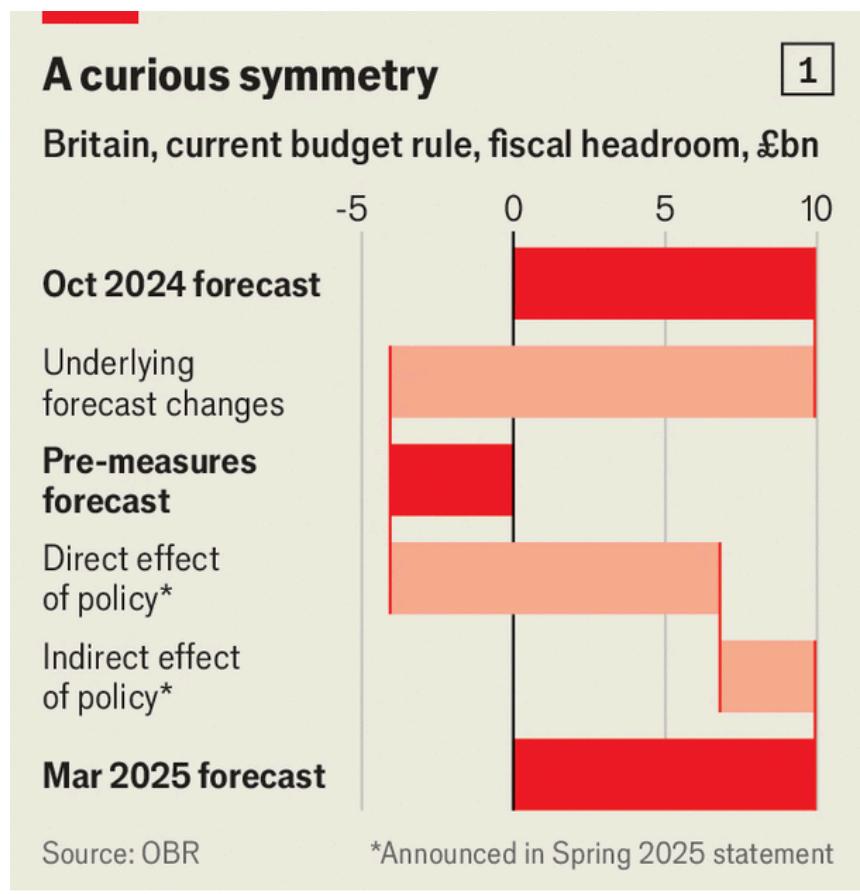


Getty Images

RACHEL REEVES may not have called her Spring Statement on March 26th a budget, but it certainly felt like one. Speculation grew in the preceding weeks over exactly how deep a fiscal mess Britain's chancellor had got herself into. Billions in welfare cuts were pre-announced, and then hastily expanded after a spat with the Office for Budget Responsibility (OBR), the fiscal watchdog, over how much they would actually save. The announcements, when they finally came, left Britain's public finances looking about as rickety as they had been going in.

Britain, like most of its European peers, is caught in an unpleasant fiscal pincer. On one side is geopolitics: a growing need to raise defence spending, which Britain has funded so far by all-but-ending its independent foreign-aid efforts, plus a looming risk that tariffs and a trade war wreak economic havoc. Ms Reeves stressed that Britain has been buffeted by "heightened uncertainty". And on the other side is a population that is getting older and sicker,

underpinning a pension, health-care and welfare bill that is growing much faster than GDP, or the tax base.

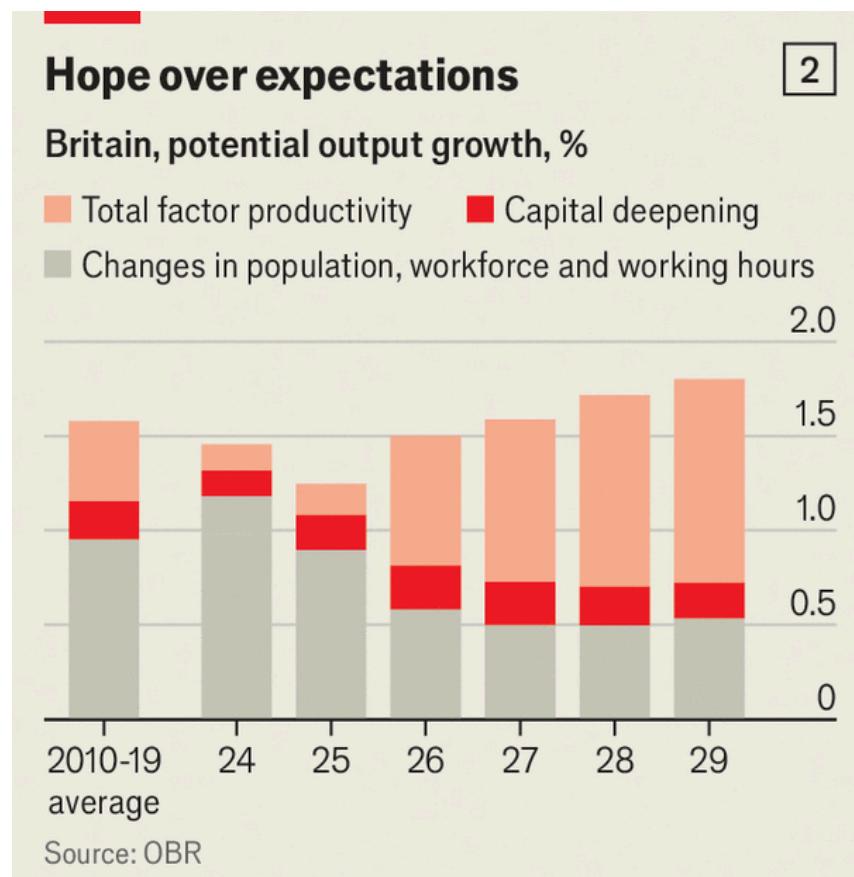


The Economist

The chancellor managed to punt those challenges forward, for now. After starting £4.1bn (\$5.3bn, 0.14% of GDP) in the red on her self-imposed fiscal rule that Britain's day-to-day spending be balanced by 2029-30, she restored fiscal headroom to £9.9bn — where it was after October's budget. She achieved this mainly thanks to welfare cuts, paring back raises in departmental spending, a tax-avoidance crackdown and convincing the OBR that housebuilding plans would raise growth (see chart 1).

Pulling off that manoeuvre won Ms Reeves cautious plaudits within her own party, where ire had been brewing over benefit cuts and a surreal micro-scandal where she received free tickets to a performance by Sabrina Carpenter, a Gen-Z pop artist. “Maybe we should have believed her all along,” said one Labour MP.

That optimism could easily sour as the next budget, due in the autumn, draws closer. Gilt yields, which thwarted Ms Reeves's last attempt to stay on the right side of the fiscal lines, have risen by around 25 basis points (0.25 percentage points) since mid-February, when the OBR froze its forecasting assumptions. That alone will knock Ms Reeves's fiscal headroom down by a few billion. If Britain were hit by 20% American tariffs, which in principle could come as early as next week, that would also push Ms Reeves's fiscal space to near-zero, the OBR reckons.



The Economist

Trouble is more likely to come, though, from a downgrade to the OBR's forecasts for productivity. These have long been sunnier than those of most other economy watchers, including the Bank of England, enabling successive chancellors to dial up borrowing. Productivity growth in Britain flagged after the financial crisis of 2007-09 and has stayed low for the past 15 years. Recently, it has become even worse. But the OBR, unusually, still expects

productivity growth to rebound to well above 2010s levels within a few years (see chart 2).

Without that boost, Britain's public finances start to look painfully shaky. During the latest round of forecasts, the OBR introduced “upside” and “downside” productivity scenarios—a move that could be interpreted as laying the groundwork for a downgrade in the autumn. In the “downside” scenario, which assumes that productivity growth stays where it is, Britain would land in a £48bn fiscal canyon by 2029-30: a deficit worth nearly half the size of the education budget. Even nudging a little in that direction would be painful.

One way out could be if the government manages to persuade the OBR that the full suite of its reforms to the planning system—only an early tranche of its housebuilding plans were assessed this time—will durably boost growth by enough to cushion a broader downgrade. But that effort could cut the other way too: the OBR also has not scored the government's planned workers'-rights reforms, which will probably choke growth.

Planning-reform advocates in Labour hope that support from the OBR prompts a virtuous feedback loop, driving ministers to look for more untapped supply-side dividends which could justify career-saving forecast upgrades. “It's nice to have everything I believe in vindicated,” said one Labour MP in that camp.

But a return to the “tax lever”, which Ms Reeves and Sir Keir Starmer, the prime minister, swore off during the election campaign, may be inevitable. A comparatively painless first step would be to freeze personal-tax thresholds into 2029-30, which would raise around £8bn. Finding much more, though, would almost certainly mean breaking Labour's unwise pledge not to raise the rates of VAT, income tax, or national insurance in this parliament.

At a minimum, by leaving such a narrow margin of fiscal headroom, again, Ms Reeves has guaranteed a further half year of fiscal shadowboxing ahead of the budget. That uncertainty alone could well weigh down on growth.

Growing pain

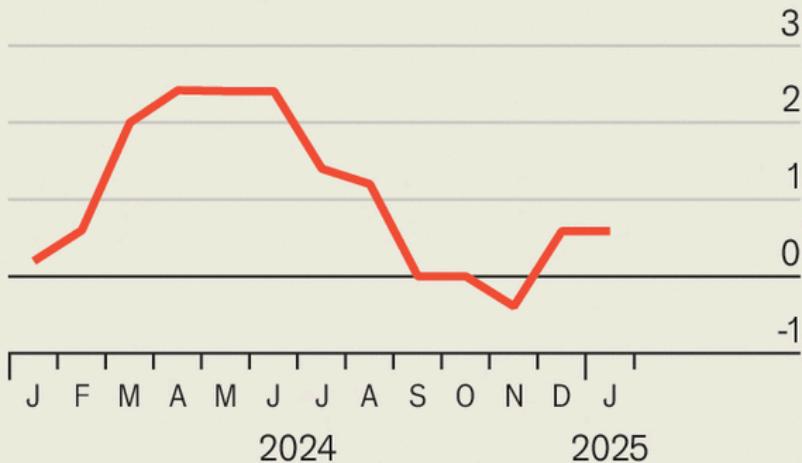
Broader economic news has not been inspiring recently, either. Many in Labour hoped that growth would pick up after their election victory, simply by promising less chaos than the country experienced under the Tories. Clearly, that has not manifested itself. Instead, after a surprisingly sprightly first half to 2024, GDP growth sagged after the summer.

Hope springs

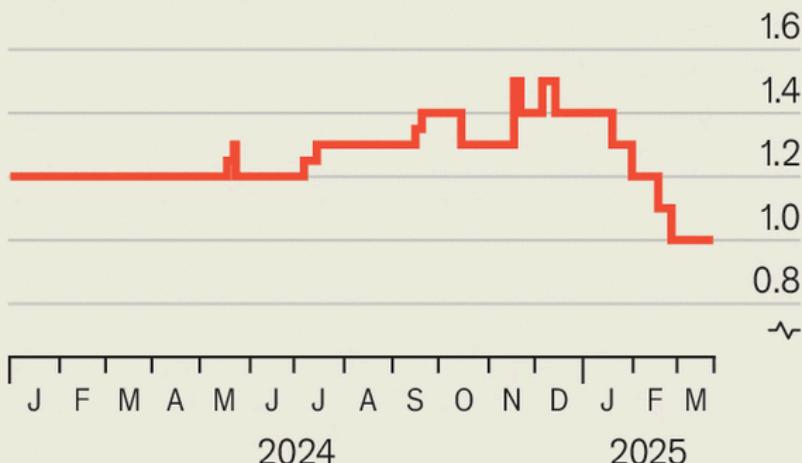
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Britain, GDP, %

Six-month change, annualised



2025 consensus forecast



Sources: ONS; Bloomberg

The Economist

Over the past few months, forecasters in the City of London, the Bank of England and the OBR have each shaved down their estimates for growth in 2025 (see chart 3). Hopes for a reprieve from interest-rate cuts have also dimmed. Annual inflation has edged up to nearly 3% and looks set to stay there for much of the year, so a big move by the Bank of England will not happen for a while, absent a serious slowdown.

Optimists point out that the latest purchasing-managers' index, a decent proxy for growth, picked up unexpectedly last month. And the pain from October's budget has probably been front-loaded, as businesses grumbled about higher taxes. Over the next few months, the tens of billions in extra public spending that Ms Reeves funded with taxes and extra borrowing should start to hit the economy.

This government's central bet has been to go all-in on growth—to deal resolutely with fiscal challenges, win back voters flirting with populist outfits like Reform UK and boost Britain's standing in the world. As a theory of governance, there is much to commend it. But it will take reforming zeal, not just a smattering of sensible fixes, to make that bet come good. Ms Reeves and her colleagues have more to do to prove they are up to the task.■

<https://www.economist.com/britain/2025/03/27/britains-wimpish-effort-to-balance-its-books>

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Calendar quirk

Why does the British tax year end on April 5th?

December 31st would be simpler, but nothing about the British tax system is simple

Mar 31, 2025 03:04 PM



Getty Images

FOR BRITONS the end of the tax year looms on April 5th. Why such a seemingly random date?

In the Middle Ages England's tax year—or a nascent version of it—ended on Lady Day, March 25th, a religious festival by when debts had to be settled. The country, like most of Europe, used the Julian calendar. But Julius Caesar's system was flawed, and in 1582 continental Europe, on Pope Gregory XIII's orders, shifted to a more accurate model. Protestant England resisted.

By the mid-18th century England was 11 days behind the continent, creating scope for confusion in trade and diplomacy. To catch up it made a one-off excision of a week and a half from September 1752. People would go to sleep on September 2nd and wake up on the 14th.

At the time, tax was charged not on income but on land and windows. These were annual payments, so to keep the tax period at 365 days people were given 11 extra days to settle their bill. Then, in 1758, the window-tax year was explicitly extended by 11 days, to April 5th. This was the date used when William Pitt the Younger introduced income tax in 1799, and has marked the close of the tax year ever since.

Some may see this as an example of Britain's loveable eccentricity, others as a symbol of the arcane nature of the British tax code itself. The April date puts Britain at odds with countries such as America, France and Germany, all of which harmonise with the calendar year. Indeed, it does not coincide with the British government's own financial year, which begins (don't ask why) on April 1st.

The Chartered Institute of Taxation, a body for tax professionals, says getting in sync with other countries would increase efficiency and reduce friction. Despite its name, the Office of Tax Simplification (OTS), an independent body within the Treasury, pointed in a 2021 report to the administrative effort that would be involved in changing the date, though it conceded that “a tax year aligned to the calendar year would be the natural, simplest and easiest approach”. Don’t hold your breath: the OTS was abolished in 2023. ■

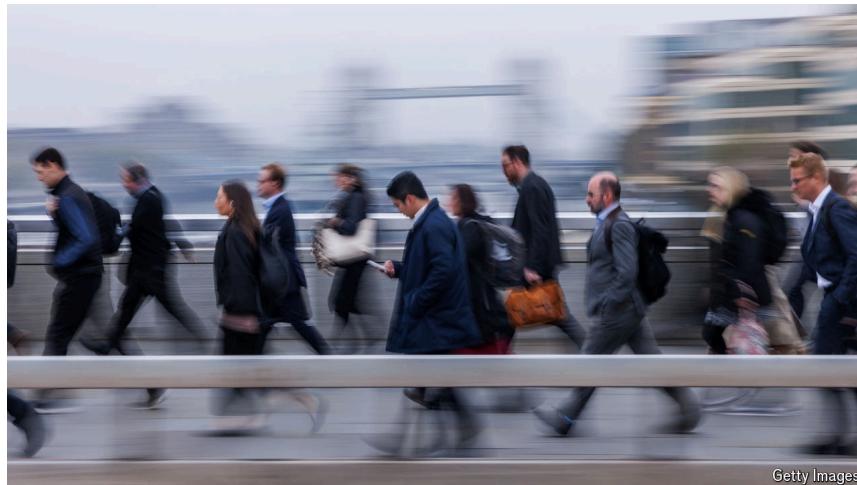
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Meta data

New data show that the class divide in Britain may not be so wide

They make the country look better than America

Mar 31, 2025 10:43 AM

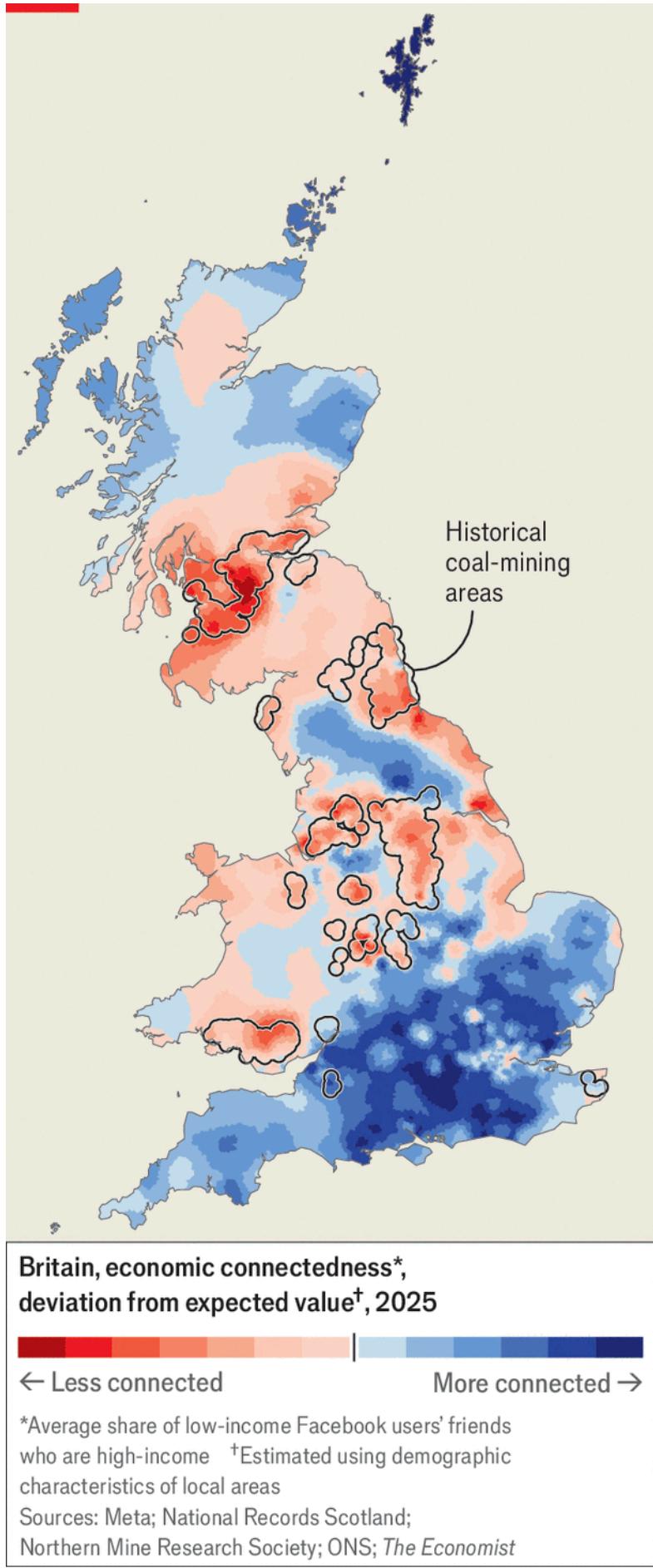


Getty Images

“BUILDING SOCIAL capital will not be easy, but it is the key to making democracy work,” wrote Robert Putnam, an American political scientist, in 1993. He found that places where people trust and collaborate with others beyond their immediate social circles fared unusually well on a wide range of political and economic measures. His argument has gained traction as satisfaction with democracy has sunk to record lows globally. But Mr Putnam might strike a more optimistic note in his lecture at the Royal Society of Arts on March 24th. He is introducing research by [Meta](#), the social-media giant that operates Facebook, showing that Britons are more “economically connected” than Americans—a measure of social capital.

Meta’s research draws on evidence from 6bn [Facebook](#) “friendships” in Britain (a sample size big enough to make statisticians blush) and builds on methods established in America. In 2022 researchers led by Raj Chetty of Harvard University used

Meta's data to show that friendships that cross class lines are associated with greater social mobility and reduced poverty. Meta's new data set is the first of its kind outside America and paints Britain in a favourable light. Among Britons with low socioeconomic status, 47% of Facebook friendships are with high-status users, compared with just 39% in America. Although Britain is still divided (60% of high-status users' friendships are with other high-status users), the results might come as a surprise to class-conscious Brits.



To investigate the matter, Meta (together with Behavioural Insights Team, a research consultancy) uses machine learning and Facebook's extensive data to label users as having low or high socioeconomic status, then calculates the share of low-status users' friends who come from the high-status group. Meta finds that this index of economic connectedness is associated with a striking range of outcomes, including greater trust in other people, higher self-reported happiness and higher incomes among adults from lower-status backgrounds.

Although Britain is more economically connected than America on the whole, Meta's data also show big geographic variation. Some of this can be explained by demography. Most friendships are local, so economic connectedness is necessarily lower in areas with fewer high-status users. Many cross-class friendships are formed in schools and universities, so areas with more educated residents tend to be better connected. Rural neighbourhoods, areas with fewer immigrants and those with more old people tend to be more economically integrated.

But even after accounting for these factors, analysis by *The Economist* finds that geography is the single best predictor of economic mixing. In particular, the legacy of heavy industry appears to cast a shadow over the structure of friendships in Scotland, Wales and northern England. Overlaying the locations of historical coal mines on the map of connectedness, for example, reveals a conspicuous relationship (see map).

These patterns pose a challenge for researchers. If economic connectedness is bound up with the legacy of historical industry, it is difficult to accurately estimate its true effect on incomes or well-being. Having accounted for local patterns, *The Economist* was not able to find a significant effect of economic connectedness on the incomes or emotional well-being of respondents to the British Election Study (BES) between 2014 and 2023.

Our analysis found much stronger evidence that friendships between rich and poor shape political attitudes. In the BES, connectedness appears to dampen populist, anti-rich economic beliefs, and to lead voters to be more socially liberal and accepting of immigration. Adding to the evidence for Mr Putnam's theory, we found that (even after accounting for other variables) respondents in areas with the lowest economic connectedness were six percentage points less likely to agree that "most people can be trusted", three points less likely to be satisfied with democracy and two points more likely to agree with the idea of a "strong leader who does not have to bother with Parliament or elections".

Although they are statistically robust, these effects are quite small. That could in part reflect Meta's methodology. While Britain is relatively well-connected between the top and bottom halves of society, the measure used to construct Meta's index, the divides are bigger at the extremes. Meta finds that people in the top 10% of the income distribution have over three times the share of friends from that decile than those in the bottom 10%.

Like John Cleese towering over Ronnie Corbett in their comic portrayal of the class system, the top and bottom rungs of society might not often look each other in the eye. But for the sake of liberal democracy, it is good to know that Britain is not as economically disconnected as you might have thought. ■

<https://www.economist.com/britain/2025/03/24/new-data-show-that-the-class-divide-in-britain-may-not-be-so-wide>

Critical infrastructure

Heathrow's outage raises questions about Britain's resilience

If a fire at a substation can knock out Europe's biggest airport, what about a Russian attack?

Mar 31, 2025 10:43 AM



AS THE FIRE blazed, planes were grounded and hundreds of thousands of passengers waited, a question rang out: deliberate sabotage or humdrum system failure? The substation fire that shut Heathrow for most of March 21st turned out to be the latter—prompting a blame game between the airport and Britain's electricity-system operator. (Heathrow's chairman, Lord Deighton, also chairs The Economist Group.) The ease with which such havoc was caused raises questions about the country's resilience in an increasingly dangerous world.

The main culprit for the shutdown seems to be Heathrow's failure to plan for such a fire. It took over 12 hours to reopen, despite having access to two nearby substations. The lack of a plan may have sprung from complacency: Britain has long been thought to have one of the most reliable power systems in the world. Other

critical infrastructure assets, including hospitals, appear to similarly lack plans.

National Grid, which operates Britain's electricity grid, is also under attack. Modern transformers, which increase or decrease voltage for transmission, contain concrete blast walls designed to protect against fires. One reason the fire spread quickly is that the 1960s substation serving Heathrow did not. Experts warn that much of Britain's critical infrastructure—which includes energy, water, transport, health and defence sites—is poorly maintained.

The shutdown will cost airlines and insurers hundreds of millions of pounds, and will harm Heathrow's reputation. Analysts at Jefferies, a bank, reckon it could knock as much as 3% off profits at IAG, the parent company of British Airways, which operates half of all flights at Heathrow. The airport has backup systems only for critical operations, such as runway lights and the air-traffic control tower. More infrastructure operators may need to invest in backup supply, says Simon Gallagher of UK Networks Services, a consultancy.

At least as remarkable was the speculation by security experts that this could have been a hostile attack. Such an escalatory act would have been considered implausible only three years ago. But the war in Ukraine has seen Russia's appetite for risk grow prodigiously. Western officials accuse it of sponsoring a campaign of sabotage, which extends from attacks on cabling in the Baltic Sea and railway signalling in the Czech Republic to causing fires in warehouses in Britain and Germany.

Attacks have been planned on Britain's critical infrastructure before. In the mid-1990s the Irish Republican Army schemed to knock out London's power supply for months by blowing up six electricity substations. It failed only thanks to moles. Western European countries are starting to grasp their vulnerability to such attacks from a more capable opponent.

Britain's national risk register, published in January 2025, judges both system failures and hostile attacks on critical infrastructure as serious risks. It sees conventional attacks as less likely than cyber-attacks, with less than 5% probability within five years, but they would cause greater disruption. The list of targets includes not just the grid and airports, but fibre-optic cables, railways, ports and hospitals.

While this shutdown was merely bad planning, it should be a wake-up call. "I'm not sure we've given enough thought to the potential for sabotage," says Lord Harris of the National Preparedness Commission, a think-tank. "The chaos this event caused is an open invitation to hostile actors." ■

<https://www.economist.com/britain/2025/03/27/heathrows-outage-raises-questions-about-britains-resilience>

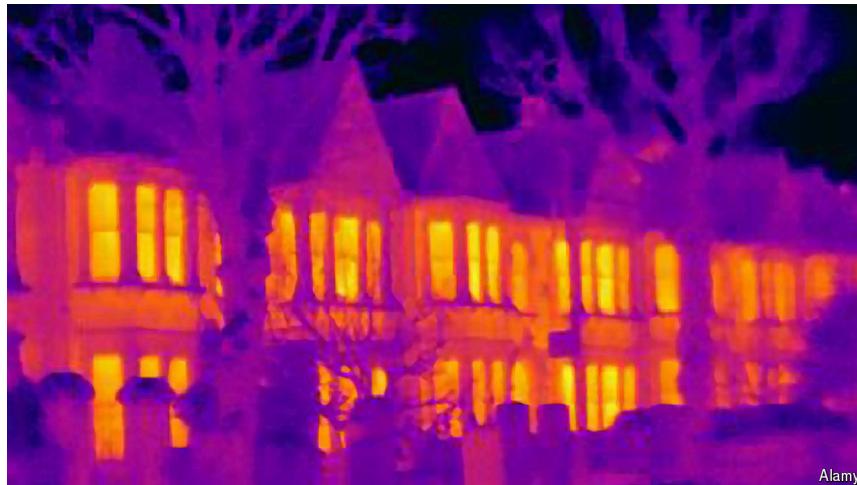
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Draught-dodgers

Can Britons be enticed to fix their draughty homes?

It is easier said than done

Mar 31, 2025 10:43 AM



Alamy

BRITAIN'S STREETS of Georgian row houses and Victorian terraces may be easy on the eye but they are not easy on the wallet. The country has some of the oldest, worst-built and draughtiest housing stock in Europe. One-in-four pounds spent on heating homes is lost through poor insulation. After energy prices quadrupled three years ago as a result of Russia's invasion of Ukraine there was a renewed imperative to fix them up. What has happened since?

Not much. The Conservative government was distracted. Now Labour is working on a "Warm Homes Plan", led by Miatta Fahnbulleh, junior minister for "energy consumers" in the Department for Energy. Her "lodestar", she says, is lowering household bills because the "crazy oscillation in prices has been hugely upsetting for families". Bills will rise by 6% on April 1st.

As well as lowering bills, insulating homes is a necessary part of the commitment to achieve net-zero greenhouse-gas emissions by 2050. Housing accounts for one-quarter of Britain's energy consumption and one-seventh of emissions. For net zero, the carbon footprint of housing needs to fall by 40% over the next decade. That mostly entails replacing gas boilers with heat pumps powered by electricity. Fewer than 2% of homes in Britain are warmed by a heat pump, compared with 21% in France. According to the Climate Change Committee, which advises the government on emissions targets, by 2035 the figure needs to rise to 25%.

Policymakers want owners to insulate their buildings, too. First, because it will help them save money. Second, because heat pumps will increase the demand for electricity. As the most thermally efficient homes use 40% less energy than poorly insulated ones, unless homes are insulated first, the electricity grid may fail to supply enough power at peak times.

Britain assesses the thermal efficiency of housing using an “energy performance certificate” (EPC). Registered assessors briefly inspect a home, noting its age, construction material and the presence of retrofitting such as loft insulation and double-glazing. Every home must have an EPC—which is valid for ten years—before it is marketed for sale or rent. The headline figure is a measure of a home’s total cost of energy per square metre of floor space and bucketed into ratings from A (the least costly homes) to G (the most expensive).

Yet this system, introduced 18 years ago, is not fit for purpose. Because its headline metric is based on cost not carbon, it penalises the introduction of heat pumps, which can be more costly to run than gas boilers. And an EPC makes too many assumptions about energy prices, behaviour and weather to be a meaningful tool for households. As a result, there is a 20% gap between the theoretical use implied by an EPC and real-world bills.

In response, the government has proposed that the single EPC figure be replaced at the end of 2026 with half a dozen new metrics. It also wants to introduce a more thorough energy-assessment process (the “home energy model”) and mandate that it be done every three to five years. This risks overwhelming households. “If my gran doesn’t understand it,” says Ms Fahnbulleh, “we’ve got it wrong.”

Retrofitting Britain’s draughty homes is easier said than done. The Labour government wants 6m rented homes to meet a minimum energy-efficiency standard of EPC C (or its equivalent) by 2030. And all new tenancies will have to meet this standard by 2028. An estimated 3.7m homes—2.5m of them in the private-rented sector—will not make the grade. Landlords will need to demonstrate that they have spent at least £15,000 (\$19,300) on improving their property before they are given an exemption for a non-compliant building.

That has set the cat among the pigeons for baby-boomers with draughty buy-to-let portfolios. Landlords (median age, 59) already feeling the heat because of changes to tenancy law and the investment benefits of property may simply decide to sell up.

Meanwhile, the government’s plans for 1.5m homes to be built during this five-year parliament—a 30% rise on the last one—will also go some way to derailing its net-zero goals. That is because the “Future Homes Standard”, which mandates a de-facto ban on gas boilers in new properties, has taken far too long to implement. Until its full implementation in 2027, about 700,000 new homes will have been built that will (eventually) need to be retrofitted with a heat pump. It is, Ms Fahnbulleh admits, the “definition of madness”.

She does not want to “force it [retrofit] down people’s throats”, but instead seeks to devise a set of incentives and support schemes that will make retrofitting a “no brainer”. The government already

offers £7,500 grants for households to install heat pumps and has pledged £13.2bn for retrofitting over the five years of this parliament. Yet such funding will be dwarfed by the £60bn that the previous government spent on capping household bills after gas prices spiked in 2022. Ms Fahnbulleh is in a hurry to make progress before disaster strikes again, she says, “because we know another crisis will come.” ■

<https://www.economist.com/britain/2025/03/27/can-britons-be-enticed-to-fix-their-draughty-homes>

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Hospital pass

What is the future of British hospitals?

A glittering new one near Birmingham is not it

Mar 31, 2025 10:43 AM | Smethwick



SITTING IN THE Midland Metropolitan University Hospital (MMUH) in Smethwick, near Birmingham, Francis Gallagher, one of its architects, explains its novel features: its compact design, with car parks, clinics and wards stacked on top of one another; its distinctive roof, a giant pillow of plastic, under which walkways glow with a soothing natural light; its winter garden, full of cherry trees, and a restaurant where locals come to enjoy affordable meals. “It’s a new model for hospitals,” says Mr Gallagher of the £850m (\$1.1bn) project.

Five years ago this was true. In 2020 the MMUH topped a list of 40 “new” hospitals promised by the then prime minister, Boris Johnson, by 2030. The aim was to help the National Health Service (NHS) “build back better” after the covid-19 pandemic. Not all the proposed hospitals were actually new. The state had already rescued the MMUH project after Carillion, the private contractor responsible for financing and building it, went bust in 2018. Some were extensions or refurbishments. Still, the vision was clear.

Standardised designs would help cut costs and reduce health inequalities in poorer areas like Smethwick. It would be the largest state hospital-building programme in a generation.

That vision has proved illusory. In January Wes Streeting, the health secretary, said the plan had been unfunded and undeliverable, and would be delayed: some contractors would not break ground until 2039. The Labour government has shifted not only timelines, but priorities. It is pledging to move billions out of hospitals and into the community; far from fighting a pandemic, this government is now preparing to fight a war in Europe. The future of hospitals looks uncertain.

There is a logic to investing in hospitals, which treat the sickest and offer scale for specialists and kit. Long thought of as the vertebrae of the health-care system, this crucial backbone is aged and arthritic. A maintenance backlog of £14bn (\$18bn) includes hospital buildings propped up with scaffolding. City Hospital, which the MMUH replaced, opened in 1889. Its wards, based on designs by Florence Nightingale, were often ravaged by infection.

New buildings enable hospitals to modernise. MMU's grid structure is intended to make it easier to adapt to new technologies. Whereas the old Nightingale wards were designed so that a matron could see her patients at all times, at the MMUH most patients have side rooms for privacy.

Yet hospitals also seem anachronistic. Between 2006 and 2022 the share of the NHS budget spent on them rose from 47% to 58%, squeezing funding for primary and social care. In a system starved of capital, many argue that cash should go towards refurbishing existing buildings and crumbling general practices. "The new-hospital programme should be scrapped," says Rosie Beacon of Reform, a think-tank.

Hospitals are doing more beyond their physical walls. Wards are increasingly virtual. When the trust moved patients from City hospital to the MMUH, it was able to discharge dozens of frail patients to be monitored at home. When done well, virtual wards can be safer for patients, relying on wearables to transmit data about vital signs rather than the usual manual checks.

Hub and bespoke

Some 100 miles east of the MMUH at Addenbrooke's Hospital in Cambridge, a team of five nurses, a pharmacist and two doctors can care for 75 patients at a time out of a back office. Their virtual wards saved 7,900 bed days for the hospital last year, across 32 specialties. Dr Iain Goodhart, the scheme's clinical director, reckons at least three-quarters of inpatients could benefit from such care, by delaying admission to hospital or shortening stays.

Partnerships beyond the hospital matter more and more. Dr Goodhart is trying to strengthen links with general practitioners. The MMUH has been working with nursing homes to create proactive care plans for residents. Ideally, "you should only be in hospital if you need surgery, specialist or intensive care," says Dr Sarb Clare, one of the trust's senior consultants.

As hospitals begin to act differently, they will probably start to look different, too. Some may contain command centres to co-ordinate care; others will function more as campuses, including primary care and clinical-research labs. Staff will rotate more between hospital networks or spend time in satellite hubs: at odds with the new-hospital programme's aims of standardisation. "We're no longer thinking that a hospital in Manchester should look and feel like one in Frimley [a small town south of London]," says Siva Anandaciva of the King's Fund, another think-tank.

None of this means that shiny new buildings are irrelevant. Older, sicker populations mean there will be a growing demand for acute

care. The evidence for virtual wards remains mixed; cost pressures mean some are likely to be closed. Hospitals play important roles as anchor institutions: a learning campus soon to open opposite the MMUH will strengthen links with local colleges, and provide 750 new homes. An independent study found that the project would offer a return on the investment of around four to one.

The government must decide what it wants from the hospitals of the future. Then it will have to work out how to pay for them. One suggestion mooted by the outgoing chief executive of the NHS, Amanda Pritchard, is to bring back private-finance initiatives for capital projects. Here, too, the MMUH offers a lesson. Mr Johnson could not build the hospitals of the future, but neither could Carillion. ■

<https://www.economist.com/britain/2025/03/27/what-is-the-future-of-british-hospitals>

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Bagehot

Who will speak for Henry?

The “High Earner, Not Rich Yet” is the most overlooked voter in British politics

Mar 31, 2025 10:44 AM



IT IS HARD to feel sorry for someone who boasts about their £460 (\$600) Sony headphones. It is difficult to worry about the finances of a person who rests their head on a £1,700 Tempur Elite mattress. It is almost unnatural to feel sympathy for a 30-something who posts a picture of their bank account containing £100,180.79, with the caption: “Charlie Munger famously said, ‘The first 100k is a bitch.’ Well, suck it Charlie. I did it!”

The High Earner, Not Rich Yet (Henry) forum on Reddit, a website, from which these examples come is a safe space for those on six-figure salaries to boast about their wealth and moan about their lot. It is the natural home of an overtaxed and underappreciated Briton, whom politicians should ignore at their peril. Pity poor Henry. He has it harder than you think.

For starters, Henry’s tax affairs are painful. Overall, the tax take is close to its highest level since the second world war. Middle-

earners have it good. Still-generous tax-free allowances of £12,750, recent cuts to employee national insurance and a basic rate of income tax at its lowest level in the modern era mean that the average earner is lightly taxed.

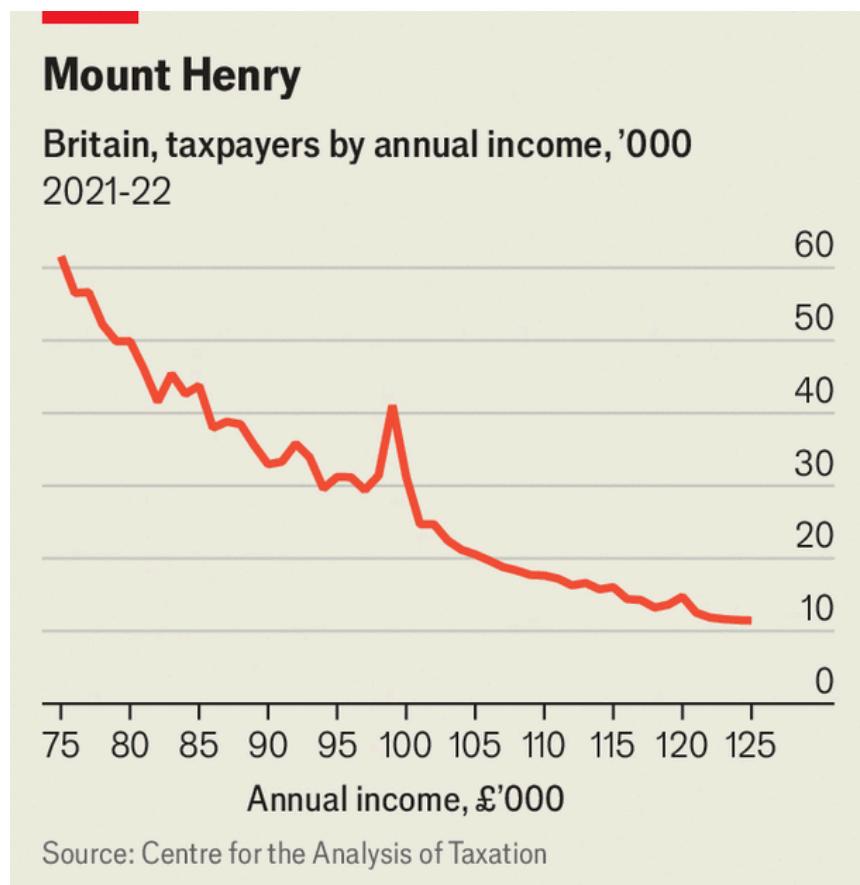
By contrast, Henry is hosed. At £100,000, the removal of the tax-free allowance creates a 60% marginal tax rate for those lucky enough to have a fat salary. When national insurance and student-loan repayment—which act like a tax—are included, a young high-flyer can face a 71% rate. It is not quite 1960s levels, when The Beatles moaned about “one for you, 19 for me”, but it is not far off.

Henry misses out on perks others enjoy. The Conservatives introduced lavish free child-care allowances, which are worth tens of thousands. Yet Henrys are excluded. When all this is put together, a Henry in London with two children under five is better off earning £99,999 than £149,000. Tax experts must often explain that tax rates ensure there are no gigantic losses when income crosses a certain threshold. In England, however, earning one pound over £100,000 can cost thousands.

No party is in a rush to fix this. Henry looms small in the political imagination. Fundamentally, Labour is not designed to care for the rich. Henry has been evicted from what should be the natural home of grasping yuppies: the Conservative Party. A typical Henry is a youngish, white-collar worker in London, sending emails that somehow generate economic value—the type of voter the Conservative Party now, bizarrely, holds in contempt.

Even the Liberal Democrats, who today dominate England’s prosperous south, are squeamish about pandering to Henry. They are silent on the tax treatment of Britain’s best-paid workers. Reform UK, the challenger to Labour and the Tories, offers little to Henry. At the last election, Reform UK did worst among households who earned £70,000 or more and best among those earning less than £30,000. It is not yet a party for people who spend

£250 a year on the American Express card that gives more air miles.



The Economist

Ignoring Henry comes with political risks. There are more Henrys than many politicians suppose. In total, about 1.8m people earn more than £100,000 a year. When the next election heaves into view, about 2.2m will, according to the Institute for Fiscal Studies. For context, at the last election, about 2m Conservative voters shifted to Reform UK, which was enough to trigger talk of political revolution.

Since no one will look out for Henry, Henry has begun to look out for himself. TikTok is awash with financial advisers hawking tax-efficiency strategies to people on £100,000 plus. The topic of how to qualify for free child care is so common on the Reddit Henry forum that some users want it banned. It is a mistake to assume that people are automatically rational actors who will milk a system for

all it is worth. They can however be trained. *Homo economicus* may not exist; *Homo redditus* does.

These lessons are already spreading. About 10,000 more people earned between £99,000 and £99,999 than you would expect in 2022, according to Arun Advani, director of the Centre for the Analysis of Taxation, as people ducked under the Henry threshold. Teaching a generation of rich workers about the joys of tax efficiency is hazardous when the tax base is so narrow. After all, Henrys account for about 5% of taxpayers but nearly half of all income-tax receipts.

Britain may be desperate for growth, yet it has devised a tax system that encourages Henry to take things easy. Why not try a four-day week? The direct financial hit is small; the perks—such as free child care worth tens of thousands of pounds—are large. But the consequences are ugly. The British Medical Association, which represents Dr Henry, the most sympathetic example of the species, argues tax kinks mean its members work less than they would. A lawyer clocking off early is no bother; a surgeon doing a four-day week means granny waits longer for a new hip.

Nor is this likely to be a short-term problem. What happens if Henry tires of his four-day week? Early retirement looms. Britons can stuff £60,000 tax-free into their pension each year to lower their taxable income and avoid swinging rates. If rich Britons are forced to oversave in their 30s, they can crack open a bulging pension pot in their 50s. Come 2050, many of today's Henrys will have put their feet up.

It's an inequitable life, Henry

If politicians will not fight for Henry out of political interest or for the sake of the economy, perhaps they will take a look out of self-interest. Parliamentarians have enjoyed healthy wage growth in the past decade. Each will earn nearly £94,000 from April. By the end

of the parliament, an MP will likely earn a smidge over £100,000. The House of Commons will become a House of Henrys. Maybe they will fix it then. ■

<https://www.economist.com/britain/2025/03/26/who-will-speak-for-henry>

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Trumplash

Donald Trump is affecting politics everywhere

The effects are often unexpected

Mar 31, 2025 11:14 AM | LEGNICA



Getty Images

EACH TIME Slawomir Mentzen speaks, the crowds seem to get larger. In a matter of weeks the 38-year-old far-right firebrand has leapfrogged to second place in Poland's presidential contest. Mr Mentzen once said his party opposed "Jews, homosexuals, abortion, taxation and the European Union". Now, he has a powerful new message: thinly veiled antagonism for Ukraine. A recent poll suggests that one in five Polish voters supports him.

Opponents of wokery, immigration and liberal internationalism in Europe and elsewhere expected President Donald Trump's return to the Oval Office to kindle voters' enthusiasm for their cause. At first glance, it would appear that Mr Trump is indeed bolstering the hard right in Poland, too. At a recent rally for Mr Mentzen in the small city of Legnica, a boyish supporter with a sharp haircut told the crowd that "in America, people woke up...they chose Donald Trump." Drawing a parallel closer to home, he insisted that "all over the world, you can hear the same thing: enough." But look a bit deeper and a different picture emerges, for Mr Mentzen's rise

comes at the expense of Poland's main hard-right party, Law and Justice (PiS).

This splintering of the right-wing vote in Poland is not just a clear example of how Mr Trump is disrupting politics elsewhere. It also shows how he is affecting politics in ways that are often unexpected and are certainly unpredictable. Even as Mr Trump and his MAGA movement set about deliberately reshaping American politics, the waves they are making at home are rocking parties around the world. In some cases he is bolstering incumbents, many of them with centrist, liberal or even left-wing views that are antithetical to his America First policies on immigration, trade and defence alliances. In others he is splintering support for parties on the right, or creating problems for their leaders, because of his quarrels with America's allies and his soft touch for Russia.



This “Trump effect” is strongest in countries where the American president has picked fights (see chart 1). Since Mr Trump berated Volodymyr Zelensky in the Oval Office in February, support for Ukraine’s president has shot up by ten points, to 67%. Canada’s incumbent Liberal Party has seen an even more impressive 23-point bounce since December, after Mr Trump started a trade war with it and with Mexico.

This may be partly down to the resignation of its leader, Justin Trudeau, but not entirely: the former prime minister’s approval rating has soared by 14 points. Mexicans are also rallying round their flag—and their president, Claudia Sheinbaum, who has gained seven points, to win approval from an emphatic 71% of voters. In Denmark support for the incumbent Social Democrats has risen by five points since Mr Trump spoke of buying or seizing Greenland from it.

MAGA’s international allies (who describe themselves as “national conservatives”) had expected Mr Trump’s victory to make radical right-wing politics more credible with voters elsewhere. Shortly after Mr Trump took office, leaders of Europe’s populist right gathered in Madrid, claiming they would “Make Europe Great Again” too (though, to their chagrin, the acronym MEGA has not really caught on). Viktor Orban, the prime minister of Hungary, said: “The Trump tornado has changed the world in just a few weeks.”

But a populist Trump-bump has failed to materialise, despite efforts by many of Mr Trump’s lieutenants to make his administration and the wider MAGA movement an inspiration to and example for right-wing populists around the world. Among their priorities has been to withdraw American funding for initiatives that promote diversity, equity and inclusion abroad. In February, while in Germany, J.D. Vance, Mr Trump’s vice-president, lectured European leaders for refusing to work with right-wing parties. And

in a meeting with Sir Keir Starmer, he griped about Britain's anti-hate-speech rules.

Elon Musk, a billionaire who wields extensive authority in Mr Trump's administration, has reportedly agreed to pay the legal fees of Tommy Robinson, a jailed English anti-Islam activist. Mr Trump's allies have been particularly keen to give succour to the hard-right Alternative for Germany (AfD) party, which Mr Musk has endorsed, and whose co-leader Mr Vance has met.

So much for the MAGA magic

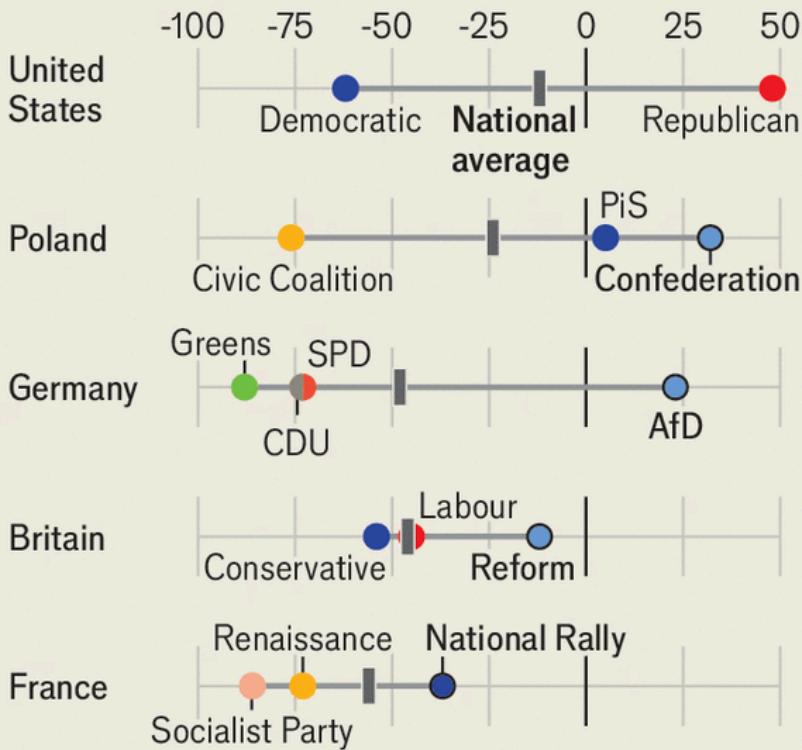
For all that, though, Messrs Vance and Musk had no discernible impact on the German election in February, says Roland Abold of Infratest dimap, a pollster. Though the AfD came second, its fortunes had not changed much since Mr Trump's re-election. In general Mr Trump's immediate effect has been to boost mainstream incumbents at the expense of populist outsiders. Fears of trade wars and real wars tend to suck oxygen from culture wars.

Polarised over policy

2

Net approval of Donald Trump's response to the war in Ukraine, March 2025, % points

○ Hard-right parties



Sources: More in Common; *The Economist*

The Economist

Some leaders on the hard right are now beginning to worry about MAGA muddying their own brand. Mr Trump has had few clear wins and many chaotic policy turns (witness falling markets and voter approval ratings). Much energy has been devoted to targeting domestic political enemies for grievances that do not resonate outside America. And Mr Trump is diabolically unpopular in many liberal democracies, except for among people who already support the hard right (see chart 2). Luke Tryl, a pollster in London, says that Mr Trump's bracing start has not given the right-wing parties in Britain new political verve. Instead it seems to have pushed crucial undecided voters farther out of their reach.

Any benefit Mr Trump might have given right-wing parties is “being overshadowed by an expansionist and aggressive political nationalism”, says Eric Kaufmann, a professor at the University of Buckingham (and a self-described national conservative). America First, he says, “is activating political defensiveness in other countries”. Views of America have turned sharply negative across polls in several Western countries. Canadians are booing America’s national anthem at hockey games, Greenlanders are protesting outside America’s consulate in Nuuk and Germans are forgoing Tesla cars in protest against the company’s founder, Mr Musk.

Initially, Nigel Farage of Reform UK hailed Mr Trump’s win as an inflection point for the nationalist right globally—but now he is putting distance between himself and the American president. Mr Farage, who has long used his friendship with Mr Trump to buy himself political relevance at home, suffered a 12-point fall in net approval between February and March.

Marine Le Pen, the leader of the hard-right National Rally party in France, and Giorgia Meloni, Italy’s hard-right prime minister, are perhaps natural allies of Mr Trump. Yet he is causing both of them a [headache](#) for reasons that echo across many far- and hard-right parties in Europe, including his administration’s cavalier disregard for Europe and the sacrifices of its soldiers in America’s wars in Iraq and Afghanistan.

Mr Trump’s apparent willingness to abandon Ukraine in order to do a deal with Vladimir Putin, Russia’s president, is also dividing populists in places such as Poland. “Shouldn’t Polish taxpayers’ money be spent on the needs of Poles, not on the needs of our Ukrainian neighbours?” Mr Mentzen argued recently at a rally. His hard-right rival, PiS, meanwhile, was slower to shed its sympathies for Ukraine and has paid a political price.

The humiliation of Mr Zelensky in the Oval Office in February has divided MAGA’S fellow travellers. Some, such as Ms Le Pen and

Geert Wilders of the Dutch hard right, came out in support of Ukraine. Yet Germany's AfD appeared gleeful, and Mr Orbán and the leader of Georgia backed Mr Trump.



The Economist

The reasons for such divisions are fundamental. Populist movements have gained purchase with voters by focusing on culture wars and immigration—not foreign policy. Whereas liberals believe in universal values, cultural nationalists necessarily emphasise their identity as unique. Though elites in the populist movement are generally sympathetic to Mr Trump's affinity for Russia's cultural nationalism, their voters are badly split over Russia and Ukraine (see chart 3). Only a minority of AfD supporters view Russia as a threat. In contrast, disapproval of Mr Trump among Mr Farage's supporters almost doubled to 53% after the Oval Office bust-up.

What's more, one national conservative's dogged pursuit of his country's self-interest will inevitably contradict another's. PiS, say,

has a keen interest in a strong NATO to fend off Russia. As Mr Trump has backed off defending Europe, any association with him has become an unhelpful one, says Wojciech Szacki, a Polish political analyst. Certainly, Mr Trump seems uninterested in shaping his agenda to help other right-wingers. Asked on March 19th whether he has doomed Canada's Conservatives in their election later this year, Mr Trump said: "I don't really care. It doesn't matter to me at all." ■

<https://www.economist.com/international/2025/03/27/donald-trump-is-affecting-politics-everywhere>

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Wing women

Trump is a problem for Europe's most important hard-right leaders

His antics are causing headaches for Giorgia Meloni and Marine Le Pen

Apr 01, 2025 05:11 PM | PARIS AND ROME



Correction (April 1st 2025): The introduction to this article suggested that the absence of Italy's Chief of Defence Staff, General Portolano, from a meeting of the "coalition of the willing" reflected Italian misgivings over Europe's response to President Trump. We now understand the general was not expected at the meeting, which was for more junior officers.

WHEN UKRAINE'S allies' [military top brass](#) met in London on March 20th to discuss a possible peacekeeping force, one of their number was missing. The chief of Italy's defence staff, General Luciano Portolano, apparently had more important things to do and was represented by more junior officers. His absence was suggestive. The meeting was part of Europe's response to the growing disengagement of America under President Donald Trump. But Italy's hard-right prime minister, Giorgia Meloni, is a friend of Mr Trump, and that has put her in an awkward position.

Mr Trump's re-election initially invigorated the European hard right. The [American president's anti-woke national conservatism](#) chimes with the politics of leaders such as Ms Meloni. Boosted by [Elon Musk](#), a social-media mogul who is the president's ally, it also looked set to help the electoral chances of hard-right candidates. The most important of these is France's Marine Le Pen, who leads polls for the country's presidential election in 2027. (Judges will decide on March 31st whether to block her from running over alleged misuse of European Parliament funds.)

Yet the speed with which Mr Trump has upended transatlantic relations, undermined NATO and distanced himself from Ukraine has discomfited hard-right leaders. It has put Ms Meloni at odds with Italy's partners in the European Union and with other allies. And it has exposed the ambiguous relationship of Ms Le Pen and her party, the National Rally (RN), with their American analogues: French and American nationalism do not always mix.

Unfashionably late

Ms Meloni has made plain her discomfort with Europe's assertive response to Mr Trump. She turned up 50 minutes late for the first Trump-era crisis meeting, organised in Paris by France's president, Emmanuel Macron, on February 17th. Italian officials said she disapproved of the format, which did not include all 27 EU states. When Sir Keir Starmer, Britain's prime minister, held a broader virtual summit a month later, she waited until the night before to decide to take part.

Last month, when Volodymyr Zelensky was rebuked in the White House by Mr Trump and Vice-President J.D. Vance, Ms Meloni was, conspicuously, the only major European leader not to declare support for the Ukrainian president. On March 12th in the European Parliament the deputies of her hard-right Brothers of Italy party abstained on a motion supporting Ukraine (one voted against it). On both occasions, the reason was fear of upsetting Mr

Trump. Ms Meloni has since said she will not contribute Italian troops to a peacekeeping force in Ukraine. Her MEPs did vote for the European Commission's new ReArm Europe programme. But she opposes confiscating Russian assets, frozen under EU sanctions, to give to Ukraine.

For years Ms Meloni staunchly backed Ukraine and condemned Russia. Why the apparent volte-face? Personal resentment may play a part. Before the new American administration took office, Ms Meloni was touted as Europe's "Trump-whisperer". She was feted by America's president as a "fantastic woman" and invited to his inauguration. But that was before Mr Vance bashed Europe at the Munich Security Conference, and before Mr Trump called the EU an organisation "formed in order to screw the United States". Now Europe's initiative has been snatched by leaders prepared to take a more robust line: Sir Keir and Mr Macron, with whom Italy's prime minister has a thorny relationship.

A further reason is that Ms Meloni's coalition is split over how to react to Mr Trump. Matteo Salvini, the leader of the hard-right League party and one of her two deputies, has condemned ReArm Europe and calls the French president "that madman Macron who talks of nuclear war". Though the League has now fallen to single digits in polls, it still commands enough votes in parliament to bring down the government. And in a country with a strong pacifist streak, Mr Salvini seems to have public opinion on his side. A poll this month found barely a third of voters back higher defence spending.

Nathalie Tocci, the head of the Istituto Affari Internazionali, a think-tank in Rome, suggests a more troubling reason. Many originally saw Italy's prime minister as a toxic far-rightist. "Backing Ukraine was a way of gaining credibility, a means to an end. But now, with a new [American] administration, it works in the opposite direction," she says. Italy is unlikely to join Hungary and Slovakia among the EU's pro-Russian Trojan horses, she says.

“But nor do I expect Giorgia Meloni to do anything that could irritate Donald Trump.”

For Ms Le Pen the calculation is different, and not only because she is in opposition. Unlike Ms Meloni, the French nationalist leader has never portrayed herself as close to America. Indeed, she and her party have often shown an affinity with Russia. In early 2022, during France’s presidential campaign, Ms Le Pen printed flyers featuring a photo of herself and Vladimir Putin, which were hastily shelved after Russia’s full-scale invasion of Ukraine. On March 12th this year the RN abstained in a non-binding parliamentary vote in support of Ukraine. Until recently, such was Ms Le Pen’s scepticism about the transatlantic alliance that she argued for France to withdraw from NATO’s military command.

This makes it easier for Ms Le Pen to criticise Mr Trump. This month she denounced the “brutality” of his suspension of military aid for Ukraine (since reversed), something Hungary’s Viktor Orban would never do. In this, she is in tune with French public opinion: in a poll conducted in March 73% of respondents said that America is “no longer an ally” of France.

What the party admires about Mr Trump, says a senior RN figure, is not only that he has shown once again how nationalists can win elections. He is also a lesson in political agency in sceptical times: that, once in office, “you can actually do things, and fast.” This is a powerful message for Ms Le Pen’s team in a country perennially hampered by bureaucracy and now burdened with a weak minority government.

Leaving early

Yet Ms Le Pen’s party is torn. Jordan Bardella, her 29-year-old sidekick, travelled to Washington for a recent national-conservative convention, only to quit the event when Steve Bannon, Mr Trump’s former aide, made what looked very like a Nazi salute. Ms Le Pen

has not spent the better part of the past decade scrubbing the image of her once-toxic party to have it tarnished again by fascist associations. “Trump is turning into a real problem for Le Pen,” says a French diplomat. In March her popularity dropped by two points to 34%, according to a Cluster17 poll. (Mr Macron gained five points, to 23%).)

Mr Trump still delights many hard-right European leaders. But for Ms Meloni and Ms Le Pen, the American president could become a serious headache. Europeans don’t like him: a tiny 6% of French and 8% of Italians told a poll in March that Mr Trump is “a friend of Europe”. The more his blustering brand of nationalism seems damaging to the continent, the more voters in Italy and France may doubt its local versions. ■

<https://www.economist.com/international/2025/03/23/trump-is-a-problem-for-europe-s-most-important-hard-right-leaders>

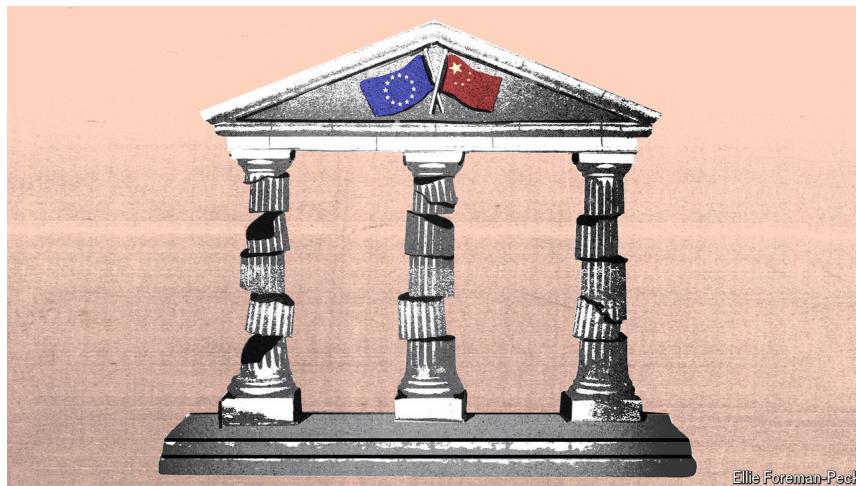
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The Telegram

Europe will have to zip its lip over China's abuses

In a fracturing world, trade and co-operation will come first

Mar 31, 2025 11:14 AM



IN THESE VERTIGINOUS times, America's allies are taking a new look at their relations with China. In recent years, politicians in Europe and elsewhere in the West have talked boldly and clearly about the economic, geopolitical and ethical risks posed by China, an autocratic giant with plans to reshape the world. Now, though, their willingness to speak out may become more selective.

Only months ago, agreeing on the China challenge was supposed to bind America to its friends. Western powers stood ready to please President [Donald Trump](#) by blocking sales of the most advanced technologies to China, or by excluding Chinese firms from sensitive industries. Alas, Mr Trump appears uninterested in agreeing with allies on anything much at all. He has treated partners more harshly than supposed foes, and hinted at ambitions to explore a trade deal with the Chinese leader, Xi Jinping.

Allies are duly hedging. The president of the European Commission, Ursula von der Leyen, has for years led calls to “de-

“risk” relations with China. The aim is to engage and trade with China where it is safe, but to make the European Union depend less on China for hard-to-substitute technologies and commodities. The strategy also pushes European governments to scrutinise potentially dangerous Chinese investments, for instance in critical infrastructure. This approach is guided by a three-pillared model of relations, in which the EU calls China “a partner for co-operation, an economic competitor and a systemic rival”.

Since Mr Trump’s re-election, Ms von der Leyen has softened her tone. She now talks of an “era of hyper-competitive and hyper-transactional geopolitics”, in which Europe should “engage constructively with China—and find solutions in our mutual interest”.

When EU leaders adopted the three-pillared model in 2019, Chinese officials grumbled that the term “systemic rival” was an insult, casting doubt on the legitimacy of their political system. In truth, the EU was making a simple observation: that it is hard dealing with China, a rising power in global governance that is also an indispensable trade partner and an autocracy with alarming ambitions. That diplomatic puzzle became a crisis when Russia invaded Ukraine. Despite claims of neutrality, China blames the war on Ukraine and the West, and has sold Russia vast numbers of components to make drones, missiles and tanks.

Now, the EU is rebalancing. China can still expect to hear lots about that first, co-operative pillar, as Europe offers to work with it on slowing climate change, preserving biodiversity and other global public goods. Some of those invitations will have a note of rebuke to them. China has invested vast sums in renewable energy but it also burns lots of coal in the name of energy security and to provide cheap power to industry.

Some aspects of relations involve both partnership and competition. Climate change cannot be abated without China, a

dominant producer of solar panels, wind turbines, advanced batteries and other green technologies. Yet that same dominance alarms other countries, which fear that their carmakers and other industries cannot compete. China's overall manufacturing exports continue to grow. As a result, the second pillar, involving economic competition, is set to bear ever more weight.

These words are being written in Beijing. In China's capital, foreign diplomats describe a "charm offensive" by Chinese officials, urging EU and other Western governments to deepen ties with their orderly, predictable country, as a hedge against Trumpian chaos. Some European officials and politicians want to revive talks with China about a long-frozen deal, the Comprehensive Agreement on Investment, not least to show America that [Europe has options](#). The word among European diplomats in Beijing is that China wants warmer relations. "The problem is they want them for free," says one. Chinese officials reportedly brush aside European complaints about a trade balance skewed hugely in their favour, saying their products are simply more competitive.

Then comes the third pillar, which identifies China as an ideological adversary. This pillar is losing importance, notably over Ukraine. That marks a big shift. In March 2022, weeks after Russia's invasion of Ukraine, your columnist met Western envoys in Beijing who called it an "outrageous lie" that China was claiming to be neutral, when it clearly wanted a Russian victory. The same diplomats predicted that China would try to pose as a peacemaker at the war's end. As one put it then, the dream of Chinese officials is to be asked to help rebuild a shattered Ukraine. They think that the end of the Ukraine war "will be a glorious moment for China, and we will forget what is happening now", he growled.

That dream is coming true. Chinese firms are contacting Ukraine's government, scouting for contracts. Western diplomats can see no

reason to exclude China from peace talks, glumly noting that Mr Trump's stance is far harsher on Ukraine than China's.

If you don't like our values, we have others

Behind closed doors, they admit that many Western governments now have little or no appetite for confronting China over repression in Tibet, Xinjiang or Hong Kong, claiming this is a time for pragmatism. Their governments will make strong statements about the rules-based order if China takes control of the democratic island of Taiwan, by war or blockade. But if America fails to use force, no other Western power will fight for Taiwan.

Playing down values and international law is not cost-free. Not so long ago European leaders talked of the need to challenge China when it bullied its neighbours, for instance in the South China Sea, in order to credibly condemn aggression by Russia in Europe. Arguments about consistency remain valid. Alas, America's allies have a lot to worry about just now. As a result, many will feel that confronting China's ruthless side is a luxury, not a necessity. ■

<https://www.economist.com/international/2025/03/25/europe-will-have-to-zip-its-lip-over-chinas-abuses>

Business

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An X on his back

Musk Inc is under serious threat

SpaceX has new competition, Tesla is in trouble and the world's richest man is distracted

Mar 27, 2025 06:23 PM | San Francisco



UNTIL RECENTLY Elon Musk had little need to look over his shoulder. He once described competition for Tesla, his electric-vehicle (EV) company, as “the enormous flood of gasoline cars pouring out of the world’s factories every day”, rather than the “small trickle” of other EV-makers. SpaceX, his rocket firm, had so undercut and outwitted the bloated aerospace incumbents that it had developed an almost invincible aura.

Yet if Mr Musk can tear himself away from the intoxication of shredding the American government, he may notice something. It is not just that the political firestorms he has whipped up this year are [singeing his companies’ brands](#). It is that the two businesses that underpin his corporate empire, accounting for around 90% of its value and probably all its profit, are facing increasingly stiff competition. The world’s richest man has lost focus—and now has a target on his back.

Start with SpaceX. Last year it conducted five out of every six of the world's spacecraft launches. Through its Starlink division, it owns 60% of satellites in space. In December it sold shares at a valuation of \$350bn, two-thirds above its previous level. Starlink, its main profit engine, is on track to generate over \$11bn of revenue this year and \$2bn of free cash flow, says Chris Quilty of Quilty Space, a consultancy.

Now, however, Mr Musk's bomb-throwing interventions are alarming SpaceX's customers, at a time when rivals are growing more capable. His on-again, off-again threats to end Starlink's support for Ukraine have raised the difficult question of trust. European politicians are pondering how reliable Mr Musk will be as a long-term provider of strategic satellite communications. The search for alternatives has helped spur a more than quadrupling of the share price of [Eutelsat](#), the French owner of OneWeb, which provides satellite services to broadband companies.

No European supplier could come close to matching the 7,000 satellites Starlink has in low orbit. (Eutelsat has a mere 600.) Nor could any compete on price. As Simon Potter of BryceTech, another space consultancy, puts it, for now the concerns are "more noise than action". Yet Starlink may soon face meaningful competition from Amazon's Project Kuiper, which aims to put over 3,000 satellites into low orbit, creating a space-based broadband network. If it achieves that, some clients outside America may decide they have more confidence in an Amazon product than in one belonging to the mercurial Mr Musk.

Jeff Bezos, Amazon's founder, is also stepping up the pace in the launch business with Blue Origin. His rocket firm is separate from Project Kuiper, but has contracts to launch many of its satellites. In January Mr Bezos's New Glenn rocket reached orbit on its first try. If Blue Origin manages to make repeated successful flights with reusable rockets, it could become a meaningful competitor to

SpaceX. So could Rocket Lab, SpaceX's closest rival by number of launches, which is due to debut Neutron, a new rocket, this year.

The threat to Tesla is both greater and more immediate. From a peak of \$1.5trn in mid-December, its market value has fallen by almost half. Activists have been picketing Tesla's showrooms in America and Europe in anger at Mr Musk's behaviour.

As with SpaceX, Tesla's competition is revving up. The firm's lead in the EV market was narrowing even before Mr Musk began his bureaucracy-bashing. General Motors sold 50% more EVs last year than in 2023, and is now vying with Hyundai, of South Korea, to become America's second-biggest provider of battery-powered vehicles. Although Tesla is still the market leader, RBC Capital Markets, an investment bank and Tesla bull, forecasts that its share of North American EV sales will drop to 53% this year, from 68% two years ago. Profit margins have narrowed as the firm reduces prices to undercut rivals. A recall of nearly every Tesla Cybertruck in America owing to problems with the glue used to affix exterior panels will not help.

In China the future looks bleaker still. BYD, Tesla's largest rival, has 15% of the car market, more than triple that of the American carmaker. Last year BYD's revenues overtook Tesla's for the first time since 2017, breaching the \$100bn mark. Tesla's sluggishness may in part have reflected the fact that Chinese customers were waiting for an upgraded Model Y available from February. But BYD has since gazumped it. On March 18th the Chinese firm unveiled a charging system that it said can replenish an EV in five minutes, half the time of Tesla's charging system. Some described it as the car industry's "[DeepSeek moment](#)".

BYD has also cast doubt on another part of the Tesla bull case: driverless technology. Tesla's driver-assistance system, which it exaggeratedly calls full self-driving (FSD), is what others call Level 2 autonomy, meaning that drivers must still keep their hands

on the wheel and pay attention. Tesla bulls see advancing to Levels 4 and 5, truly autonomous driving, as the next stage in the firm's quest to revolutionise transport. Tom Narayan of RBC Capital Markets ascribes almost three-quarters of his projected valuation of Tesla to hopes that it will develop fleets of low-cost robottaxis, upending the economics of ride-hailing.

Yet late last month BYD stunned the car industry by launching an advanced driver-assistance technology, called "God's Eye", at no extra cost. It coincided with Tesla's release of a pared-down Chinese version of FSD that costs about \$9,000 extra per car (roughly the same as BYD's cheapest vehicle). BYD's pricing and advances in self-driving technology by legacy carmakers have led some analysts to cut their long-term Tesla forecasts. "In China, Tesla is no longer dictating the pace," says Tu Le of Sino Auto Insights, a consultancy.

Mr Musk retains cards in his hand. SpaceX's enormous Starship rocket, still in testing, could once again transform the industry by enabling far bigger constellations of satellites than the Falcon 9, the company's current workhorse. Moreover, the 25% tariff on car imports that Donald Trump announced on March 26th may hurt Tesla less than competitors. That is because it assembles its cars in America. (Despite this, Mr Musk said on X, formerly Twitter, that Tesla would not be "unscathed" by the tariffs.)

Tesla is also hoping for a breakthrough in humanoid robots. It is working on them with xAI, Mr Musk's artificial-intelligence company, which itself has become a valuable part of his empire. It is said to be raising \$10bn at a \$75bn valuation. Even X appears to have recovered from early difficulties. The firm has reportedly just raised money at an enterprise value of roughly \$44bn—the price Mr Musk paid for it.

On March 20th Mr Musk held an impromptu town hall to galvanise Tesla's staff. He declared that robottaxis would soon be rolling off

production lines, each assembled in “less than five seconds”, and that 50,000 humanoid robots would be built next year. Belief that Mr Musk can achieve such goals is what has propelled his companies’ values to stratospheric heights. He may feel that his success thus far gives him the right to a temporary sojourn in government, especially if he can strip away some of the regulations that constrain his ambitions. But his rivals will not waste the opportunity this provides. ■

<https://www.economist.com/business/2025/03/23/musk-inc-is-under-serious-threat>

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Swamp creatures

Lobbyists hope that Trump will produce a bonanza

They have their work cut out

Mar 27, 2025 04:00 PM | WASHINGTON, DC

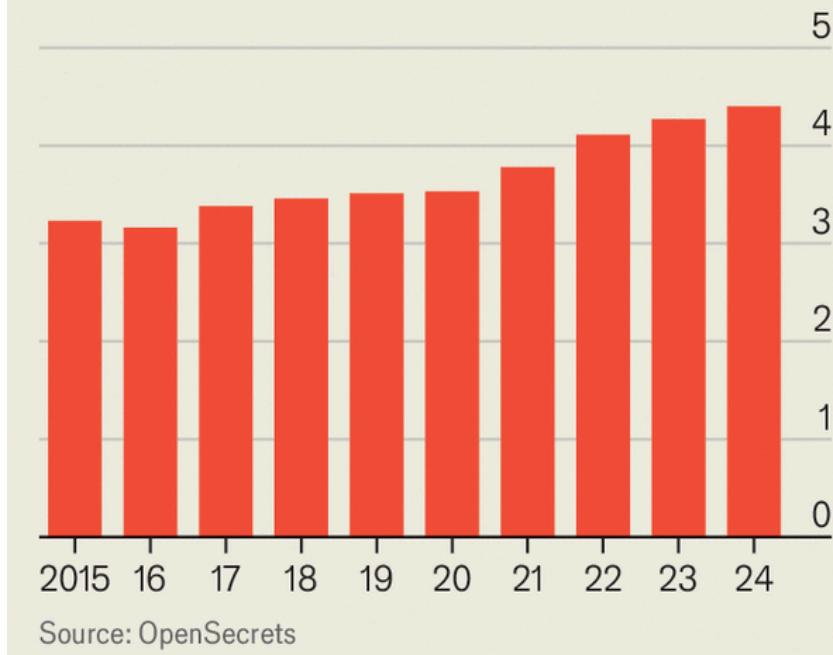


THE CAPITOL HILL CLUB, in Washington, DC, is a venerable gathering spot for the city's Republican elite. It is minutes from the offices of the Senate and the House of Representatives. Its Eisenhower Lounge boasts no fewer than 458 elephant statues; its ornate lobby features portraits of Ronald Reagan, both George Bushes and a younger [Donald Trump](#). A grizzled shoe-shiner says that he has polished the shoes of all of those presidents bar the last. He also notes a recent change in the club's clientele: Washington's power-brokers, with "fancy loafers", are back in force.

Biden's bump

1

United States, spending on lobbying
the federal government, \$bn



Source: OpenSecrets

The Economist

During his first presidential campaign, Mr Trump vowed to “drain the swamp”. Once he was in power, K Street, the home of the conventional lobbying powerhouses, was duly frozen out as more Trumpian lobby groups gained favour. Under Joe Biden corporate lobbying spending shot up (see chart 1), largely owing to the Inflation Reduction Act (IRA), a climate law offering huge subsidies. Again, though, the K Street schmoozers missed out; this time because the technical nature of the subsidies meant that lobbying power shifted to firms with expertise in tax law and energy policy.

K Street regulars

2

United States, private-sector spending on lobbying the federal government, 2024, \$m
Top seven industries



Source: OpenSecrets

*Includes other health products

The Economist

Now the swamp creatures are hoping that Mr Trump's second term will lead to their resurgence. One reason is that America's corporate giants are panicking over the president's threat to impose sweeping tariffs on April 2nd. Such levies could hurt all sorts of companies, from pharma firms to electronics manufacturers. Lots are turning to lobbyists for help (see chart 2). Another reason is that many companies are worried about the possible abolition of Mr Biden's green subsidies.

Yet K Street has its work cut out. For a start, the new Trump administration is run more professionally than the last. "This crowd is disciplined and more operationally functional, whereas the first time was like a kid learning to ride a tricycle," says an experienced lobbyist. Susie Wiles, a lobbyist turned White House chief of staff, has tightened access. She reportedly insists that lobbying calls to Mr Trump's phone are routed through senior officials.

The new administration also dislikes outside voices. One big-tech firm pays lobbyists and trade associations but, an insider confides, “they are not effective with Trump...he likes founders and CEOs.” Another lobbyist despairs that the Department of Commerce is useless because “the president is...relying on MAGA-ish figures like Peter Navarro”, an adviser who seems impervious to lobbying. Elon Musk is immune, too. Better to target David Sacks or Peter Thiel, tech billionaires close to Mr Musk, because “no lobbying firm is claiming to access Musk”, is the conclusion of yet another lobbyist.

On top of this, Congress, which is usually where K Street interferes with the legislative sausage-making, has thus far acceded to Mr Trump’s agenda. Many had assumed that the IRA’s subsidies, which mostly go to Republican districts, would be saved by conservative congressmen. Even that is now open to question.

So what works? One tactic is for bosses to shower praise on Mr Trump. Sam Altman, founder of OpenAI, an artificial-intelligence giant, switched from criticising Mr Trump to declaring that he would be “incredible for the country”. Less prominent chief executives have taken note.

Companies are finding new ways to suck up. Some are scrubbing blacklisted words such as “diversity” and “climate” from their corporate literature. The co-founder of a startup making sustainable aviation fuel, which can replace jet fuel and cut emissions of greenhouse gases, has rebranded her product as “synthetic aviation fuel”. Another tactic recognises that Mr Trump is transactional, says a lobbyist, so in any interaction “you have to bring him a gift”. She describes a city threatened with cuts to federal funding, after Mr Trump claimed it was a hotbed of criminal migrants. It made peace with him by offering to conduct a migrant crackdown on behalf of the administration.

Another approach is to penetrate the wall around Mr Trump. Membership at the president's Mar-a-Lago club is a popular route, as chance encounters with the president are possible, but it does not come cheap. According to a report by *Wired*, a magazine, firms are paying up to \$5m for private access to him there. "As a foreign entity," says a lobbyist, "you'd be crazy not to invest in that kind of relationship." Some firms promote clients' messages on media outlets favoured by Mr Trump, such as Fox News and conservative podcasts.

All this should add up to a golden opportunity for lobbyists. But the challenge of influencing Mr Trump's new regime, coupled with acute policy uncertainty, is leaving some concerned about their long-term prospects. A leading business group cautions that, unlike during Mr Trump's first presidency, when tariffs ultimately proved manageable, this time "something bad is going to happen". A prominent lawyer sums up the mood of the town: "We are all afraid of April 2nd." ■

<https://www.economist.com/business/2025/03/26/lobbyists-hope-that-trump-will-produce-a-bonanza>

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New chapters

Barnes & Noble, a bookstore, is back in the business of selling books

Toys, backpacks and bottled water are out

Mar 27, 2025 04:06 PM | NEW YORK



The Sunday Times/News Licensing

CENTRAL PARK bisects upper Manhattan, creating two neighbourhoods and, apparently, two reading cultures. On the Upper West Side, the *New York Times* is “a standout for us” in terms of driving book purchases, says Victoria Harty, assistant manager of the local branch of Barnes & Noble, America’s biggest bookstore chain. On the east side, meanwhile, customers prefer recommendations from the *Washington Post* and the *Atlantic*.

Tables showcasing tailored recommendations greet west- and east-siders. Such curation is standard at independent bookshops but, for about a decade, was missing from Barnes & Noble, which modelled itself on more generic retailers, almost going bust in the process. Things are now improving: in 2024 the firm opened or re-opened 57 shops, bringing its total to 650 or so. This year it will open 60 more.

“It sort of makes one barely able to breathe to think how bad it once was,” says James Daunt, who took over as chief executive in 2019. That summer Elliott Management, a hedge fund, bought Barnes & Noble for \$683m and took it private, a year after purchasing Waterstones, Britain’s biggest bookseller. Mr Daunt had saved Waterstones and was given the same task in America. Today, he says, “we’re making good money”. (As a private firm, Barnes & Noble does not report earnings.)

The company’s troubles started after the global financial crisis of 2007-09, which hit consumer spending. The ascent of Amazon, an online retailer, made matters worse. Predicting that books would go the way of CDs, Barnes & Noble bet on Nook, its answer to Amazon’s Kindle. The company partnered with tech firms, cleared inventory and hired staff to sell its hardware in stores. “We expect that 2010 will be a watershed year in Barnes & Noble’s transformation from being a brick-and-mortar retailer to becoming a major e-commerce retailer,” said Stephen Riggio, then the firm’s boss, in February that year.

As Janine Flanigan, who leads Barnes & Noble’s store strategy, notes, “Trying to be an Apple...did not work for us”. Investments in games, gifts and toys followed. Ms Harty says the bookseller was turning into Staples, an office-focused retailer. (“We were selling Jansport backpacks.”)

Mr Daunt thought that such items undermined bookselling credibility. He chucked the bottled water, even though it sold well. He freshened up stores, banned paid promotion by publishers and rejigged shelves to make browsing easy—no more “World History” alphabetised by author. If shoppers know they want Simon Schama’s “Citizens”, a book on the French Revolution, they can just “go on Amazon”, he says.



Amir Hamja/New York Times/Redux/Eyevine

Barnes & Noble's boss argues that all bookstores are more or less on the same side, and that Amazon is on the other. Mr Daunt set up Daunt Books, a small chain, in London in 1990 and still runs its nine branches. The industry, he says, is not zero-sum: big chains keep customers buying print books, benefiting all players. He says that he takes care not to open stores near indies. Some are nevertheless sceptical. Allison Hill of the American Booksellers Association, a trade group, argues that his firm's expansion harms independents.

What has undoubtedly benefited the whole industry is BookTok, a swotty corner of TikTok, a social-media app. Circana, a research firm, says that 2021, when BookTok took off, was the best year for print books since it began to keep track in 2004. Sales of popular BookTok genres—fantasy, romance and thrillers—are growing fast.

Barnes & Noble hopes to capture some of the magic. Its bookstores offer “exclusive editions” of new releases, which BookTokers “trophy” on their shelves. The firm’s outlet in Manhattan’s Union Square hosts midnight book-release parties for BookTok favourites. They have drawn the sort of crowds last seen for “Harry Potter”.

Counting down to midnight on a frigid Monday, Brittni Hand shows off a quilt she crocheted in honour of the Ruinous Love Trilogy, a romance saga. She is on BookTok, as well as its Instagram counterpart. But she stumbled upon the series

“accidentally”, she says, while “walking through Barnes & Noble”.■

<https://www.economist.com/business/2025/03/27/barnes-and-noble-a-bookstore-is-back-in-the-business-of-selling-books>

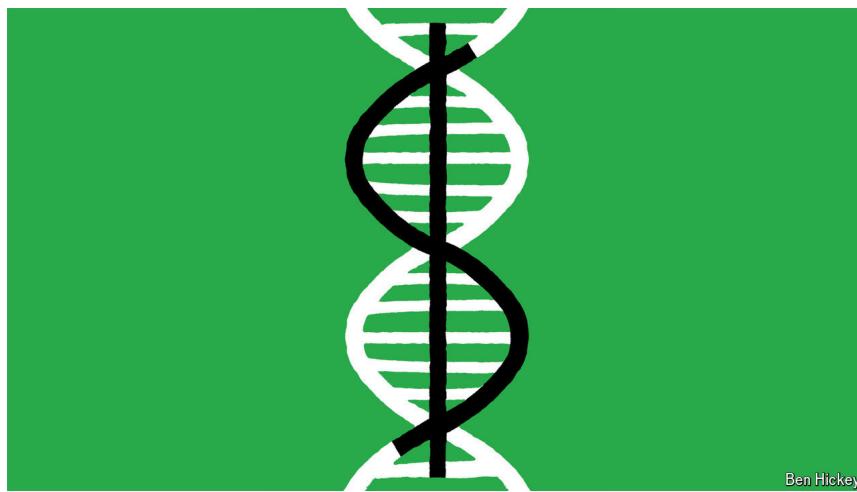
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Spit take

How safe is your DNA in a bankruptcy?

23andMe's demise raises thorny legal questions

Mar 27, 2025 04:00 PM



SPIT IN A tube and, for about \$100, discover secrets held by your DNA. That was the promise of 23andMe, a direct-to-consumer genetic-testing company. It proved popular—more than 15m customers coughed up to receive tailored reports. Insights ranged from the banal (there is a 48% chance you have freckles) to the potentially helpful (you have an increased risk of type-2 diabetes). Ultimately, though, the venture was unprofitable. On March 23rd the firm filed for bankruptcy.

Why 23andMe folded is no great mystery. The company's market value had been languishing at less than 5% of the \$5.8bn high it reached in 2021. Its testing services were struggling. Customers have only one genome and are therefore likely to hand over their cash only once. The service revealed family skeletons: one in four users surveyed by YouGov, a pollster, said that the test uncovered a close relative they did not know about. Attempts to roll out health-testing subscriptions, including blood assessments and analysis by

a clinician, failed. The firm's aspirations of becoming a drugmaker fell flat. To top it all, the firm suffered a data breach in 2023.

However, the fate of 23andMe's genetic data is less clear. In May the firm plans to auction off the records of millions of customers, alongside other assets. Regulators and spitters are fretting about who the buyer might be. Rob Bonta, California's attorney-general, waded in to remind users that they could still delete their data. The day after 23andMe announced its bankruptcy, its website struggled to cope with the surge in traffic.

Much will depend on the buyer. Such a trove of data may be put to good use rather than a nefarious one. The firm "did an incredible thing in that they got people to pay to participate in research", says Jonathan LoTempio of the University of Pennsylvania. Hundreds of academic studies have drawn on 23andMe data.

But there is no guarantee of a positive outcome. Although 23andMe says that "any buyer will be required to comply with applicable law with respect to the treatment of customer data", there are few, if any, such privacy laws, according to Sara Gerke of University of Illinois. Federal health-privacy laws do not cover 23andMe. State rules are patchy.

One hope is that the courts will intervene. Bankruptcy judges are able to appoint an ombudsman to recommend how best to protect users' privacy. Yet there will be a conflict: maximising value to creditors seems likely to run up against any desire to ensure users' privacy, says Laura Coordes of Arizona State University. And, she adds, an ombudsman would be only an adviser, without the final say over what happens to the data—much like those who once spat in a tube.■

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The chips are down

ASML's boss has a warning for Europe

Christophe Fouquet says the continent's champions could move elsewhere if they are not better protected

Mar 27, 2025 04:00 PM



Getty Images

ASML IS IN an enviable position. The [Dutch company](#) is the only manufacturer of equipment that can reliably etch the most advanced semiconductors, as required for everything from artificial-intelligence (AI) accelerators to smartphone chips. Even for less sophisticated processors—the types found in cars and tumble dryers—its machines account for over 90% of global sales. No rival comes close.

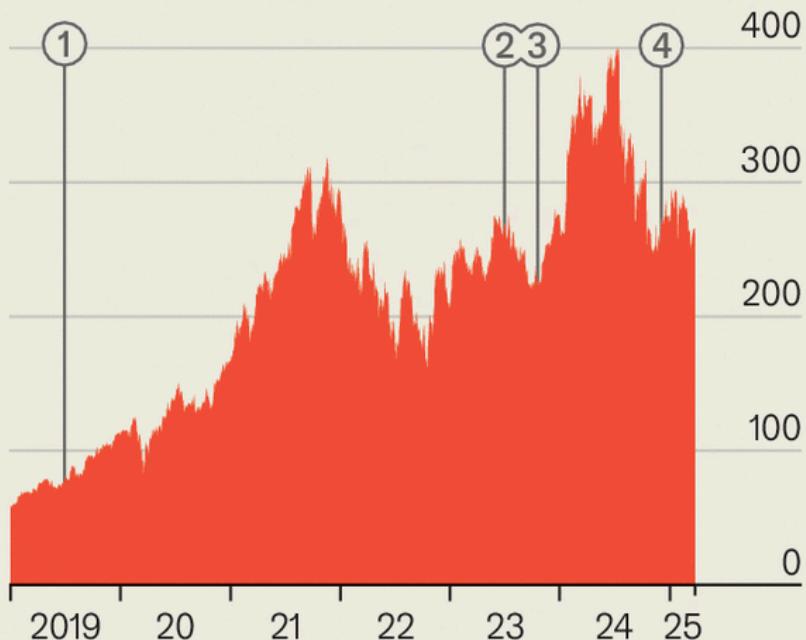
The firm's dominance has not spared it from problems, however. In an attempt to thwart China's AI ambitions, America has barred ASML from selling its most advanced equipment to Chinese companies. And demand for ASML's more basic tools has weakened, too. The firm was forced to cut its sales forecast for 2025 in October, causing its share price to drop by a fifth. Nevertheless, in a recent interview with *The Economist*, Christophe Fouquet, ASML's boss, struck a bullish tone—and took aim at European policymakers.

ASML faces commercial difficulties on a number of fronts. Chinese overcapacity has produced a chip glut, lowering demand for its more basic machines elsewhere. Meanwhile, the firm's latest and most advanced extreme-ultraviolet (EUV) machines, which cost more than \$350m each, have received a mixed response from chipmakers. These systems can cram processing power into ever smaller areas, as is essential for making cutting-edge chips. Yet not all customers are convinced the precision justifies the price. According to SemiAnalysis, a research firm, similar results can be achieved using older tools, albeit with a fiddlier manufacturing process.

The market for such equipment is inherently limited. Only a handful of companies have the know-how and spending power to deploy it. Although TSMC, a Taiwanese chipmaker and ASML's biggest customer, is pressing ahead with new American and Taiwanese plants, Intel and Samsung have recently lowered their capital spending because of financial difficulties. Still, Mr Fouquet is upbeat about ASML's commercial prospects. He expects AI advances to prompt chipmakers to adopt the latest EUV machines.

Living on the etch

ASML, market capitalisation, €bn



- 1 ASML's licence for exporting EUV* machines to China expires
- 2 Dutch government imposes rules requiring licences for DUV† machines
- 3 US further restricts export of advanced chips
- 4 US imposes additional export controls

*Extreme ultraviolet †Deep ultraviolet

Source: LSEG Workspace

The Economist

What troubles him more is geopolitics. The pressure on ASML began to build in 2019, when the Dutch government, at America's urging, barred the company from exporting its advanced EUV machines to China. Widening restrictions, enforced by both the American and Dutch authorities, subsequently extended to some older deep-ultraviolet machines. Even under Mr Biden the rationale for restrictions was not always clear, Mr Fouquet says. President Donald Trump's second term brings the threat of still tighter controls, and the near-guarantee of more uncertainty. As a consequence, planning has become much more difficult for ASML.

That is why Mr Fouquet thinks that European politicians and policymakers should be doing more to help his company. With its head office on the outskirts of Eindhoven, ASML is Europe's only firm with something approaching a monopoly in a critical industry, making it strategically important. Referring to the Dutch government's willingness to follow America's lead on export bans, Mr Fouquet says that Europe must "decide for itself what it wants" and "should not be dictated to by anyone else". He would like the continent's officials to support their world-leading companies more forcefully. And if they fail to do so, he warns, such firms may not want to remain in Europe.

In reality, things would have to get much worse for ASML to even consider leaving. The company's extraordinarily sophisticated supply chain is largely located in Europe. And if ASML did move it would still be subject to America's broad export controls, since it relies on technology from Cymer, a subsidiary in San Diego. Mr Fouquet's threats nevertheless indicate the extent of his frustration.

He warns that if governments "go overboard with some decisions", the consequences could spread far beyond any single firm. What the semiconductor industry has created together is "a miracle" that is ultimately built on a delicate "chain of trust", featuring deep specialisation and collaboration. That is now under strain; if the chain is broken it "could put some of the things we find so extraordinary today at risk", Mr Fouquet cautions. Maybe so. But policymakers in Europe have plenty of problems they need to deal with, and the wellbeing of ASML is far down their list. ■

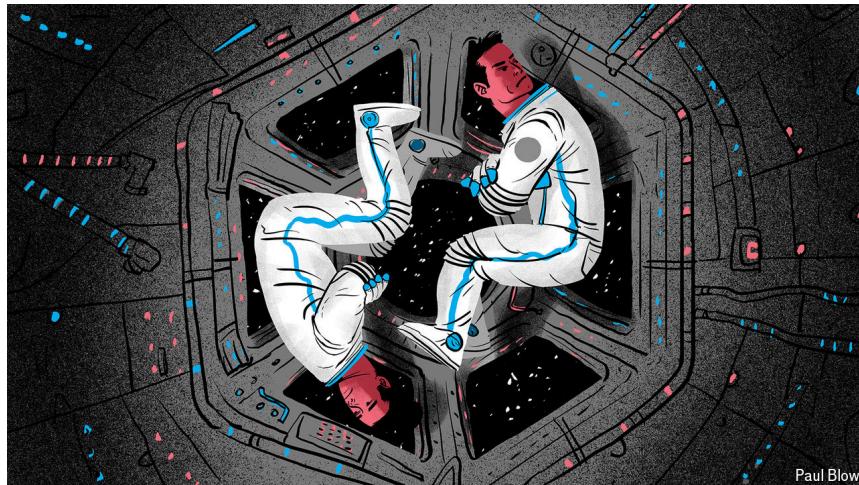
<https://www.economist.com/business/2025/03/25/asmls-boss-has-a-warning-for-europe>

Bartleby

What space, submarines and polar research teach about teamwork

Fed up with your colleagues? It could be worse

Mar 28, 2025 05:10 PM



Paul Blow

IF YOU ARE fed up with the other people on your team, remember this: it could be so much worse. Butch Wilmore and Suni Williams, two American astronauts, returned to Earth on March 18th after a planned days-long mission to the International Space Station turned into a nine-month stay. At the SANE IV research station in Antarctica, reports have emerged of assault, death threats and intimidation among a team of South African scientists who arrived there in February; they are due to leave the base only in December. Submariners on Britain's nuclear-armed subs can be at sea for six months or more.

Spacecraft, polar-research stations and submarines are among a set of environments classed as isolated, confined and extreme (ICE). They put that two-day off-site retreat you're dreading into perspective. They also put very specific stresses on teams.

Most obviously, there is no real escape from each other. If you storm out of an Antarctic research station, you will storm back in again fairly quickly. Privacy will always be limited: a British nuclear sub has a crew of 130 or so in a vessel whose length a sprinter would cover in under 20 seconds. Its absence is likely to be particularly obvious to women in male-dominated teams. Family members are a very long way away; any future missions to Mars would involve crews spending years away from home.

These are plainly not typical team environments. You cannot tell a story that no one else knows about you, do a few trust falls—and then blast off. NASA, America's space agency, simulates the conditions of space at a facility in Houston called the Human Exploration Research Analogue (HERA), a 650-square-foot structure where crews can spend weeks at a time on mock missions.

A paper by Mathias Basner of the University of Pennsylvania and his co-authors reports on a 520-day simulation of a mission to Mars that was conducted in Moscow in 2011. Of a multinational crew comprising six male volunteers, one reported symptoms of depression almost all the way through. Only two crew members reported no sleep disturbances or psychological distress, which makes them the weirdest of the lot.

Extreme though these situations are, they provide a magnified lens on more quotidian team problems. One example is tedium. Missions to ICE environments can be a curious combination of danger and monotony. Antarctic explorers report that it is preferable to follow someone on the ice than to lead, because at least there is something to look at. But there are ways to inject meaning into the mundane whatever the workplace. A paper by Madeleine Rauch of the University of Cambridge looks at the disconnect experienced by UN peacekeepers between the abstract ideals of their work and the humdrum reality of it. She finds that

people cope better with boredom if they are able to reframe tedious tasks as steps towards the larger goal.

Another magnified problem is conflict. Small things can lead to great friction among colleagues in every workplace. (“Wow, you want to see crew dynamics,” reads one entry in a journal kept by an astronaut on the International Space Station, about an attempt to take a group photo. “I thought we were going to lose a member of the crew during that one.”) But defusing conflict is much more important if there is nowhere for an angry worker to cool off.

Personality obviously matters here. Some of the traits that seem to predict successful team members in ICE environments include agreeableness, emotional stability and humour. Empathy also matters. In his book “Supercommunicators”, Charles Duhigg describes research conducted at NASA to test would-be astronauts for their instinctive capacity to match the emotions, energy levels and mood of an interviewer.

Tactics can help mitigate conflict, too. Regular team debriefs are a constructive way to bring simmering issues to the surface, especially if crews have very limited contact with mission control. A paper on long-duration space exploration by Lauren Blackwell Landon of NASA and her co-authors suggests that debriefs can be effective hurtling away from Earth as well as on it.

ICE environments plainly place very unusual demands on people. But they can teach some lessons about boredom, team composition, conflict resolution and more. And knowing that they exist might just make you feel happier about the daily commute. ■

<https://www.economist.com/business/2025/03/27/what-space-submarines-and-polar-research-teach-about-teamwork>

Schumpeter

Big law's capitulation to Donald Trump may be bad for business

As well as being a moral failure

Mar 27, 2025 04:00 PM



Brett Ryder

IT PASSES FOR a courtroom truism that whoever wins or loses, the lawyers come out on top—especially in litigious America. The same goes for political outcomes. Had Kamala Harris and the Democratic Party won the presidential and congressional elections in November, white-shoe firms would have expected less work on mergers and acquisitions (M&A) but more representing corporate clients before regulatory agencies. With [Donald Trump](#) and the notionally pro-business Republicans in charge, you might have guessed the opposite. Either way, billable hours beckoned.

As with many self-evident truths in American life, this president has other ideas. In February he suspended the security clearances of some attorneys at one law firm, Covington & Burling. Days later he did the same to all of Perkins Coie, a second, also limiting its employees' access to federal buildings and officials, among various other sanctions. Then he lashed out at a third, Paul Weiss. On March 25th he hit one more, Jenner & Block. Along the way he

issued a memo targeting anyone who impedes Making America Great Again with “frivolous, unreasonable and vexatious litigation”. Rich coming from someone who, by one count, filed 2,121 lawsuits between 1976 and 2016. Chilling nonetheless.

The four named firms committed the same apparent crime: having ties to hate figures of the MAGA right. Covington & Burling has represented Jack Smith, the special counsel who in 2023 brought criminal charges against Mr Trump. Perkins Coie worked on a dossier for Hillary Clinton about Mr Trump’s ties to Russia. Paul Weiss once employed someone later involved in an investigation of Mr Trump by the Manhattan district attorney. Jenner & Block rehired an attorney who helped with an official probe into those Trump-Russia links. Almost as obnoxiously, each firm embraced diversity, equity and inclusion (DEI) in its hiring.

Where the cases diverge is in the firms’ responses. Covington & Burling is trying to keep a low profile. Perkins Coie sued, and won a reprieve from a judge who blocked most of the order as unconstitutional. On March 19th Paul Weiss settled—or, less charitably, caved—leading Mr Trump to rescind the order. So far Jenner & Block has said it “will pursue all appropriate remedies”. It should think twice before following the path of appeasement.

To be fair to Paul Weiss and its chairman, Brad Karp, who negotiated with Mr Trump, the firm found itself in an impossible situation. It “faced an existential crisis”, Mr Karp wrote in a letter to staff, with “no right answer”. Even a successful court challenge would not remove it from Mr Trump’s bad graces. Clients were apparently ready to flee. Rivals, instead of closing ranks to protect the profession, were sizing up partners to poach.

Moreover, in Mr Karp’s telling, in practice the deal requires the firm to do little beyond what it is doing anyway. It already takes on clients and hires lawyers regardless of political leanings, and promotes people based on merit not DEI. It spends \$130m a year

on pro-bono work. An extra \$40m it will funnel over four years to “areas of shared interest”, such as combating antisemitism, is chump change for a firm that last year made \$1.5bn in net profit.

Paul Weiss, it is also true, has more to gain from accommodation than Perkins Coie, which may have reasoned that Mr Trump’s fury over the “Russia hoax” meant no deal was ever on the table. It has more to lose from retaliation, too. Over half its 300-odd partners practise corporate law. More than a third handle private equity. A quarter dabble in M&A. The respective figures at Perkins Coie are one in four, one in 12 and one in six. Such rainmakers tend to be readier than litigators to jump ship. In America they can take their clients with them. Paul Weiss should know: it has made more than 20 “lateral hires” (lawyer-speak for partner-poaching) at its M&A and private-equity practices in the past few years.

If a handful of top revenue-earners depart, others often follow. Because law firms are owned by partners, this puts strain on their balance-sheets, leading to still more departures. In 2008 two firms with two centuries of experience between them, Heller Ehrman and Thelen, each folded within a month owing to self-reinforcing partner flight. In the words of John Morley of Yale Law School: “Law firms don’t go bankrupt—they collapse.”

All this doubtless weighed heavily on Mr Karp. Yet he may have overestimated the immediate risks to Paul Weiss and discounted some longer-term costs. (Paul Weiss did not respond to requests for comment.) Large clients such as ExxonMobil, an oil giant, do not switch counsel on a dime. Paul Weiss partners are “fabulously well-paid” and hard to poach, says a big-law bigwig who has tried. Partners might have stomached a bit less profit if rallied. Taking on the White House would not risk other people’s money, since the firm has no outside shareholders.

Let’s cow all the lawyers

Mr Karp's concessions are not costless. They may put off as many clients as they placate and make it hard to lure legal eagles. Some 1,600 associates at big firms, including 30 or so at Paul Weiss, have signed an open letter decrying efforts to "weaponise the Executive against the rule of law". Many may avoid a firm where the government "has a call" on hiring practices, says Bob Bauer of NYU Law School (who was Barack Obama's White House counsel).

Worse, rather than mollifying the plaintiff-in-chief, Mr Karp's deal emboldens him. Just ask Jenner & Block. America is not China or Russia, and lawyers can make money even in such lawless places. But it is the rule of law that underwrites the profession's prosperity. Without it lawyers are mere consultants. Ideally, big law would mount a co-ordinated resistance. In its absence, firms have every right to pursue their self-interest. They should remember that anything which erodes the rule of law won't redound to their benefit. That includes Paul Weiss's surrender. ■

<https://www.economist.com/business/2025/03/26/big-laws-capitulation-to-donald-trump-may-be-bad-for-business>

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Will he? Won't he?

Trump's tariff pain: the growing evidence

As “liberation day” nears, American businesses suffer

Mar 27, 2025 04:00 PM | WASHINGTON, DC



AMERICA'S ECONOMY is looking peaky. Inflation expectations are creeping up; consumer confidence is weakening. But Donald Trump, the country's president, says relief is at hand. “Liberation day” for the economy will arrive on April 2nd, he proclaims, when he intends to slap [new tariffs](#) on imports from all over the world.

Since tariffs are in essence a tax on consumers, this is the sort of liberation most businesses would happily do without. As a consolation prize, they may be hoping that April 2nd will bring certainty. But that hope looks increasingly forlorn. The past few days have provided a reminder of Mr Trump's seemingly boundless appetite for tariffs. On March 26th he said that 25% levies on imports of cars would come into effect on April 3rd, with charges on car parts to follow. These could cause havoc for car companies, some of whose parts cross the American border several times. As for the other tariffs, Mr Trump initially said they would be “reciprocal”, matching those levied by other countries on American

goods. More recently, though, he has said he will be “very lenient”—while promising yet more charges to come.

All this confusion is paralysing parts of the American economy. On March 19th Jerome Powell, the chair of the Federal Reserve, talked of “remarkably high” levels of economic uncertainty. “I don’t know anyone who has a lot of confidence in their forecast,” he said.

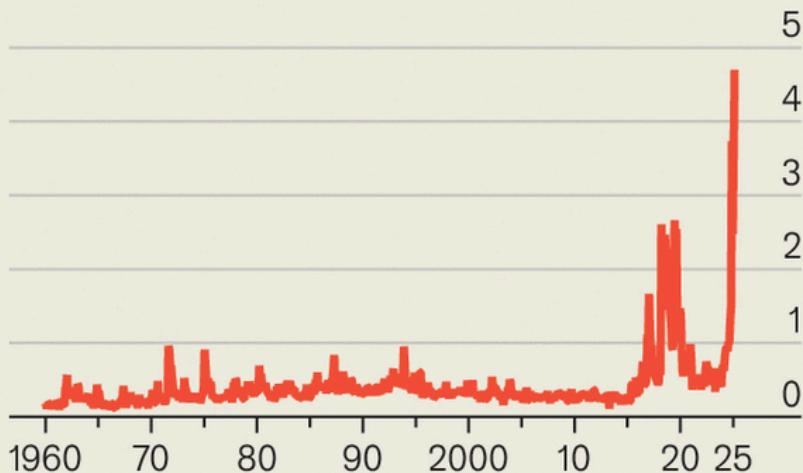
Companies that serve as bellwethers for broader economic performance have started to suffer. When FedEx, a logistics company, lowered its full-year profit forecasts on March 20th, it cited “uncertainty in the US industrial economy”. On March 10th Delta Airlines said “macro uncertainty” was reducing consumer and corporate confidence.

Broader surveys back up such anecdotes. FactSet, a financial-data firm, found that over half of the companies in America’s S&P 500 index cited tariffs in their earnings calls over the past few months —more than in any other quarter over the past decade. “Our clients are essentially frozen, because they have no ability to figure out the future course of government action,” says Michael Smart of Rock Creek Global Advisors, a consultancy.

Anxiety attack

1

Newspaper articles mentioning
trade uncertainty*, % of total



*Based on seven newspapers (six American and one British)

Source: "The economic effects of trade policy uncertainty",
by D. Caldara et al., *Journal of Monetary Economics*, 2020
(data updated in Feb 2025)

The Economist

Indices that measure uncertainty about trade policy have shot up since Mr Trump took office. One such index, devised by economists at the Federal Reserve, suggests trade-policy uncertainty is at its highest in over half a century (see chart 1). The indices are based on newspaper coverage, which may sound imprecise. But spikes tend to foreshadow slower growth. Deutsche Bank reckons that the uncertainty currently detected in the Fed index could shave about three-quarters of a percentage point from America's GDP over the next year or so. If the tariff uncertainty ends up being more prolonged—persisting until June, say—then the blow to growth could be twice as large.

Much of the focus so far has been on America's new tariffs on Mexico and Canada, its two largest trading partners. To mitigate the disruption, America has created an exemption for goods that comply with the USMCA, a trade pact which Mr Trump negotiated during his firm term in office. But the exemption is not as generous

as it might seem. Compliance for Canadian oil exporters, for instance, requires that they trace their crude all the way back to the wellhead, something they had rarely done before. For makers of complicated products with many parts, such as medical devices, rules of origin are complex to master—and therefore hardly worth doing if the rules are going to change again on April 2nd. “This isn’t just uncertainty. This is a holy mess,” says John Murphy of the Chamber of Commerce, a lobby group.

Clear as mud

The chill extends beyond the manufacturing industry, too. David French of the National Retail Federation notes that his members would like to nail down their sourcing arrangements. Can they rely on production networks that run through Mexico? Or are factories in South-East Asia a safer bet? Purchasing managers do not want to make any rash moves until the dust settles on the new tariff landscape, whenever that might be. The uncertainty is delaying other investment decisions, too. “Tariffs on building materials and consumer goods add uncertainty to opening new stores,” says Mr French.

Mr Trump, meanwhile, has been keen to highlight evidence that his tariffs have upsides. A series of companies have announced big investments in America in the past few weeks. These range from Apple, an American tech giant, to TSMC, the world’s largest chipmaker. The latest was Hyundai, a South Korean carmaker, which said on March 24th that it would invest \$21bn in its American operations, and create 14,000 jobs, by 2028. “Money is pouring in and we want to keep it that way,” Mr Trump said at a White House event alongside Hyundai executives.

That sinking feeling

2

United States, manufacturing, future
general-business-conditions indices*

- Federal Reserve Bank of New York
- Federal Reserve Bank of Philadelphia



*Six-month outlook. Survey of east-coast companies

Sources: Empire State Manufacturing Survey;
Manufacturing Business Outlook Survey

The Economist

But companies know how to flatter the president. Many of their announcements concern spending plans that were already in train before he took office. Moreover, for every announced deal, others are languishing. Recent surveys from the Federal Reserve's branches in New York and Philadelphia register sharp declines in manufacturers' outlook for the economy over the next six months (see chart 2).

So, will April 2nd at last bring clarity? It seems unwise to bet on it. Press reports in the past few days have suggested that the new levies will turn out to be relatively limited. Rather than sweeping global tariffs, which Mr Trump had talked about repeatedly on the campaign trail, he seems inclined to target 15 or so trading

partners, including the European Union, India and Vietnam, that run persistent surpluses in their trade with America.

But early reports have been wrong before. And whatever policy Mr Trump ends up choosing, matters may not rest there. Countries could retaliate, as Canada did earlier in March with a tariff package of its own. That, in turn, may invite escalation from Mr Trump. The president has also said that eventually he wants to add sectoral tariffs on pharmaceutical products, microchips and more.

Then there are the legal questions. Mr Trump's tariffs have so far largely relied on emergency-powers laws. These allow for the immediate imposition of tariffs so long as there is a threat to national security—hence the emphasis on illegal immigration and drug-trafficking, however spurious, in his actions against Canada and Mexico. If the administration were to base its tariffs on complaints about unfair trade practices, it would have to rely on other laws that require more detailed investigations and longer notice periods. In the case of the new auto tariffs, Mr Trump has tried to get around this by basing them on an investigation completed in 2019.

Mr Trump has not helped his case by regularly veering off-script, carping about economic imbalances rather than drugs and immigration. Moreover, the deadline for taking action after the investigation in 2019 passed long ago. Elizabeth Baltzan, a trade official who served under Joe Biden, Mr Trump's predecessor, says Mr Trump's tariffs are thus more vulnerable to court challenges. The possibility that the new rules may ultimately be struck down is one more reason for companies to defer making any big decisions.

One way to grapple with all the uncertainty is simply to brace for worse. Consider the recession probabilities calculated by S&P Global Ratings. Were the credit-rating agency to base its assessment solely on its econometric model, it would conclude that the chance of a recession starting in the next 12 months is no higher

than 10%. But factoring in subjective judgments about Mr Trump's policies, it instead puts the risk of a downturn at 25%—close to its highest level in over a decade. That does not mean that a recession is imminent. It nevertheless reflects the rising price of Mr Trump's endless threats on trade. ■

<https://www.economist.com/finance-and-economics/2025/03/25/trumps-tariff-pain-the-growing-evidence>

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Spoiler power

How Europe can hurt Russia's economy

Even if America lifts sanctions, the old continent has its own weapons

Mar 27, 2025 04:00 PM

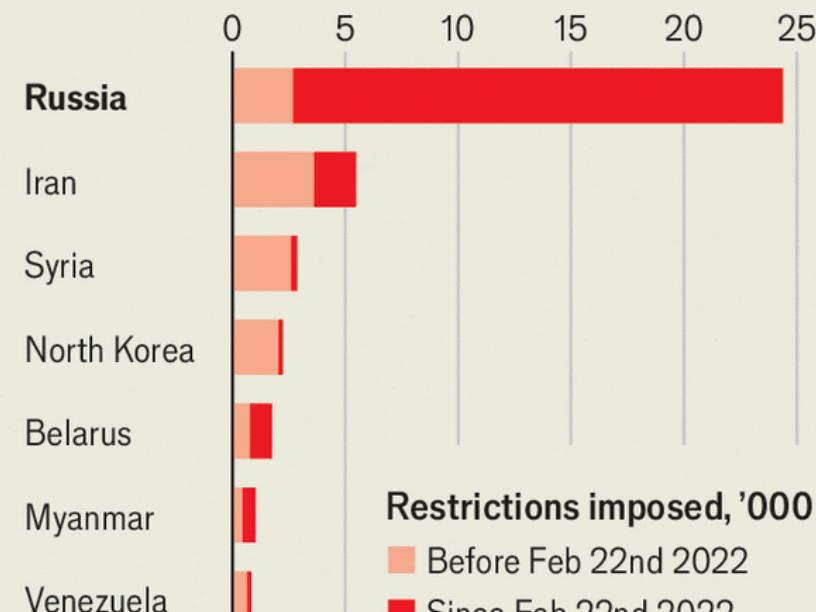


VLADIMIR PUTIN is getting ready for an early Christmas. In the hope of a swift normalisation of [relations with America](#), the Kremlin has been asking Russian firms which sanctions they would like Uncle Sam to lift first. America seems keen: last week Steve Witkoff, a White House envoy, said relief could come after a ceasefire is agreed in Ukraine. On March 25th Russia agreed to ensure safe passage in the Black Sea—if the West lifts sanctions on firms supposedly serving its agricultural industry (including a bank that has also [helped finance](#) Russian oil exports).

Inglorious isolation

1

Countries under most sanctions, Jan 19th 2025



Source: Castellum.AI

The Economist

There are more Western sanctions on Russia than the next six targets combined (see chart 1). America alone has imposed nearly 6,500 penalties since February 2022, when Russia's full-scale invasion of Ukraine began. Europe has even more (see chart 2). Many punish people close to Mr Putin by freezing their assets in the West. Others target Russian industries such as energy, weapons and finance, blocking access to technology, Western markets and dollar payments. These are the ones the Kremlin wants undone.

None of our business

2

Russia, sanctions by enforcing country/bloc, '000
Feb 22nd 2022-Jan 19th 2025



Source: Castellum.AI

The Economist

Although America may be keen to loosen up, in Europe such talk remains taboo. If America lifts sanctions it is possible Europe will decide to keep its own in place. Some geopolitical pundits assume that would not matter much. Access to America's tech, currency and payment networks, they say, is what Russia really wants. But our analysis suggests this is wrong. Without Europe on side, Russia's trade, access to payment systems and foreign investment would all remain severely limited.

Take trade first. Ending American sanctions could revive the goods trade between the two countries, which shrank by 90% from 2021 to 2024. Even before the invasion, however, such trade was worth a relatively meagre \$35bn. Any rebound would be equally modest. By contrast, Russia's pre-war trade with the EU was worth €258bn (\$305bn). If Europe stayed the course, that would not come back.

Russia may hope for more from the end of American sanctions on its energy exports, which are the Kremlin's chief money-maker. America supports a G7 price cap that bans insurers, shipping firms and banks in the group of advanced economies from facilitating the sale of Russian crude, unless it goes for less than \$60 a barrel. Before stepping down, Joe Biden also blacklisted 155 tankers that have carried oil for Russia. But the Kremlin has found new ships, as well as new ports to dock at, and the price cap has had less impact than hoped. After dipping in January, oil exports have rebounded to 3.5m barrels a day, higher than in 2021. Lifting sanctions would not provide much of an extra boost.

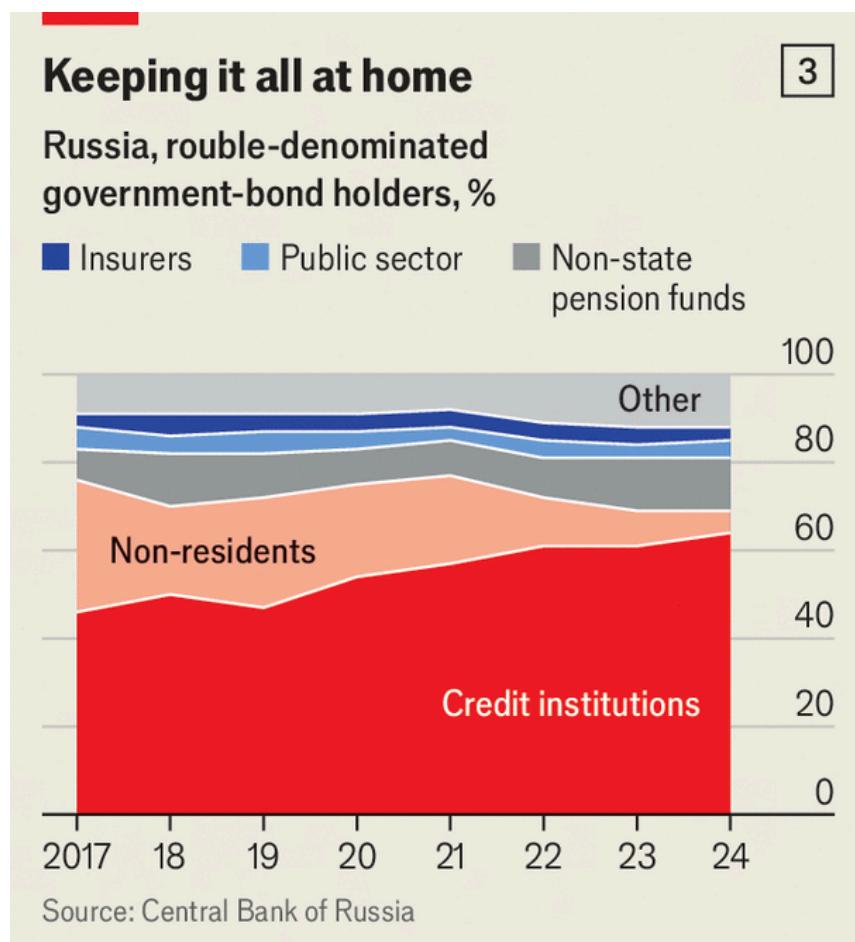
There is also limited room for improvement with natural gas. Lifting sanctions on Arctic LNG 2, Russia's flagship gasliquefaction project, may help redirect some exports, but probably not before 2026, when a gas glut is expected worldwide. And it was Mr Putin who shut Russia's biggest pipeline to Europe, in 2022. Although Russia might like to sell again, it would be Europe's decision on whether to buy.

What about the lifting of American export bans? Since 2022 Russia has dodged restrictions by getting knock-offs from China or by rerouting goods through Central Asia. Many of the valuable items it has been unable to find—high-tech machinery, for example—used to come from Europe. There are some “dual-use” goods, those with both military and civilian uses, which mostly come from America. But export bans on weapon components might remain even if other restrictions are lifted.

A second area where Russia hopes to see progress is international payments. The exclusion of its banks from Mastercard and Visa, the big credit-card networks; SWIFT, a messaging system; and the “correspondent” network that clears dollar transactions in America has caused friction in its dealings abroad. Such measures have, for instance, prevented Russian firms from repatriating hard currency from China and India, the main buyers of its oil, weakening the

rouble. They also block Russia's access to €274bn of assets owned by its central bank and stored in the West.

If American sanctions ended, such problems would ease but not vanish. Most of the Russian central bank's assets are in Europe, and would presumably stay frozen. Most Russian banks would still be cut off from SWIFT, which is based in Belgium. They may also struggle to get dollars if American banks are hesitant to clear payments owing to European sanctions. Three years of war have turned Russia into a financial black box. Its membership of the Financial Action Task Force, the world's dirty-money watchdog, has been suspended. It would also be subject to divergent regulatory regimes across the West, which may be enough to dissuade banks from taking on Russian clients.



The Economist

That leaves international investment, which has shrunk by 43% since the end of 2021. Foreign ownership of Russian government debt has virtually disappeared (see chart 3). Hopes for a reversal have helped boost the rouble by a fifth since Mr Trump's inauguration. Renewed inflows would strengthen the currency further and give a reprieve to Russia's banks, which are currently the state's main creditors. Russia's real economy also has plenty of room for investment. Its aviation and electrical industries need a revamp. Car and logistics firms lack machines and money. Vostok Oil, in Russia's north, is one of the world's largest planned oil developments. It requires 15 new towns, three airports, 3,500km of power lines and more besides, at a projected cost of \$110bn.

Asset-light firms may be tempted to return: one commodity trader says that oilfield-services firms are salivating. But most would probably remain wary of investing in Russia even if American sanctions go. Sanctions could return—if Russia breaks its promises, or when a new president arrives in the White House. Many investors in Russia lost their assets after the invasion, and Russia could expropriate them again. There could be reputational damage. Shareholders might revolt. All this for access to an economy smaller than Texas's. In any case, prospective investors might struggle to find a blue-chip bank willing to move their funds in and out of Russia.

Going it alone

Relief from American sanctions looks unlikely to transform Russia's economy. Europe might even try to sabotage the detente, though that would risk Mr Trump's wrath. Its regulators could tell foreign banks that, should any of their Russia-linked transfers be found to touch their European operations, they will held criminally liable. Many non-European transactions move through Dublin, Frankfurt or London at some point in their execution.

Europe could decide to scrap the oil-price cap, instead barring its shipping firms and financiers from being involved with Russian sales. The continent's policymakers could prohibit tankers found to have carried Russian oil from docking at its ports. A nuclear option would be to suggest that third-country buyers of Russian oil, and those which bank them, could lose access to its financial services and common market. Doing so would carry big costs and risk heavy blowback, not least from Mr Trump, who might see European hard-headedness as undermining his deal. For Europe to consider such "secondary" sanctions, the peace deal proposed by America would have to be awful.

Mr Trump's officials have yet to talk to the EU about their sanctions plans. "That's absolutely idiotic," fumes one confidante to European leaders. To Russia, Europe has always mattered more than America. In Mr Trump's parlance, that means Europe has decent cards. Ignored and threatened, it may be tempted to use them. ■

<https://www.economist.com/finance-and-economics/2025/03/24/how-europe-can-hurt-russias-economy>

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Mo' problems, mo' money

Live music seems recession-proof. Thank ticket scalpers

When demand softens, the secondary market absorbs the pain

Mar 27, 2025 04:00 PM

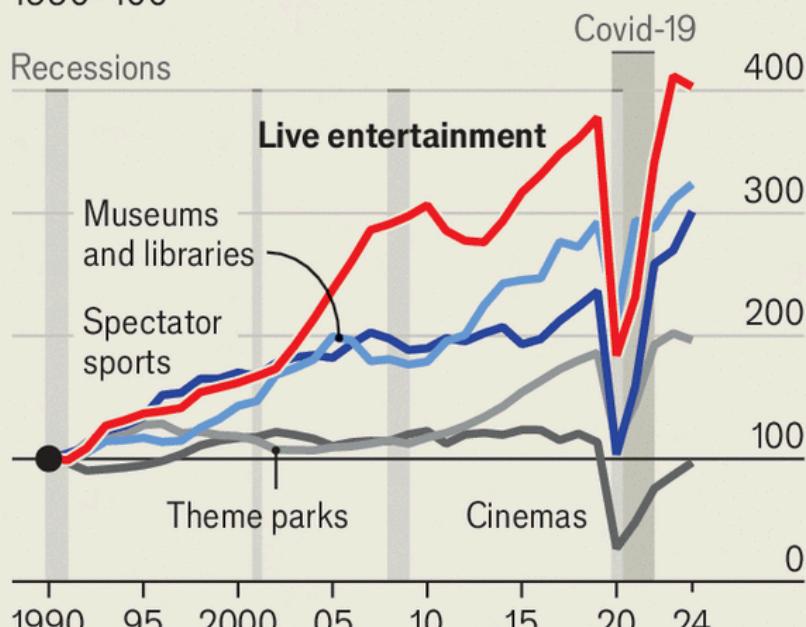


THE MOOD music on Wall Street is [downbeat](#), as America's government [throttles trade](#) and consumers seem poised to trim spending. Yet one corner of the entertainment industry is partying on regardless. Live Nation, a concert promoter, has said it expects the live-music industry to break records in 2025. Its Ticketmaster app had 70% more traffic this February than last, reckons Sensor Tower, a data firm.

I'm still standing

US, personal-consumption expenditures

1990=100



Sources: BEA; Goldman Sachs

The Economist

This party may yet fizzle out. But the music business has a record of performing well during downturns. Although concerts were clobbered by covid-19 lockdowns in 2020-21, during America's previous three recessions live entertainment held up even as spending on other forms of fun dipped, according to Goldman Sachs, a bank (see chart).

Timing is one reason: concert-goers may book tickets months in advance, so the impact of belt-tightening is delayed. Another is that the average big-name gig in America is still cheaper than a night out on Broadway or at the National Football League, meaning that concerts are not the first treats to be forgone in a crunch (they may even serve as cheaper substitutes). The globalisation of music fandom also protects touring artists from downturns. If demand falters in Johannesburg, add a date in Jakarta.

The most improbable saviours of live music in recessions are a group more often cast as villains: ticket touts. Concerts are deliberately underpriced, to ensure that true fans—young and hip but penniless—make it into the audience alongside rich oldies and corporate-hospitality bores. Scalpers take advantage by buying tickets early, then reselling them at the true market-clearing price. In booms they prosper: in 2019, just before the pandemic, Live Nation said that the average uplift in ticket prices on the secondary market in America was 70%, providing touts with a profit of \$1.3bn (more than Live Nation’s own operating profit that year).

But when demand softens, touts feel it first. Their billion-dollar profit pool in effect shields the primary market from declines in consumer spending, argue Stephen Laszczyk and Antares Tobelem of Goldman Sachs. “In the event of a recession, we would expect that the secondary market would absorb most of the pressure on marginal demand, insulating the underlying profitability of the live-music industry,” they predict.

If the direst forecasts for America’s economy come true, fans may not be willing to pay as much to see bands like Oasis, whose comeback tour begins in July. Yet with tickets already sold out in the primary market, the Gallagher brothers have no need to worry. It is those trying to make a buck in the secondary market who will have to roll with it. ■

<https://www.economist.com/finance-and-economics/2025/03/23/live-music-seems-recession-proof-thanks-to-ticket-scalpers>

Sitting on a...

The surging gold price is boosting Central Asia's economies

But foreign investors might want to tread carefully

Mar 27, 2025 04:00 PM



IMAGO

TIAN SHAN—the name for the mountains that cross Kazakhstan, Uzbekistan and Kyrgyzstan—roughly translates as “Mountains of Heaven”. It is fitting for a range that is dotted with gold mines, including Kumtor, one of Central Asia’s largest and a symbol of Kyrgyz national pride. Moreover, it is not just the mountains of Central Asia that hold big reserves. Hundreds of kilometres to the west, in Uzbekistan’s Kyzylkum Desert, sits Muruntau, the world’s largest open-pit gold mine.

Now the good times are rolling. The price of gold has more than doubled since 2019. In March it breached \$3,000 per troy ounce for the first time. That is good news for both governments and miners in the poor but mineral-rich Central Asian states. The yellow metal is the biggest export for Kyrgyzstan, Tajikistan and Uzbekistan, and one of the biggest in Kazakhstan, the region’s largest and richest economy.

Indeed, the Uzbek Navoi Mining and Metallurgical Company (NMMC), which operates the Muruntau mine, is the world's fourth-largest gold producer. It accounted for almost one-sixth of the Uzbek state's revenue in 2023, when prices were significantly lower than they are today. The European Bank for Reconstruction and Development forecasts average economic growth of 5.7% for Central Asia this year—well above its forecast of 3.2% for emerging markets in general.

The gold boom has made life easier for the region's central bankers. After the Kazakh tenge struck a record low against the dollar in January, the country's policymakers sold some of their gold reserves—the value of which had soared to a record \$25.9bn in October—to prop up the currency. Russia has become reliant on imports from Central Asia to dodge Western sanctions. In both Kazakhstan and Uzbekistan central bankers have used gold to settle transactions with their trading partner without the need for SWIFT, a Western financial-messaging network from which many Russian banks have been barred.

Little surprise, then, that the region's leaders are eager to mine still more gold. Under his "Uzbekistan 2030" strategy, Shavkat Mirziyoyev, the country's president, seeks 50% more production by the end of the decade. Mr Mirziyoyev wants to reduce the government's role in the economy and entice foreign capital. To that end, the state-owned NMMC is reportedly planning an initial public offering (in London, with a rumoured valuation of more than £4bn, or \$5.2bn). China has also invested in Central Asian gold-mining as part of its Belt and Road Initiative, focusing on Tajikistan, the region's poorest country. In 2018 it agreed to build a power station in return for the right to develop the Upper Kumarg gold mine.

Foreign investors have not always had an easy time in the region. Kyrgyzstan's Kumtor mine had for decades been run by Centerra Gold, a Canadian company. In 2021, amid tax disputes and

allegations of environmental damage, it was taken over by the government of Sadyr Japarov, Kyrgyzstan's nationalist president. In ordinary times, that might give overseas investors pause. But gold is alluring, especially when prices are this high. ■

<https://www.economist.com/finance-and-economics/2025/03/27/the-surging-gold-price-is-boosting-central-asias-economies>

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A Latin American fintech star

Nubank has conquered Brazil. Now it is expanding overseas

The country's struggling economy provides a push

Mar 27, 2025 04:00 PM



BRAZIL MAY not be an obvious place to look for the future of retail banking. Yet in just over a decade Nubank, based in São Paulo, has transformed its home market by offering cheap, branchless banking to millions of customers ignored by the big players. Its market value of \$56bn leaves it vying with Itaú Unibanco for the title of Latin America's biggest bank. In 2024 Nubank made \$2bn in profit, double the previous year's figure. Having conquered Brazil, and with the country's economy now struggling, it has set its eyes on new markets.

When Nubank was founded in 2013, Brazilian banking was an oligopoly: six lenders controlled nearly 80% of the industry's assets. Customer service was an afterthought. Opening an account took cartloads of paperwork. Customers endured fees on everything from wire transfers and credit-card purchases to cash withdrawals. In 2015 the gap between what Brazilian banks paid depositors and charged borrowers was 31 percentage points, compared with 2.9 in

China and 3.8 in neighbouring Argentina. For many poor Brazilians, or those in rural areas, a bank account was out of the question.

Nubank's first offering was a no-fee credit card that customers could apply for and manage on their smartphones. (It assessed their creditworthiness from the information they provided and their social and buying habits.) In 2017 the firm secured a banking licence and started to take deposits, moving into personal loans, insurance and small-business banking. By the time Nubank went public in 2021 it had 48m customers, some 5m of whom had never had a bank account or credit card before. Today it has over 100m in Brazil, more than half the country's adult population.

Several factors fuelled Nubank's rise. Its offer of mobile banking was well timed: from 2013 to 2018 the share of Brazilians with smartphones rose from 15% to 60%. Doing without branches kept costs low: Nubank reckons it spends 85% less per customer than traditional banks. Regulatory changes helped, too. From 2013 Brazil's central bank began to make it easier for startups to offer credit, open accounts digitally and get hold of better credit-scoring data. Pix, an instant-payments system launched by the central bank in 2020, sped the adoption of digital banking.

The firm has rivals, such as PicPay and C6 Bank, a pair of newish players. MercadoLibre, an Argentine e-commerce giant active across Latin America, is expanding into credit and payments. Conventional banks, slow to adapt at first, are now investing heavily in digital services. A bigger threat, however, is Brazil's dicey economy. Gustavo Schrodén, an analyst at Citibank, says that Nubank's focus on consumer loans leaves it more exposed to economic cycles than other financial institutions. Rising interest rates could push up defaults, squeeze margins and slow growth.

Heavy exposure to Brazil's fortunes is one reason Nubank is now heading abroad. David Vélez, the firm's co-founder and boss, says

that his company is targeting markets with similar inefficiencies to Brazil's, including concentrated banking sectors, poor customer service and lots of people without accounts. It moved into Mexico in 2019 and Colombia in 2020, where Mr Schröden says it is trying to build market share by offering competitive rates at the expense of profit margins. In December Nubank paid \$150m for 10% of Tyme, a digital lender that operates in South Africa and the Philippines.

Mr Vélez points out that Nubank has weathered recessions, corruption and a presidential impeachment. Operating in Brazil, he argues, has made the bank "antifragile", strengthening its ability to adapt. If he is right, Nubank could make banking in poorer countries fast, cheap and entirely digital. People in many far richer places would settle for that. ■

<https://www.economist.com/finance-and-economics/2025/03/27/nubank-has-conquered-brazil-now-it-is-expanding-overseas>

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Buttonwood

Can foreign investors learn to love China again?

Wall Street still needs more to coax it back. But non-American firms may be ready to return

Mar 27, 2025 04:00 PM



FOR CHINESE stocks to outperform American ones is rare enough. But this year the MSCI China index has beaten its American equivalent by an impressive 20 percentage points, on the back of excitement about cutting-edge tech firms such as DeepSeek and Manus AI. American shares, meanwhile, have been weighed down by worries about a bellicose Trump administration and the danger of a slowing economy.

Could this revival be enough to entice international investors back to China? It has been a rocky romance so far. When outsiders looked at China's vast economy and rapid growth in the early 2010s, many saw a land of endless opportunity. More recently, however, slowing growth and a government crackdown on private firms, ranging from video-game makers to tutoring companies, has led to a reduction in the share of domestically listed stocks that are held by foreign institutions. From 6.4% at the start of 2021, it fell to just 4% at the end of 2024.

The main beneficiary of the market upswing has been Hong Kong-listed high-tech stocks, reflecting Western investors' newfound enthusiasm for Chinese artificial intelligence. Even after the recent rally, many of the companies in question still look cheap. Hong Kong's Hang Seng tech index has a price-to-earnings ratio (based on expectations of earnings next year) of around 19, compared with almost 70 at its peak in 2021. China's tech firms are not just markedly cheaper than American tech stocks by the same measure; they are cheaper than American stocks overall.

When it comes to mainland stocks, though, investors are more reluctant. Cheapness may be necessary for a resumption of foreign interest, but it is not sufficient. Three issues make investors cautious. All would have to be resolved for them to return in good number.

Some progress has been made on the first issue, which was what initially sent foreign investors running for the hills. China's tech crackdown began in 2020, when officials cancelled the initial public offering of Ant Group, the fintech arm of Alibaba, a tech giant, after the firm's founder, Jack Ma, criticised the country's regulators. The move sparked discussion of whether China had become "uninvestable". Now a thaw seems to be in progress. Last month Xi Jinping, China's president, got together with a group of private-sector leaders that included Mr Ma and Liang Wenfeng, the founder of DeepSeek. Mr Xi stressed the importance of entrepreneurship and the scale of the Chinese market.

A revival in the Chinese economy would help too. The slump of the past few years, driven by the country's troubled property industry, has knocked consumer spending, the main engine of growth for most large Chinese companies. Here, the necessary work is half-done at best. On March 16th the state laid out a new economic-rescue plan, apparently demonstrating its commitment to boosting consumption. The plan included schemes to subsidise interest on consumer loans and a modest increase in China's stingy

government pension. Yet it was worth only 2% of GDP—not quite the bazooka required to really get consumption going.

The last challenge, and the one that looks least likely to be resolved in the foreseeable future, is politics. Miserable relations between China and America have made Uncle Sam's investors wary. In 2023 Joe Biden, then America's president, signed rules that required American private-equity investors to receive approval if they wished to invest in some high-tech Chinese sectors. Mr Trump is likely to expand their reach.

For Wall Street itself, that means the hurdle to investing in China has been raised. But there are plenty of investors in other countries who have trillions of dollars of their own to deploy. Capital allocators in New York may feel as if they cannot appear too bullish on China for political reasons. Their peers in Dubai, Geneva and Singapore will not feel the same compunctions. Indeed, American politics may push foreigners towards China even as it keeps Americans out. The Trump administration's chaotic spending cuts and on-again, off-again tariff promises are a big part of why American markets are in the doldrums.

All this presents an opportunity for Chinese policymakers. A recovering economy, a truce between the government and business, and a swell of interest in China's technological innovation have begun to revive overseas interest. It is early days, and more is to be done. But the opportunity to seal the deal is there—if they wish to take it. ■

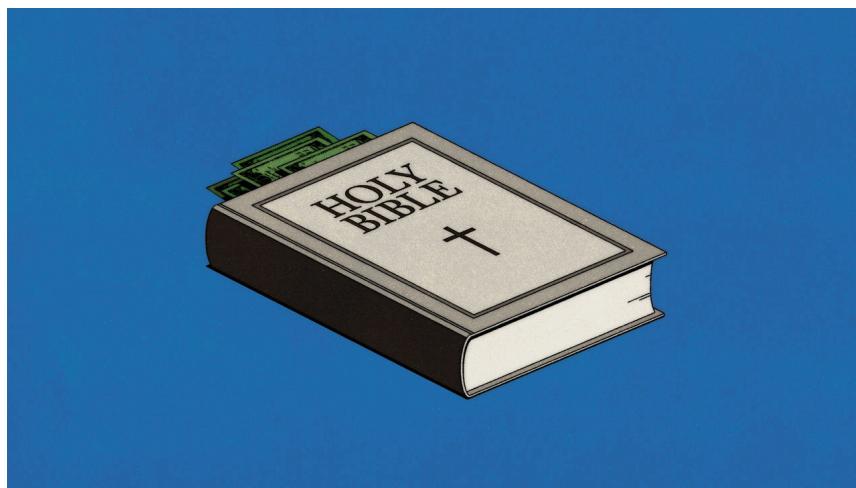
<https://www.economist.com/finance-and-economics/2025/03/27/can-foreign-investors-learn-to-love-china-again>

Free exchange

Even priests need the free market

What clergymen can learn from economists

Mar 27, 2025 04:00 PM



HENRY WARD BEECHER'S church was very rich. Every Sunday crowds would flock across New York's East River on "Beecher's boats" to see the charismatic preacher, who had arrived in Brooklyn from rural Indiana. In the 1850s and 60s Beecher sold sermons, bringing in so much cash that he could sponsor and arm with rifles a regiment in the American civil war ("Beecher's regiment," toting "Beecher's bibles"). By 1875, when an adultery scandal brought him down, his Brooklyn congregation had swollen from 20 souls to thousands. Beecher was a celebrity; proof both that religion can lead to riches, and that riches can lead to religion.

Nowadays Christianity is struggling across the developed world. According to the most recent data, just 45% of Americans attend church, down from 70% in 1999. In Italy, home of Catholicism, the number of churchgoers has shrunk by almost half over the past decade. What can the clergy do to draw people back? Various options have been tried in the past. The authors of the Gospels appealed to miracles. Crusading popes preferred the use of force. In

the 19th century British Quakers thought that providing for the material needs of their flock would guarantee its piety.

Fortunately, growing numbers of economists now study religion—and can offer despairing clergymen some advice. The first lesson is that experimentation may be required. Religious institutions around the world have long offered scripture classes, bankrolled religious schools and run cut-price bookshops, based on the theory that knowledge will lead to godliness. According to Jean-Paul Carvalho of the University of Oxford and co-authors, this theory may be misguided. Looking at Turkey, they find that the more years of religious education a person receives, the less likely they are to vote for a religious candidate in an election. Perhaps this is because, as Mr Carvalho suggests, people who have sat through years of religious education have already made their piety clear, and so do not need to prove it with their politics. Yet some cynics suspect a different mechanism is at play: maybe religious education, much like mainstream schooling, provides people with the tools required to question dogma.

Charity appears to be no more effective. The Cadburys, a family of Quaker faith and chocolate fame, built Bournville near Birmingham, England in the 1890s. The village provided low-cost housing and health care to the area's factory workers. Although this probably improved their well-being, that is unlikely to have made them more pious. In 2017 Ingrid Storm, then at the University of Manchester, published a paper looking at censuses across 31 European countries. She found that people were most religious when they were poor. Indeed, in modern America, it is Evangelical megachurches, which offer few handouts but preach that religion is the route out of penury, that are growing fastest. Prayer's potential to bring prosperity seems to be more alluring than giveaways.

Even divine intervention may not be enough to fill the pews. According to Carson Mencken of Baylor University and his co-authors, who surveyed some 14,000 Texans, people who reported

having witnessed a miracle were more likely to consider themselves religious. They were, however, less likely to attend church. That may satisfy preachers who are content with inner holiness, but organised religion requires more.

Thankfully, there is something even more powerful than the Lord himself: economic incentives. In a forthcoming paper, Raphael Corbi and Fabio Sanches, both of the University of São Paulo, look at the impact of tax breaks on church membership. Such incentives are common: American churches, for instance, are exempt from levies on revenue and property. Messrs Corbi and Sanches assume that priests are constantly evaluating whether to cut back or expand based on the size of congregations and revenues from worshippers. They then use data from isolated Brazilian townships to measure the impact of tax breaks. Their results are striking. Federal tax breaks from 1992 to 2018, which amounted to 30% of total religious profits, led to 10% more churches being open than would have otherwise been the case. This ripples through to politics: Messrs Corbi and Sanches find that tax breaks are associated with 8% more votes for Evangelical politicians.

Tax breaks benefit churches, not worshippers, so cannot persuade people into the pews directly. How, then, to explain their effects? The researchers do not guess what clergymen spent their profits on but, given the findings of other researchers, it is unlikely to have been education or welfare that put more bums on seats. Larger congregations may instead reflect performance-related pay. It is not uncommon for Brazilian Evangelical preachers to become millionaires—provided they fill the pews. Lower taxes only increase the incentive for priests to preach to their fullest ability (or to tailor their sermons to what is popular among parishioners). Moreover, it may be easier for a parishioner to believe that a well-resourced and well-known man has been ordained by God.

The eye of the needle: bigger than previously thought

Religious scholars would rather not think that churches act like firms in economic theory. Surely a priest is watching over the souls of his parishioners, rather than trying to maximise revenue per square metre of consecrated floorspace? And economists do face difficulties. They usually assume that people pursue certain outcomes, such as consumption or satisfaction, over the course of their life. How to account for belief in an afterlife? But economics can still bring expertise to bear. Today most churches in America are registered as corporate organisations, albeit tax-exempt ones. Many have complex structures through which millions of dollars a year flow. The results speak for themselves. Although priests may be God's representatives on Earth, they still respond to financial incentives. You can, it turns out, serve both God and Mammon. ■

<https://www.economist.com/finance-and-economics/2025/03/27/even-priests-need-the-free-market>

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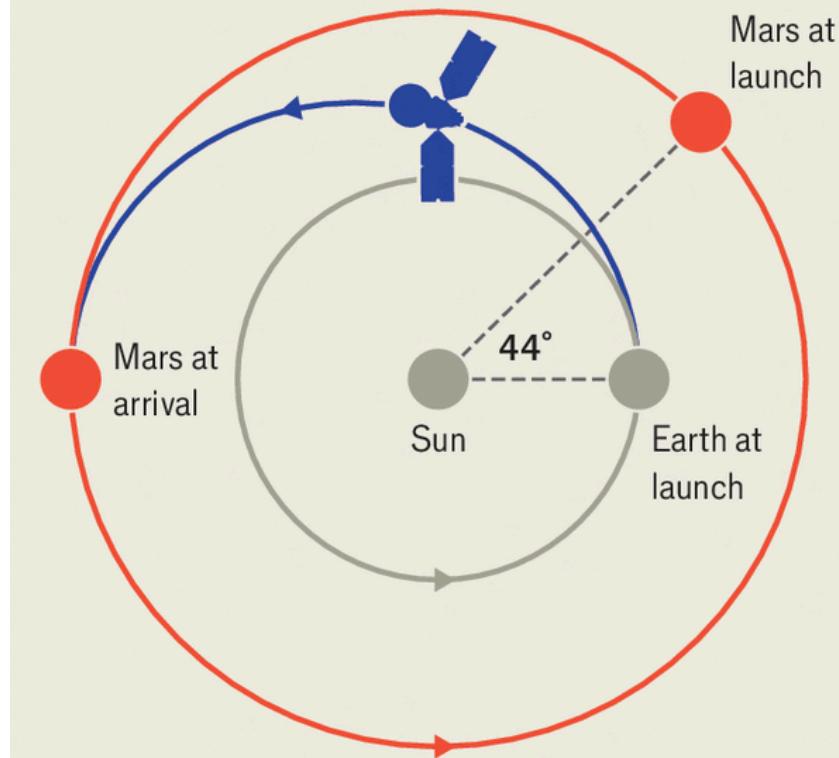
Mar 27, 2025 06:21 PM



Alamy

HUMAN LAWS can be changed, waived or broken. Physical laws are less biddable. When it comes to putting humans on Mars, which he sees as the first step towards the planet's settlement and humankind's salvation, Elon Musk now has little to worry about from human law. Mr Musk has overseen the gutting of the FAA, America's aviation authority and a sometime obstacle to his company SpaceX, by his so-called Department of Government Efficiency (DOGE). What is more, he stands at the side of an American president who, as well as having little regard for legal strictures, explicitly endorses Mr Musk's Martian agenda. In his inaugural address President Donald Trump declared that it was time for Americans to "pursue our manifest destiny into the stars, launching American astronauts to plant the Stars and Stripes on the planet Mars". This was not a one-off. He repeated the aspiration in his address to Congress six weeks later.

How to launch a spacecraft to Mars



Source: NASA Jet Propulsion Laboratory

The Economist

There are, though, physical constraints. They do not preclude reaching the orbit of Mars from that of Earth. That is, in principle, fairly simple. Put your spacecraft on an elliptical orbit around the Sun, carefully chosen so that it is tangential to Earth's orbit upon departure, and tangential to Mars's orbit upon arrival (see diagram). The mathematics dictate that, six to eight months later, it will arrive at a point on the orbit of Mars that lies on the opposite side of the Sun.

The only difficulty arises from the need to arrive at such a point at the same time as Mars itself does. Getting that right requires Earth to lag behind Mars by roughly 45 degrees at the time of launch, a state of affairs which comes around only every two-and-a-bit years —which is to say, only twice in any given four-year presidential term. If humans are to be launched to Mars before Mr Trump's

constitutional time is up, they will have to leave Earth's orbit during the opportunity which opens at the end of 2028. But unless the mission is to be insanely risky, one or more uncrewed precursor landings will need to be attempted beforehand. And they would have to be launched during the opportunity which begins in late 2026.

This is what Mr Musk said he wanted to do last year. Then it seemed barely plausible. Today it looks next to impossible.

On my way to Mars

Mr Musk's plans focus on Starship, the unprecedentedly large and, in principle, fully reusable spacecraft that SpaceX is developing at its Starbase facility on the southern tip of Texas. One of the earliest iterations of the two-stage system's design was referred to as the Mars Colonial Transporter; its design could allow it to carry up to 100 people at a time.

Starships are supposed to weigh about 100 tonnes when empty, with crew and cargo adding as much as 150 tonnes to that. Propellant, always the biggest contributor to a launch system's mass, would provide a further 1,500 tonnes. Even with the help of a "Super Heavy" booster to take it to 60km from the surface of Earth and a speed of around 4,400kph during the first few minutes of flight, almost all of that fuel will be needed to get a Starship to the 28,000kph which is required for a low-Earth orbit.

If all the Starship needs to do is take a pod of SpaceX's Starlink communication satellites into orbit—the commercial-use case—then being left with only a little fuel is fine. Push out the satellites, as planned; use the last propellant to re-enter the atmosphere and land. If the intention is to send the Starship farther, though, the almost empty tanks need refilling.

This means other Starships will have to carry extra propellant to any sibling bound for Mars. How many such missions would be required depends on the tonnage each such tanker mission can lift to orbit. If Starship's payload capacity is less than planned, the number of missions needed to fill the tanks could be 15 or 20.

What the actual requirement would be, no one knows: 23 months and eight flights into the testing programme, no Starships of any sort have yet reached orbit.

Burnin' through the sky

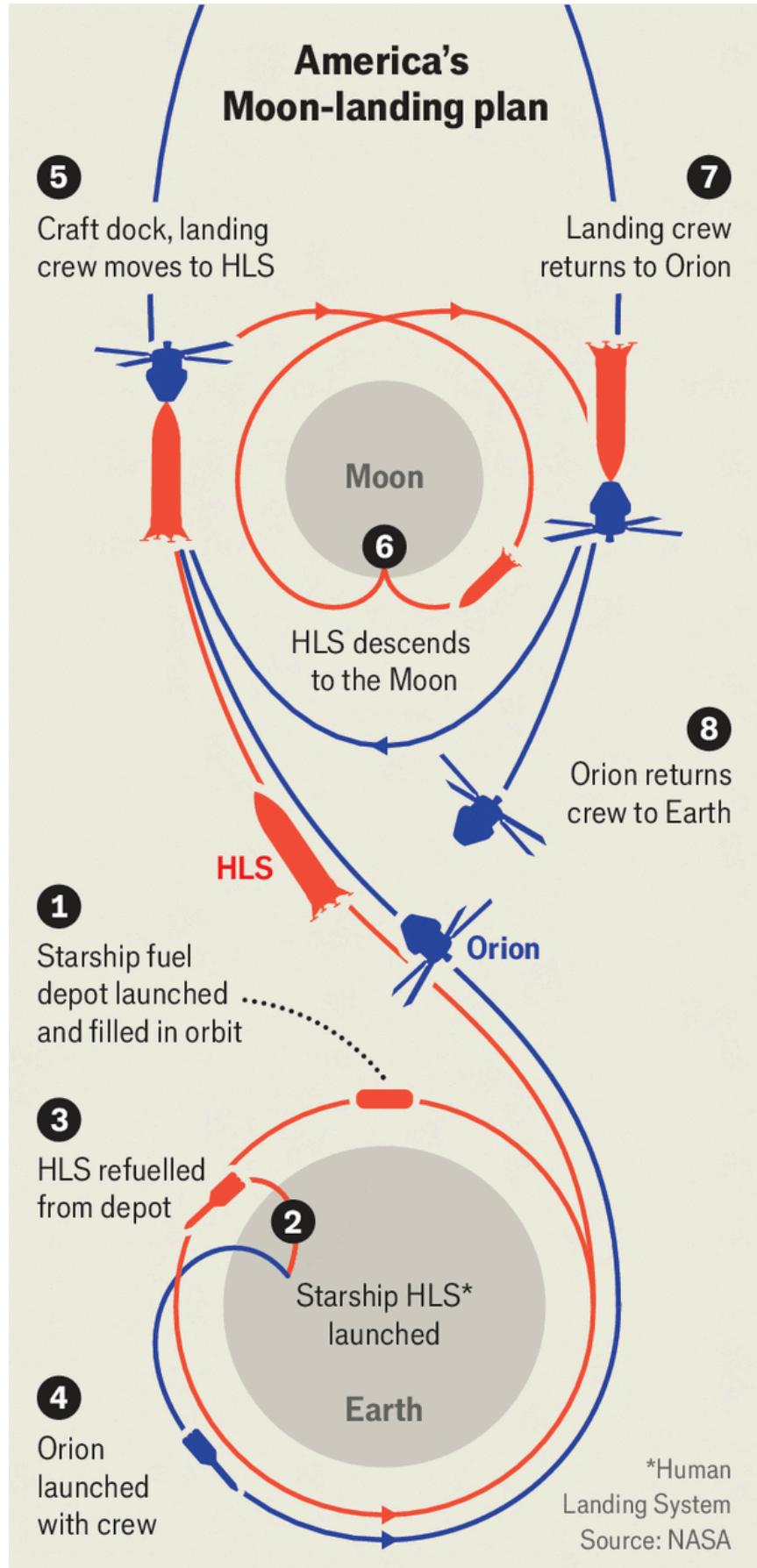
It is a measure of SpaceX's reputation that when, last September, Mr Musk talked about having a number of uncrewed Starships in orbit, fuelled up and ready to head off to Mars by 2026 it seemed, if not likely, at least possible. The three or more launches a week that the company now gets from its fleet of Falcon 9s would once have seemed just as outlandish.

In October the company astonished the world by catching a returning Super Heavy booster in mid-air. The following month it brought down a Starship from its suborbital passage through space, and the fires of atmospheric re-entry, to a precisely controlled splashdown in the Indian Ocean. Estimations of the firm's all-round wizardry increased yet further.

This year the version of Starship used in all previous tests has been replaced by a new, larger and notionally upgraded version. It has not gone well. On January 16th the first of these "Block 2" Starships was blown up by a safety system when fires broke out in its aft section a few minutes after separating from the Super Heavy, sending a shower of debris through the skies over the Turks and Caicos Islands. Thinking it had identified the cause of the problem, SpaceX tried again on March 6th; again the engines malfunctioned; again the Starship had to be blown up; again fiery debris rained down over the Caribbean.

It looks as if a Starship that can do what is being asked of it is, at best, still some way off. The setbacks have thus sharpened the need for extra testing. But they have also slowed its pace. SpaceX always knew that, after it produced Starships capable of getting to orbit and back, it would then have to work out how to transfer ultra-cold propellants from one ship to another—something never before attempted.

It also knew that developing the capacity to launch multiple “tanker” flights in quick succession would require a lot of practice. The need to speed things up is why the company applied for a licence for 25 launches to be conducted at its Texas site over the course of this year. As it has turned out, the pace has slackened. The company may manage just four test flights in total before 2025 is half done, at which point the launch window for Mars will be only 16 months away. Mr Musk’s claim that uncrewed launches for Mars in 2026 are still on the table is very hard to believe.



Delays to Starship are not just a blow to Mr Musk's Martian timetable. They are bad for NASA's lunar one, too. In 2021 NASA chose a version of Starship to fulfil a crucial role in the agency's Artemis Moon-landing programme—that of getting astronauts from the Orion capsule in which they are due to leave Earth down on to the surface of the Moon (see diagram). This Human Landing System (HLS) version of Starship, like those planned for the *Drang nach Mars*, would have landing legs and a life-support system as well as some space for cargo. And it, too, would need to be more or less fully refuelled in orbit.

NASA says it plans to launch the Artemis III mission, which is the one intended to return American astronauts to the surface of the Moon, and which therefore requires the services of the HLS Starship, in the middle of 2027. This would mean pulling off an uncrewed HLS dress rehearsal in 2026. If uncrewed Mars missions are not possible on that timescale, neither are uncrewed Moon missions. Artemis III, which has already been postponed a number of times, will get pushed back yet further.

Flights to the Moon are not constrained by orbital dynamics in the same way as flights to Mars. In principle, NASA could head off more or less as soon as it is ready. But it does face a political deadline. China has said that it plans to land people on the Moon in 2030. Its plans for doing so are much simpler than those on which Artemis relies, featuring no in-orbit refuelling or similar malarkey. It will be building on a record of successful recent robotic missions that America has yet to match. Daniel Dumbacher, an engineer who used to have a senior role in NASA's human-exploration effort, recently testified to Congress that: "Any objective assessment, including my own view, concludes that [NASA's] approach today has a very low probability to match the 'before 2030' milestone for landing humans on the Moon."

On a collision course

Getting to the Moon is not, in itself, a high priority for people in Mr Trump's orbit, despite the fact that the Artemis programme began on his watch. Mr Musk's interest is purely instrumental; the \$4bn in NASA contracts SpaceX has won for HLS will develop technologies the company needs for Mars, too. The member of the first Trump administration most closely associated with Artemis, vice-president Mike Pence, is now an unperson. The programme's once proudly stated goal of putting the first American woman on to the Moon—and the first person of colour, too—is an initiative tainted with the sort of focus on diversity, equity and inclusion that the current administration deplores. In March that commitment was quietly removed from the administration's website.

Being beaten to the Moon by China, though, is probably another matter. Many in Washington think that a scenario in which China reaches a Moon to which America has not yet returned is unacceptable, which argues for revamping or replacing Artemis. Blue Origin, a rocket company owned by Jeff Bezos, who founded Amazon, is developing a smaller, niftier Moon lander for later Artemis missions; perhaps it could be brought forward. Plans developed by Lockheed Martin, a defence firm, for a reusable tug to take things from Earth orbit to an orbit around the Moon might also be accelerated.

And maybe SpaceX could contribute something other than the Starships it would have been working on anyway. Robert Zubrin, an aerospace engineer whose ideas about reaching and settling Mars were a great influence on Mr Musk, argues that SpaceX should develop a new expendable second stage for the Super Heavy, allowing it to launch things other than Starship. Doing so could provide a way to transport large payloads to places beyond low-Earth orbit, including the Moon.

Mr Musk has shown no interest at all in such deviations from his defining goal; at its heart the Starship is still the Mars Colonial Transporter. Neither he nor the administration will be keen on

spending a lot on new hardware from his competitors. But if no action is taken, Mr Trump will not only be denied the glory of sending American astronauts off to Mars before his second term comes to an end; he runs a real risk of seeing Chinese astronauts in pole position in the race for the Moon, too.

Having a good time

The end of Mr Trump's term, though, will in no way represent the end of Mr Musk's ambitions. This gives him an interest in future-proofing SpaceX, which can expect no favours under a Democratic administration. He will want to see Starlink built into the government's operations to the greatest extent possible and to make SpaceX's launch services and satellites ever more central to the operations of America's Space Force, at the expense of its various rivals. But the best way to extend his political launch window, from his point of view, will be to use his energy, his money and any technological leverage over government systems he might achieve through DOGE to ensure that Mr Trump's successors are pro-Musk, if possible, and, if not, at least Mars-curious.

Such a follow-on administration does not have to be committed to paying for Martian high jinks; just to stay out of their way. Indeed, though government money would doubtless be welcome, extramural Mars missions would have their own advantages, allowing for a degree of flexibility that government-funded missions could scarcely contemplate.



No mere boosterism

One big question concerns any return journey. Starships refuelled in orbit could definitely get to Mars if they perform as specified. But they will not be able to get there with enough fuel to come back. The way SpaceX intends to deal with this problem is by borrowing an idea of Dr Zubrin's: make the methane needed to refill the tanks out of Mars's carbon-dioxide atmosphere and subsurface ice.

Dr Zubrin imagined landing a propellant-production facility on Mars before the astronauts arrived, so they would know when they got there that there would be a means of returning. But to do this for a spacecraft as big as Starship would mean a plant with either a great many solar panels or a small nuclear facility of as yet unspecified and untested design. Having to transport such payloads one or two orbital opportunities before the first crewed missions would push back those missions well into the 2030s. Even Mr Musk might not be able to keep his political launch window open that long, try as he might.

The alternative would be to send the first pioneers to a place with no existing fuel cache. That would increase the risks of an already perilous mission. Mars-bound astronauts will face the possibility of radiation exposure and muscle-wasting during the prolonged weightlessness of their transit; the Martian environment is far less hospitable than anywhere on Earth. An attempt to remain on a

foreign planet for as long as six years, even with resupplies every two-and-a-bit years, would be utterly gruelling. No worse, perhaps, than what was endured during some 18th- and 19th-century voyages of exploration. Yet no more assured of success, either.

This is not the way a government would do things. When President John F. Kennedy set America the goal of landing a man on the Moon before the end of the 1960s, he specified it should also bring him safely home. Mr Musk is not interested in doing things the government way, however, nor in overseeing something like the Apollo programme. Kennedy wanted Moon missions not because he was interested in the Moon (he wasn't) but because he wanted to demonstrate that America's will, innovative capacity and industrial might could be harnessed to achieve an extraordinary feat—one beyond the Soviet Union.

Mr Musk wants Mars missions because he wants to see Mars settled. His rhetorical commitment to the idea is tightly aligned with the preferences revealed by his actions and investments. There is little doubt that he would be able to find kindred spirits, quite possibly well fitted to the task, who would spearhead that destiny without a guaranteed route home. And if they would take the risks, so would he.

Don't want to stop at all

Indeed, all indications suggest that he would go further. There is no doubt that part of Mr Musk's alliance with Mr Trump comes down to opportunism: the president's authority hugely assists the goal of making travel to Mars first possible and then routine. In his megalomania, Mr Musk is using the American polity as a booster stage from which to launch the multiplanetary human destiny in which he believes himself to play a crucial role.

His incentives to catch and refurbish that first stage when he believes its job to be done are much less clear. ■

<https://www.economist.com/science-and-technology/2025/03/27/can-musk-put-people-on-mars>

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Hunt for the red-hot October

Climate change may make it harder to spot submarines

The sound of their engines will not travel as far

Mar 27, 2025 04:00 PM



U.S. Navy photo

THE PENTAGON “does not do climate-change crap”, said Pete Hegseth, Donald Trump’s defence secretary, on March 9th. “We do training and warfighting.” Fair enough. But a new NATO study illustrates how closely the two are linked.

A submarine must remain undetected, eluding hydrophones towed by ships, dropped from planes and strung along the seabed. Just how quiet it needs to be depends on the surrounding water’s acidity, salinity and temperature.

Higher carbon-dioxide levels in the atmosphere change all these things. The gas’s mere presence acidifies seawater. Its warming effects alters its temperature, and by melting ice changes the salinity, too. Sources of ambient noise such as winds, waves and whales are all affected. And the changes all differ from place to place.

To work out the consequences for submariners, a team led by Andrea Gilli of the NATO Defence College in Rome and Mauro Gilli of ETH Zurich used computer modelling to examine how sound travelled through deep water in the past (from 1970 to 1999) and how climate models suggest it will do so in the future (from 2070 to 2099).

The researchers originally published their findings in the *Texas National Security Review* in 2024. In the North Atlantic, a crucial battleground between Russian subs and NATO sub-hunters—as well as in the area between the first and second island chains in the Western Pacific, just to the east of Japan, Taiwan and the Philippines—detection will become harder. In the Bay of Biscay, off the French coast, a sub that could once be detected from 60km away will be spotted only at 20km.

In the Sea of Japan, however, local conditions will make life easier for the hunters. North Korean submarines operating in those waters at a depth of 100m could previously get to within 10km away without detection. In the future, estimate the authors, they could be seen from 45km off.

The hypothetical scenario the study considers is based on a worst-case outcome in which nothing has been done to reduce greenhouse-gas emissions; a trajectory most scientists now consider unrealistic. All the same, the trends identified in the paper are noteworthy. In recent years there has been much talk of new detection methods making the oceans more transparent. In fact, argue the authors, the seas might become more opaque. ■

<https://www.economist.com/science-and-technology/2025/03/27/climate-change-may-make-it-harder-to-spot-submarines>

Well informed

How harmful are electronic cigarettes?

The risks of vaping may be worth the benefits

Mar 27, 2025 04:00 PM



RESTRICTIONS ON VAPING are multiplying. Belgium banned sales of disposable vapes on January 1st. France adopted a similar law on February 24th. Other bans on “puffs”, as these single-use electronic cigarettes are also known, may soon come into force in England, Scotland, Wales and New Zealand. The law in the last of those, which takes effect on June 17th, even prohibits specialist retailers from speaking with existing customers about vaping products. More than 30 countries including Brazil and India have outlawed all vaping products. Are such measures justified?

Vaping clearly carries risks. Starting in 2019, America’s Centres for Disease Control and Prevention (CDC) began to track a new inflammatory respiratory disease known as EVALI (“e-cigarette or vaping product use-associated lung injury”). As of February 18th 2020, the CDC had identified 2,807 admissions to hospital for EVALI in America. At least 68 of those patients had died.

Swift action ensued. Researchers pointed fingers at vitamin E acetate, a skincare oil that was added to many illicit batches of vaping liquids as a thickening agent. When vitamin E acetate is vaporised by a vape's heating coil, highly toxic ketene gas is produced. Many jurisdictions outlawed any addition of vitamin E acetate to vape liquids, and crackdowns on black markets followed. EVALI cases fell sharply; the CDC has not detected a resurgence.

Yet health authorities believe EVALI might also be caused by other substances in vape aerosols, including those that are manufactured legally. In a landmark analysis of four popular vaping liquids published in *Chemical Research in Toxicology* in 2021, a team at Johns Hopkins University labelled six ingredients—including caffeine and tributylphosphine oxide, a pesticide precursor—as potentially hazardous. Earlier studies had found vaping mixtures that used formaldehyde, as well as heavy metals such as chromium and lead.

There are other reasons to be concerned. First, as vaping surged in popularity only in the past dozen or so years, cancer cases could still crop up. Lab mice, which can develop diseases quickly owing to their fast metabolisms, have developed cancers after being subjected to vape aerosols. The second is that vape aerosols have been found to damage human tissue, including DNA, via a process called oxidative stress.

This sounds grim. Yet researchers mostly concur that vaping is less harmful than smoking. Of the more than 7,000 substances generated by burning tobacco, over 70 have been linked to cancer, and a greater number are toxic. Vape aerosols share some of those carcinogens and toxins, but generally at much lower levels. Crucially, vapes produce no carbon monoxide or tar, two of the biggest nasties in cigarette smoke. A review of 39 studies that was published in January in *Tobacco Induced Diseases* found “no significant incident or prevalent risk” of cancer in vapers who had never smoked.

What is more, taking up vaping, which mimics smoking gestures, seems to make the latter habit easier to kick. Consider a study of 886 British smokers published in the *New England Journal of Medicine* in 2019. All wanted to stop smoking. Roughly half were given nicotine via gum, mouth spray, patches and the like. The rest were given nicotine vapes. A year on, 10% of the first group had quit smoking. The figure for those given vaping kits was 18%. And among participants still smoking, the vapers had been lighting fewer cigarettes. ■

<https://www.economist.com/science-and-technology/2025/03/21/how-harmful-are-electronic-cigarettes>

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Television's most valuable player

How Shonda Rhimes became a billion-dollar asset for streamers

Her career offers lessons for any writer who wants to make it big on the small screen

Mar 28, 2025 04:19 PM

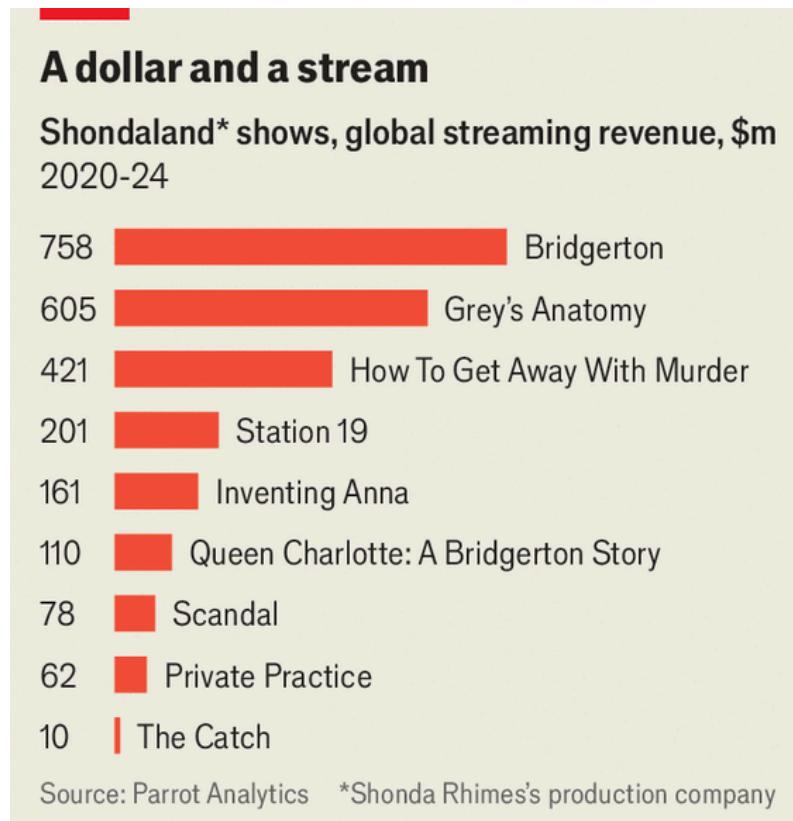


Timo Lenzen

FOR SHONDA RHIMES, deciding whether an idea is screen-worthy is easy. “We make shows that we want to watch,” she says of Shondaland, her production company. “If we don’t want to watch it, we don’t want to make it.” Since its founding in 2005, Shondaland has been behind some of television’s most popular shows, including “Grey’s Anatomy”, “Scandal”, “How to Get Away with Murder”, “[Inventing Anna](#)” and “Bridgerton”. “The Residence”, a new mystery drama on Netflix inspired by a book about the White House, may also reside among Ms Rhimes’s successes.

Few in the TV business can claim so many hits across different genres. Twenty years ago, on March 27th, “Grey’s Anatomy”, which follows clueless and competitive surgical interns, made its debut on ABC, a broadcast network. It has since become the longest-running primetime medical drama in America. Last year it

was the second-most-watched programme on streaming services there, racking up 48bn minutes of viewing. Meanwhile “Bridgerton”, a Regency-era romp, reigned as Netflix’s most popular original series in America. In 2020-24 Shondaland shows brought in \$2.4bn in subscription and advertising revenue for streamers globally, according to Parrot Analytics, a data firm. Ms Rhimes is probably the most valuable person in TV that you have never seen on screen.



The Economist

Her 20-year career in TV embodies the [upheavals of the industry](#). She has adapted to the displacement of linear weekly dramas by bingeable, high-budget streaming shows. In 2017 Netflix paid an estimated \$100m-150m to lure her from ABC in an exclusive deal (reportedly renewed in 2021 for \$300m-400m).

Peter Nowalk, the creator of “How to Get Away with Murder”, reckons she is “the Michael Jordan of TV”, a once-in-a-generation star. The comparison is apt: screenwriting and sport share a lot. Raw talent is a key determinant of success in both fields, but not

the only one. For anyone who dreams of making big hits on the small screen, her career is instructive.

The first lesson is to shoot for the spectacular. When Ms Rhimes was writing for network TV, stories were circumscribed by advertising breaks; she had to make the viewer “want to come back”, she says. As a result each act would close with a hook of some kind: a surprising revelation or moment of emotional turmoil.

Even though streaming shows mostly do not contain adverts, Ms Rhimes says her rule for scripts still involves having an exciting development “every ten pages”. Twisting plots are Shondaland’s hallmark; Ms Rhimes’s fondness for bombshells has been described, not always flatteringly, as “OMG TV”. Viewers are unlikely to forget the episode of “Grey’s Anatomy” in which a patient arrived at hospital with a bomb in his chest, for example, or when Olivia Pope was kidnapped in “Scandal”.

The second lesson is to learn quickly from failure. Not all risks pay off, on screen or on court; Ms Rhimes had several projects at ABC that were rejected or quickly cancelled. In the early 2000s a pilot about female war correspondents was not picked up; nor was “Gilded Lilys”, a period drama, in 2012. “Still Star-Crossed” (2017) unsuccessfully imagined a sequel to Shakespeare’s “Romeo and Juliet”; one reviewer wrote that its cancellation would not “evoke much sorrow, sweet or otherwise”.

But Ms Rhimes learned from these setbacks. The show about war correspondents was pitched soon after the Iraq war had begun, at a time when the industry was lukewarm about dramas set in conflict zones; Ms Rhimes says this prompted her to think more carefully about what tastemakers wanted. She had heard that Bob Iger, then the president of Disney (which owns ABC), was seeking a medical show, so she devised “Grey’s Anatomy” instead.



The third lesson is to time your moves well. In the early 2000s Ms Rhimes worked in film, but felt that TV was becoming the home of character-driven storytelling, with shows such as “The Wire” and “Lost”. She pitched “Grey’s Anatomy” just as TV was becoming more ambitious. A decade later Ms Rhimes says she realised that streaming “was where the future of television was going to be” and that an arms race for content was beginning. Netflix, determined to stock its arsenal, doubled its annual content budget to around \$12bn from 2017-18.

Like some of her shows’ heroines, Ms Rhimes was in the right place at the perfect time. The first show Shondaland made for Netflix, “Bridgerton”, arrived in December 2020. After lockdowns, audiences were eager for a fanciful escape—a world with fewer face masks and more dapper dukes. Some 80m households watched the romance in its first month. Its [multiracial cast](#) was ideally timed for the political moment, in the wake of Black Lives Matter protests and calls for greater diversity.

Ms Rhimes’s programmes often feel fresh and norm-breaking, but in many ways her firm is not. Its structure “harks back to the very traditional, old-fashioned studio model”, says Alice Thorpe of Ampere Analysis, a research firm, whereby a single person oversees a roster of trusted directors, producers and writers. Ms Rhimes does so from a distance: she lives and works in Connecticut, on America’s east coast, and the firm is based in Los

Angeles. She delegates responsibilities, she says, in order to focus on “the one thing I know that Netflix needs from me and me alone, which is the creative part”.

She is also expanding in directions other media firms have ventured before. Disney, for example, has used its popular films and TV series to sell toys and trinkets for children; Shondaland is mimicking that model, just for adults. (She pushed the idea after fans of “Scandal” wanted to buy the wine glass Olivia Pope drank from, and they went to Crate & Barrel, a retailer, to do so. Shondaland did not get one sip of the profits from glass sales.) Fans of “Bridgerton” have been able to buy themed crockery, make-up, rugs, tea and wedding dresses; no other hit drama has such a visible presence in American and British shops.

“We stopped just storytelling and started world-building,” Ms Rhimes explains. Whenever a script comes in, executives think up ancillary offerings, from tie-in podcasts to products. They are also investing in live experiences, including [“Bridgerton” balls](#), where fans come to dances in fancy dress. This is a broader trend in TV: Netflix is launching immersive experiences, including a restaurant in Las Vegas where patrons can eat food from their favourite shows. In the streaming age, when there is so much choice—and a long lag between lavishly produced seasons—such offerings keep shows relevant.

Broadcasters and streamers are no doubt eager to find the next Shonda. But that will prove more challenging than, say, getting away with murder. With network TV declining, broadcasters are unwilling to gamble on rookies. “It’s hard to be the first-time writer selling a show now because so much revenue goes into established outfits” such as Shondaland, says Michael Szalay of the University of California, Irvine. In the wake of the pandemic and the Hollywood strikes, streamers are also becoming [more parsimonious](#), even with [well-known writers and creators](#). There has been “a notable drop-off” in the number of production deals

that Netflix has signed, according to Ms Thorpe. But for now, Netflix and its viewers do not seem ready to see Ms Rhimes pass the ball. ■

<https://www.economist.com/culture/2025/03/27/how-shonda-rhimes-became-a-billion-dollar-asset-for-streamers>

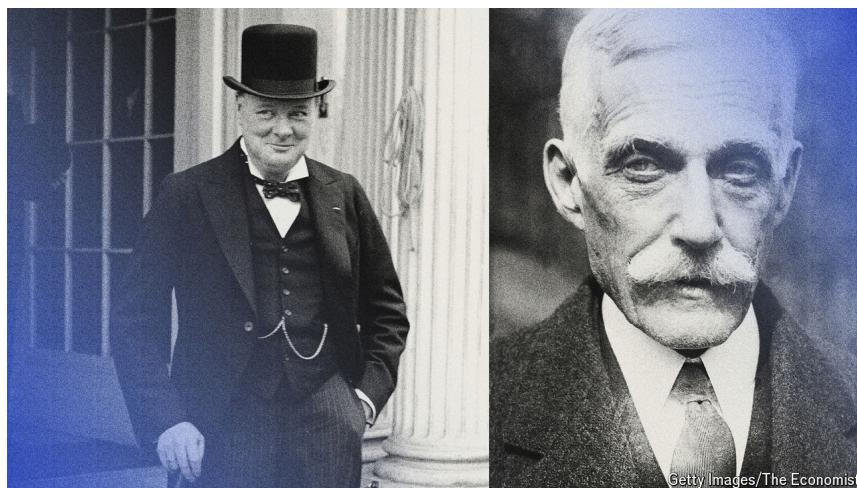
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The debt sealing

Transatlantic fights over war budgets are nothing new

An oft-forgotten negotiation between Winston Churchill and Andrew Mellon resonates

Mar 27, 2025 04:00 PM



Mellon vs Churchill. By Jill Eicher. *Pegasus*; 368 pages; \$32 and £22

HOW FAR should America involve itself in Europe's wars? It is the most urgent question for the [transatlantic alliance](#), and it is well over 100 years old. Donald Trump intends to force more of the [financial burden for the war](#) in Ukraine onto Europeans. Anyone interested in his chances of success might enjoy reading about a battle America's Department of the Treasury fought a century ago to do just that.

That battle is the subject of a new book by Jill Eicher, a former Treasury official. During and immediately after the first world war America lent European allies more than \$10bn, with Britain borrowing the biggest chunk (some \$4bn). In today's dollars that \$10bn is equivalent to around \$180bn—roughly what America's

Department of Defence estimates it has spent on the war in Ukraine. Yet at the time it would have seemed far larger: it was the biggest liability ever recorded on America's balance-sheet, and nearly half the national debt. Most of it had been raised by selling patriotically branded "victory" and "liberty" bonds to Americans. Whether the government could collect its dues had huge political salience.

Meanwhile, Winston Churchill, then Britain's chancellor of the exchequer, was bellowing about "monstrous debts" from across the Atlantic. They had "been scored up by one great country against another", he said, and yet "far exceed the means and methods of payment". Collection in full would be self-defeating, since it would impoverish Europe, thereby hurting America's own exports and "taking the bread out of the mouths of their own working people". The stage was set, in other words, for an enormous tussle over how much of the debt would actually be repaid.

Churchill and his oratory are famous. Andrew Mellon, his counterpart in America, is half-forgotten. Ms Eicher's masterstroke, therefore, is to cast the wrangling between Britain's and America's finance ministries as a clash of the two individuals—much as the newspapers of the day did. In one sense, you could think of Mellon as an earlier [Elon Musk](#): a fabulously successful businessman [drafted into government](#) by a president hoping he would put the country's finances in order. The parallels end there. Contemporaries noted that Mellon "disliked public speaking, avoided publicity, and shunned the spotlight". Mr Musk is [not generally accused of such things](#). Nor was Churchill.

Mellon's shyness did not prevent him from driving a hard bargain. In 1923 Stanley Baldwin, Churchill's predecessor as chancellor, arrived in Washington with a mandate to agree a maximum annual repayment of \$166m. He returned to London urging Andrew Bonar Law, the prime minister, to instead agree to \$161m a year for a decade, and \$184m thereafter. "We paid in blood; they did not,"

muttered Bonar Law, who had lost two sons in the war and bitterly opposed Mellon's terms. His cabinet ratified them anyway.

Churchill then took control of Britain's purse strings and tried to reduce the debt burden. He would "obliterate and delete all war debts" owed to Britain if Mellon acted similarly, he said; if not, he would collect only "as much and no more" from the other allies as was required to repay America. Characteristically, he detailed what has been called a "collect-if-you-will-America-but-shame-on-you" policy not in private but in Parliament. In the press, Uncle Sam became "Uncle Shylock".

By contrast, Mellon's public silence echoes throughout Ms Eicher's book. His backroom dealing, though, was what prevailed. By 1927 Mellon had reached agreements with Britain and the other allies to refund 97% of the principal America had lent them, albeit at lower interest rates.

Such post-war negotiations might seem dull and technical. In fact, Ms Eicher spins them into a gripping yarn. And her story is all the more compelling for its coda. Events overtook Mellon's deals, and they did not last long. By 1934 the Depression had hobbled Europe; Britain, France, Belgium and Italy had all defaulted on their loans. In the meantime, a German named Adolf Hitler had risen to power, with a programme revolving around the repudiation of war debts. Americans might have convinced Europe to pay for one war, but it may have ended up costing them far more in the long run. ■

<https://www.economist.com/culture/2025/03/27/transatlantic-fights-over-war-budgets-are-nothing-new>

Let's air this out

Five years after covid, have scientists learned their lesson?

The history of one of epidemiology's least favourite ideas

Mar 27, 2025 04:00 PM



Air-Borne. By Carl Zimmer. *Dutton; 496 pages; \$32. To be published in Britain by Picador in June; £25*

ON MARCH 28TH 2020, as many countries went into lockdown, the World Health Organisation (WHO) posted a tweet: “FACT: #COVID19 is NOT airborne.” People could try to avoid covid by keeping their distance from others and washing their hands regularly. The message was simple. It was also simply wrong: the coronavirus is, in fact, airborne. It can remain [active as an aerosol](#) for up to three hours, and the droplets can travel farther than scientists realised. (Consensus-breaking researchers in Guangzhou, China, proved this by studying the transmission of the virus in a restaurant.) Yet it [took more than a year](#)—and a huge cache of evidence—for the WHO to change its mind and messaging.

In “Air-Borne”, Carl Zimmer, a science journalist, shows that the [WHO’s wrongheadedness](#) has historical precedent. Though

epidemiologists have long understood that coughs and sneezes spread diseases, many never took seriously enough the possibility that infective agents could hang around or travel through the air. Instead received wisdom has had it that droplets of liquid, after being exhaled, fall quickly to the ground. Had airborne diseases received due attention from researchers, the book implies, then covid-19 and perhaps some previous influenzas, would have been more quickly controlled or even prevented entirely.

To explain epidemiologists' resistance to the idea of airborne disease transmission, Mr Zimmer goes back to the early days of germ theory in the 19th century. For decades people believed that "miasmas"—phantasmal toxic vapours—caused disease. (The word "malaria", for example, is Italian for "bad air".) But as scientists came to understand more about pathogens, the idea that air could be a source of contagion became deeply unfashionable.

Two of the heroes of Mr Zimmer's book are William and Mildred Wells, a married pair of American researchers. In the 1940s they conducted experiments to see if ultraviolet lamps could kill germs and purify air, fitting the lamps in hospitals, schools, barracks and even an entire town in upstate New York. The outcome was variable, but with enough successes—particularly against measles—that open minds might have conducted larger, better-funded studies. The second world war, however, put paid to much of their research. It is ironic, Mr Zimmer writes, that America's biological-weapons programme was predicated on the idea that the pathogens would spread through the air, but that many still refused to change their opinion about how natural germs got around.

Has the message now got through? Engineers have built on the Wells' research and developed effective "far ultraviolet C" lamps for spaces where aerial transmission of pathogens is likely, such as clubs and restaurants. Yet whether epidemiologists have changed their thinking remains to be seen. The hope is that, when the next

pandemic arrives, the WHO and others will give the possibility of airborne transmission more oxygen. ■

<https://www.economist.com/culture/2025/03/27/five-years-after-covid-have-scientists-learned-their-lesson>

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Unhappily ever after

What the controversial new “Snow White” can teach Hollywood

Remakes are a riskier business than studios realise

Mar 27, 2025 04:00 PM



Alamy

“SNOW WHITE”, Disney’s live-action remake of a beloved animated film, had an icy reception before its release in cinemas on March 21st. A trailer posted three months ago has earned just 60,000 likes and over 1m dislikes. “If I saw this movie on a plane I would still walk out,” grumbled one YouTube user. “We thankfully have the technology nowadays to make the animation look worse than the original from 1937,” groaned another.

Among the remake’s many sins are seven in particular: the dwarves, who have been cheesily rendered with computer-generated imagery (CGI), after a row over whether it was politically correct to have actors with dwarfism in the roles. (In the face of criticism, Disney recast the film’s dwarves as “magical creatures”—whatever that means.) There is also the issue of Rachel Zegler, the actress chosen to play Snow White, who panned the original film as “extremely dated” and said that the prince “literally

stalks” the princess. It turns out fans do not like it when a remake’s heroine villainises the classic film that inspired it.

By respinning familiar tales, remakes can offer studios a surer path towards commercial riches. In the amount of pushback and controversy it has faced, “Snow White” is unusual. But in another way the film reflects a current trend, which is for studios to reach further back in history for source material. From 2020 to 2024 the average age of the source films that new remakes were based on was 35. That is about 13 years older than from 2011 to 2015, according to our analysis of data from The Numbers, a film website.

Déjà vu?

Highest- and lowest-rated film remakes*

Top 10	Genre	Rating [†]
1 The Departed 2006	Drama	8.5
2 Hachi: A Dog's Tale 2009	Drama	8.1
3 CODA 2021	Drama	8.0
4 The Fall 2006	Drama	7.8
5 Ocean's Eleven 2001	Thriller	7.7
6 Man on Fire 2004	Thriller	7.7
7 3:10 to Yuma 2007	Western	7.6
8 A Star is Born 2018	Drama	7.6
9 Nosferatu 2024	Horror	7.3
10 The Next Three Days 2010	Thriller	7.3

Bottom 10	Genre	Rating
1 Rollerball 2002	Action	3.1
2 Black Christmas 2019	Horror	3.5
3 Day of the Dead: Bloodline 2017	Horror	3.5
4 Home Sweet Home Alone 2021	Comedy	3.6
5 The Fog 2005	Horror	3.7
6 Cabin Fever 2016	Comedy	3.7
7 The Wicker Man 2006	Horror	3.8
8 Blood Feast 2016	Horror	3.8
9 Blonde Ambition 2007	Comedy	3.9
10 Martyrs 2015	Thriller	4.0

*Films released since 1995 with at least 5,000 IMDb user ratings †Out of ten

Sources: The Numbers; IMDb

What makes for a successful remake? It is a question on the minds of many Hollywood executives, as well as cinephiles. To answer it, *The Economist* analysed 200 remakes released since 1995; each had a minimum of 5,000 ratings on IMDb, an online movie database. (Our analysis only includes remakes of films, not adaptations of books.) Three lessons stand out.

First, it is not enough to use state-of-the-art special effects; computer-generated imagery needs to be handled carefully. Of the 20 worst remakes (as measured by IMDb audience ratings), half are horror films, in part because of their use of unconvincing special effects. In the fifth-worst-rated, a remake in 2005 of John Carpenter's cult classic "The Fog" from 1980, a supernatural, vengeful fog descends on an island town off the coast of Oregon. Cheap shocks substitute for tension: viewers have complained that the fog moves too quickly and that ghosts in the fog (never clearly visible in the original) are hokey, a complaint also made by viewers about the dwarves in the new "Snow White".

Second, comedies come with grave risks. This is the worst-performing genre for remakes, earning an average IMDb rating 1.5 points (out of ten) lower than the originals. Comedy remakes also tend to make the least at the box office. Not a single one significantly outshines the original film it was based on, according to audience ratings. It may be that viewers of comedies and horrors crave an element of surprise, which is hard to offer in a faithful remake, because audiences already know which gags and gasps to expect.



Rex/Shutterstock

The best remakes get their inspiration from abroad. Since 1995 about a third of the top remakes have been based on foreign source material, including six of the top ten. So are the only two remakes to have won Academy Awards for Best Picture: “The Departed” (2006), based on a Hong Kong film, and “CODA” (2021), based on a French-Belgian one.

Unfamiliarity with the originals may mean that audiences come in with lower expectations and without any attachment to the original. Take “Bugonia”, starring Emma Stone, set to be released in November. It is an English-language remake of a South Korean film; instead of a male chief executive, the new story centres on a female one. However, audiences, lacking knowledge of the original, are unlikely to kick up a fuss about the change. The same cannot be said of the new “Snow White”, which seems destined for an unhappily-ever-after ending. ■

<https://www.economist.com/culture/2025/03/21/what-the-controversial-new-snow-white-can-teach-hollywood>

Zuckraking

How not to handle a corporate kiss-and-tell book

Meta's attempt to put a gag on "Careless People" is backfiring

Mar 27, 2025 04:00 PM



Careless People. By Sarah Wynn-Williams. *Flatiron Books; 400 pages; \$32.99. Macmillan; £22*

THE MAIN character in Sarah Wynn-Williams's book about life inside Facebook is not Mark Zuckerberg, the social network's founder and boss. Nor is it [Sheryl Sandberg](#), its ex-chief operating officer—though she dwells on both in riveting detail. It is the author herself.

Her memoir starts with the story of being attacked by a shark while swimming in her native New Zealand when she was 13. Further horror stories ensue. As head of global policy at Facebook (now Meta) until she was fired in 2017, she casts herself as a lonely crusader, risking jail in South Korea and abduction by the junta in Myanmar—all, naively, for the cause of promoting Facebook as a way to make the world a better place. She revels in dramatic effect: the more self-righteous and gory the better.

In contrast, Mr Zuckerberg and Ms Sandberg are portrayed in terms that almost make the shark look good. He is [aloof, unfeeling and shallow](#); she is mercurial and two-faced. Those depictions, too, may sometimes stretch the truth for the sake of a good story. But it is, to be sure, a good story—the more so because an arbitrator, at Meta’s request, has blocked Ms Wynn-Williams from promoting or distributing “Careless People”, arguing the author had violated her severance agreement. It is a lesson in how not to deal with the corporate equivalent of kiss-and-tell.

Parts of the book are genuinely funny. Picture Mr Zuckerberg, fresh off his private jet, sprawled across a daybed in an Indonesian resort, his pale body propped up on cushions. “It feels like I’ve stumbled into ancient Greece, though a toga and laurel wreath would match the room better than his swimsuit,” she writes. At one point he mysteriously asks for exposure to a “riot” in South-East Asia. What he means, in true boy-king manner, is being “gently mobbed” by adoring Facebookers.

Likewise, Ms Sandberg, author of [“Lean In”](#), a book about female empowerment, has a regal air. In the book’s telling, she lights up with charisma when it suits her. Her courtiers are young women. She is portrayed as imperiously crossing personal boundaries. When the author’s newborn baby can be heard during late-night phone calls, Ms Sandberg advises her to “Be smart and hire a Filipina nanny.” Ms Sandberg also allegedly asks a female assistant to buy them both lingerie and invites her over to try it on.

One of the book’s most serious claims is that Mr Zuckerberg lied about the firm’s plans for China during a United States Senate [hearing in 2018](#). (The author has filed a whistleblower allegation with the Securities and Exchange Commission.) Ms Wynn-Williams also says that she was harassed by Joel Kaplan, Meta’s chief global affairs officer, which Meta denies.

Meta describes the book as “a mix of out-of-date and previously reported claims about the company and false accusations about our executives”. It is following the script of other companies unsuccessfully trying to deter tell-all books. In 2020 Apple sought to halt the publication of “App Store Confidential”, written in German by Tom Sadowski, a former head of its [app store](#). The effort only boosted sales. When “Unsafe at Any Speed” by Ralph Nader, a consumer advocate, was published in 1965, General Motors tried to sabotage his reputation. The book quickly became a classic and helped spur the creation of America’s Department of Transportation.

Today “Careless People” sits atop the *New York Times* non-fiction bestseller list. On Amazon the publishers of the memoir are hawking it as “the book Meta doesn’t want you to read”. If the book’s claims are as old and untrue as Meta says, the firm should simply have made light of them—or stayed carefully silent. ■

<https://www.economist.com/culture/2025/03/25/how-not-to-handle-a-corporate-kiss-and-tell-book>

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Why “Adolescence” has become a global smash hit

Viewers encounter new dangers—and old ones—alongside its characters

Mar 27, 2025 04:00 PM



LIKE CATS, many teenagers have their own neighbourhood maps, marked with dangers—this street is dodgy, that one is safe—that are invisible to adults. “Adolescence”, a hit new drama on Netflix, charts another shadowy world, this one online, which is often opaque to parents. Its genius is to position viewers as explorers alongside its characters; together they discover undreamed-of perils and emerge shaken and aghast.

“Adolescence” tells the story of 13-year-old Jamie Miller, who stabs to death a female classmate named Katie. For a gritty mini-series set in northern England, it has been a scorching global sensation. It has topped Netflix’s viewing charts in 71 countries. In Britain Sir Keir Starmer, the prime minister, praised it in Parliament, adding that he was watching it with his family.

It is a bravura feat of television. The acting is terrific. In the first of four episodes, the police raid the boy's home and cart him off for questioning. Presented with proof of his guilt, his father Eddie, played by Stephen Graham, flinches from his son and then embraces him—a perfect physical haiku of shock and stubborn love. In the third instalment a psychologist (Erin Doherty) assesses Jamie, who, in Owen Cooper's magnificent debut performance, slides between childish wheedling, grumpy sulks, anxious bluster and chilling menace.

Each episode consists of a single real-time take: the second unfolds in an unruly school, the last sketches the aftermath for Jamie's broken family. The camera rides with Jamie to the police station, tracks a copper on a foot-chase and soars on a drone to the murder scene. The technique hints at the sweep of connections that are the context of the crime, immersing you in the rush and claustrophobia of events.



But, for adult viewers, the power also comes from watching their TV counterparts realise how little they understood the youngsters' lives. A flailing detective (Ashley Walters) uncovers the nasty meanings of what had seemed harmless online interactions. "We thought he was safe," Eddie says of his son's internet habit. Instead Jamie is tainted by a [toxic manosphere](#) that portrays women and girls as objects, enemies and prey. Music, slang, fashion: grown-

ups tend to be last to grasp teenage trends. “Adolescence” dramatises the nauseous fear of finding out too late.

The blistering show has revived debates about [restricting smartphone and social-media use among children](#) (as some countries already do). At countless kitchen tables parents are being initiated into the coded language of emojis. Those with [teenage boys](#) may be tempted to lock them up protectively in their rooms—until they recall that lonely bedrooms can be risky places, and just as important, that anger and coercion are poor examples to set. The problem, after all, isn’t only about teenagers, and neither is “Adolescence”.

Mr Graham, who co-wrote the story with [Jack Thorne](#), a prolific dramatist, has said it was partly inspired by recent cases of teenage boys murdering girls. Murder is the most extreme of a continuum of awful [harms inflicted on umpteen girls and young women](#) by boys and young men, many of them enmeshed in online misogyny and warped by violent porn. The response to “Adolescence” is by no means a flighty moral panic.

At the same time the evil at its heart is part of a wider tragedy, one plotted in official homicide statistics. On average, for instance, more than one woman is killed every week in England and Wales by a current or former partner. When the victim is a child under 16, the suspect is more likely to be a parent than a peer. Some of these perpetrators are doubtless familiar with [Andrew Tate](#) (a misogynist influencer name-checked on screen). Others may not have heard of him.

“Adolescence” knows that male rage and insecurity are older than social media and stretch beyond childhood. The moving finale intimates how fury can cascade down generations. A caring dad but also a coiled spring, Eddie describes being thrashed by his own father and his determination to be gentler with his kids, one of whom nevertheless commits an appalling crime.

Commentary on the series has understandably focused on the dragons that ensnare children on the web, revelations to many real-life parents as they are to Jamie's. Yet vital and harrowing as that conversation is, it misses out the perennial threat that men can pose to women—and the damaging influences that lurk even in loving homes. “He has a terrible temper,” Jamie’s mother tells Eddie, “but so have you.” ■

<https://www.economist.com/culture/2025/03/27/why-adolescence-has-become-a-global-smash-hit>

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Indicators ::

Indicators

Economic data, commodities and markets

Mar 27, 2025 04:00 PM

Economic data

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	Gross domestic product				Consumer prices				Unemployment rate		
	% change on year ago: latest	quarter*	2024†		% change on year ago: latest	2024†		%			
United States	2.5	Q4	2.3	2.8	2.8	Feb	2.9	4.1	Feb		
China	5.4	Q4	6.6	5.0	-0.7	Feb	0.2	5.4	Feb*\$		
Japan	1.1	Q4	2.2	0.1	3.6	Feb	2.7	2.5	Jan		
Britain	1.4	Q4	0.4	0.9	2.8	Feb	3.3	4.4	Dec††		
Canada	2.4	Q4	2.6	1.3	2.6	Feb	2.4	6.6	Feb		
Euro area	1.2	Q4	0.9	0.8	2.3	Feb	2.4	6.2	Jan		
Austria	-0.5	Q4	-1.4‡	-1.2	3.4	Feb	2.9	5.5	Jan		
Belgium	1.1	Q4	0.7	1.0	4.4	Feb	4.3	5.8	Jan		
France	0.6	Q4	-0.4	1.1	0.9	Feb	2.3	7.3	Jan		
Germany	-0.2	Q4	-0.8	-0.2	2.6	Feb	2.5	3.5	Jan		
Greece	2.7	Q4	3.7	2.3	3.0	Feb	3.0	8.7	Jan		
Italy	0.6	Q4	0.5	0.5	1.7	Feb	1.1	6.3	Jan		
Netherlands	1.9	Q4	1.5	0.9	3.5	Feb	3.2	3.8	Feb		
Spain	3.4	Q4	3.2	3.2	2.9	Feb	2.9	10.4	Jan		
Czech Republic	1.8	Q4	2.7	1.0	2.7	Feb	2.4	2.7	Jan*		
Denmark	3.6	Q4	6.5	3.6	2.0	Feb	1.4	2.9	Jan		
Norway	-0.3	Q4	-2.5	2.1	3.6	Feb	3.1	3.9	Jan**		
Poland	3.2	Q4	5.3	2.9	4.9	Feb	3.8	5.4	Feb\$		
Russia	3.1	Q3	2.7	3.8	10.1	Feb	8.4	2.4	Jan\$		
Sweden	2.3	Q4	3.1	1.0	1.3	Feb	1.9	9.4	Feb\$		
Switzerland	1.5	Q4	0.8	1.3	0.3	Feb	1.1	2.7	Feb		
Turkey	3.0	Q4	6.9	3.3	39.1	Feb	58.4	8.7	Feb\$		
Australia	1.3	Q4	2.4	1.0	2.4	Q4	3.2	4.1	Feb		
Hong Kong	2.4	Q4	3.2	2.5	1.4	Feb	1.7	3.2	Feb**		
India	6.2	Q4	9.3	6.3	3.6	Feb	4.9	8.4	Feb		
Indonesia	5.0	Q4	5.5	5.0	-0.1	Feb	2.3	4.9	Aug\$		
Malaysia	5.0	Q4	2.2	5.1	1.5	Feb	1.8	3.1	Jan\$		
Pakistan	3.2	2024**	na	3.2	1.5	Feb	12.6	6.3	2021		
Philippines	5.2	Q4	7.4	5.6	2.1	Feb	3.2	4.3	Q1\$		
Singapore	5.0	Q4	2.0	4.4	0.9	Feb	2.4	1.9	Q4		
South Korea	1.2	Q4	0.3	2.1	2.0	Feb	2.3	3.2	Feb\$		
Taiwan	2.9	Q4	6.6	4.3	1.6	Feb	2.2	3.4	Feb		
Thailand	3.2	Q4	1.5	2.5	1.1	Feb	0.4	0.8	Feb\$		
Argentina	2.1	Q4	5.7	-2.4	66.9	Feb	220	6.4	Q4\$		
Brazil	3.6	Q4	0.7	3.4	5.1	Feb	4.4	6.5	Jan\$**		
Chile	4.0	Q4	1.5	2.3	4.7	Feb	3.9	8.0	Jan\$**		
Colombia	2.4	Q4	2.5	1.7	5.3	Feb	6.6	11.6	Jan\$		
Mexico	0.5	Q4	-2.5	1.5	3.8	Feb	4.7	2.6	Jan		
Peru	4.2	Q4	2.0	3.3	1.5	Feb	2.4	6.6	Feb\$		
Egypt	4.3	Q4	0.8	2.4	12.8	Feb	28.3	6.4	Q4\$		
Israel	7.0	Q4	2.0	0.6	3.4	Feb	3.1	2.7	Feb		
Saudi Arabia	1.3	2024	na	1.3	2.0	Feb	1.7	3.7	Q3		
South Africa	0.9	Q4	2.3	0.6	3.2	Feb	4.4	31.9	Q4\$		

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. \$Not seasonally adjusted.

*New series. **Year ending June. ††Latest 3 months. **3-month moving average. Note: Euro area consumer prices are harmonised.

The Economist

Economic data

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	Current-account balance % of GDP, 2024†	Budget balance % of GDP, 2024†	Interest rates 10-yr govt bonds latest, %	change on year ago, bp	Currency units per \$ Mar 26th	% change on year ago
United States	-3.4	-6.6	4.3	11.0	-	
China	2.3	-5.0	1.7	-\$5.0	7.26	-0.6
Japan	4.8	-2.3	1.6	83.0	151	0.6
Britain	-3.2	-5.5	4.7	73.0	0.78	2.6
Canada	-0.3	-2.3	3.1	-37.0	1.43	-4.9
Euro area	3.1	-3.3	2.8	42.0	0.93	nil
Austria	2.3	-3.7	3.1	28.0	0.93	nil
Belgium	-0.3	-4.5	3.3	43.0	0.93	nil
France	-0.4	-6.1	3.5	65.0	0.93	nil
Germany	5.5	-2.8	2.8	42.0	0.93	nil
Greece	-6.4	-1.2	3.7	35.0	0.93	nil
Italy	1.2	-4.0	3.9	23.0	0.93	nil
Netherlands	9.5	-0.7	3.0	39.0	0.93	nil
Spain	3.0	-3.2	3.4	19.0	0.93	nil
Czech Republic	1.7	-2.4	4.3	40.0	23.1	1.3
Denmark	12.5	1.9	2.5	13.0	6.92	-0.4
Norway	16.3	12.1	4.2	61.0	10.5	2.1
Poland	0.1	-5.7	5.8	28.0	3.89	2.3
Russia	2.6	-1.8	15.0	163	84.1	10.5
Sweden	6.1	-1.3	2.7	28.0	10.0	5.5
Switzerland	5.2	0.7	0.7	4.0	0.88	2.3
Turkey	-0.8	-4.9	30.1	478	38.0	-15.3
Australia	-1.9	-2.2	4.4	35.0	1.59	-3.8
Hong Kong	12.3	-2.7	3.6	-20.0	7.78	0.6
India	-0.5	-4.8	6.6	-49.0	85.7	-2.8
Indonesia	-0.2	-2.5	7.1	45.0	16,580	-4.8
Malaysia	1.6	-4.3	3.8	-9.0	4.43	6.5
Pakistan	0.2	-6.8	12.3	+++	-191	-0.8
Philippines	-2.4	-5.6	6.3	-2.0	57.7	-2.4
Singapore	17.5	0.3	2.8	-35.0	1.34	0.8
South Korea	5.5	-1.8	2.9	-54.0	1,466	-8.6
Taiwan	14.1	0.5	1.6	16.0	33.1	-3.7
Thailand	2.3	-5.7	2.1	-48.0	34.0	6.8
Argentina	0.4	0.3	na	na	1,071	-20.0
Brazil	-2.8	-7.6	15.2	422	5.74	-13.1
Chile	-2.6	-2.9	5.8	-10.0	924	6.7
Colombia	-2.8	-6.6	11.6	164	4,138	-6.6
Mexico	-1.1	-4.9	9.5	13.0	20.1	-17.1
Peru	2.2	-3.8	6.4	-59.0	3.64	2.5
Egypt	-6.2	-3.7	na	na	50.6	-5.4
Israel	3.2	-6.8	4.5	19.0	3.69	-0.8
Saudi Arabia	-0.5	-2.8	na	na	3.75	nil
South Africa	-0.6	-5.2	10.6	4.0	18.3	4.0

Source: Haver Analytics. §§5-year yield. +++Dollar-denominated bonds.

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Markets

	Index	% change on:	
	Mar 26th	one week	Dec 31st
In local currency			2024
United States S&P 500	5,712.2	0.7	-2.9
United States NAS Comp	17,899.0	0.8	-7.3
China Shanghai Comp	3,368.7	-1.7	0.5
China Shenzhen Comp	2,046.1	-3.2	4.5
Japan Nikkei 225	38,027.3	0.7	-4.7
Japan Topix	2,812.9	0.6	1.0
Britain FTSE 100	8,689.6	-0.2	6.3
Canada S&P TSX	25,161.1	0.4	1.8
Euro area EURO STOXX 50	5,411.7	-1.7	10.5
France CAC 40	8,030.7	-1.7	8.8
Germany DAX*	22,839.0	-1.9	14.7
Italy FTSE/MIB	39,058.1	-1.6	14.3
Netherlands AEX	917.1	-0.6	4.4
Spain IBEX 35	13,432.2	0.2	15.8
Poland WIG	98,547.6	0.1	23.8
Russia RTS, \$ terms	1,177.1	-4.2	31.8
Switzerland SMI	12,953.8	-0.7	11.7
Turkey BIST	9,649.5	-2.1	-1.8
Australia All Ord.	8,225.1	2.1	-2.3
Hong Kong Hang Seng	23,483.3	-5.2	17.1
India BSE	77,288.5	2.4	-1.1
Indonesia IDX	6,472.4	2.5	-8.6
Malaysia KLSE	1,518.1	nil	-7.6
Pakistan KSE	117,772.3	-0.2	2.3
Singapore STI	3,963.7	1.4	4.6
South Korea KOSPI	2,643.9	0.6	10.2
Taiwan TWI	22,260.3	1.4	-3.4
Thailand SET	1,190.4	0.1	-15.0
Argentina MERV	2,439,966.0	2.0	-3.7
Brazil BVSP*	132,519.6	nil	10.2
Mexico IPC	52,806.9	-0.5	6.7
Egypt EGX 30	31,744.3	1.3	6.7
Israel TA-125	2,463.4	-3.0	1.5
Saudi Arabia Tadawul	11,970.2	2.2	-0.6
South Africa JSE AS	89,926.5	-0.2	6.9
World, dev'd MSCI	3,709.2	0.2	nil
Emerging markets MSCI	1,131.5	-1.0	5.2

US corporate bonds, spread over Treasuries

		latest	Dec 31st
Basis points			2024
Investment grade	107	95	
High-yield	368	324	

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

The Economist Commodities

The Economist commodity-price index			
2020=100	Mar 18th	Mar 25th*	% change on
			month year
Dollar Index			
All items	139.8	137.1	-2.6 4.7
Food	154.4	150.6	-3.8 5.1
Industrials			
All	127.7	126.0	-1.3 4.3
Non-food agriculturals	139.7	132.9	-5.6 -4.5
Metals	124.6	124.3	-0.1 7.0
Sterling Index			
All items	138.3	136.1	-4.8 2.1
Euro Index			
All items	146.2	145.1	-5.3 5.0
Gold			
\$ per oz	3,033.2	3,024.0	4.3 39.0
Brent			
\$ per barrel	71.3	73.1	0.1 -15.6

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

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Obituary

- **Oleg Gordievsky worked for both sides in the cold war**

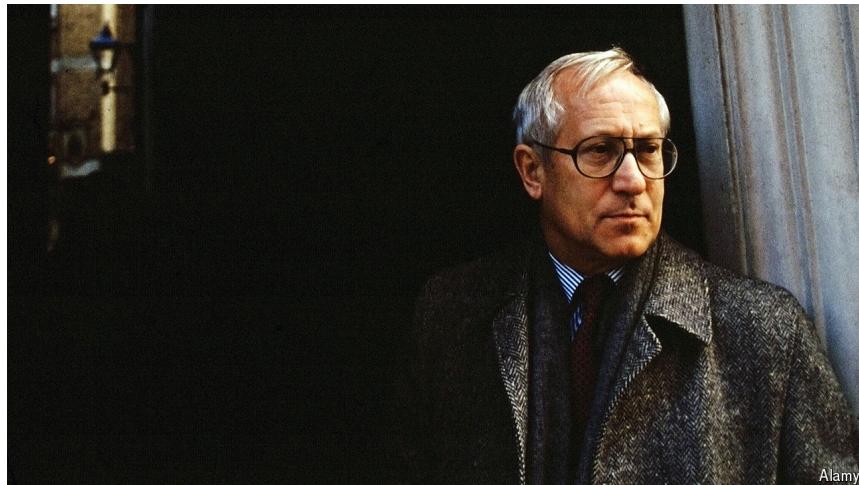
To Finland in a car boot :: The KGB officer who spied for Britain died on March 4th, aged 86

[To Finland in a car boot](#)

Oleg Gordievsky worked for both sides in the cold war

The KGB officer who spied for Britain died on March 4th, aged 86

Mar 31, 2025 04:25 PM



Alamy

THE FIRST thing Oleg Gordievsky did, having decided in July 1985 to defect, was to barricade the door of his Moscow flat. When the KGB men came for him, that would slow them down.

He had once been a star among them. An ideal young recruit from the Moscow State Institute of International Relations, expert at languages, highly intelligent and with a retentive memory. Good at cross-country running, too. He had risen swiftly, working for Line S, which ran “illegals”, agents living abroad under false identities. First he was posted to East Berlin, then to Copenhagen, and in 1982 to London, where he rose to the top job, *rezident*. But when he was called back to Moscow Centre to be “formally confirmed”, he knew it was a trap. After five hours of interrogation, drugged with doctored brandy, he had still not given anything away. But now, granted short leave, he urgently needed his exfiltration plan. To stay in Russia was a death sentence.

From a bookshelf he took down Shakespeare's Sonnets, dumped the book in the kitchen sink, and ran the tap. Gradually the binding fell off to reveal, wrapped in cellophane, his escape instructions from Britain's Secret Intelligence Service. For MI6 was his informal employer, too.

Ingenuity like the secret Sonnets was one reason why he had become a spy. Finding clever deadletter spots; practising brush-pasts, to invisibly pass microfilm to a colleague; leaving bent nails and chalk marks in certain places to convey messages; and "dry-cleaning", or shaking off surveillance without turning round. But there were several draws. His father, a devoted communist, had been a low-level member of the NKVD, ancestor of the KGB. His brother Vasilko had already joined the agency. For a young Russian in the Soviet era who wanted to use languages and travel abroad, the KGB was the obvious place to go. Spying was exciting.

Sometimes too much so. Now, in a panic—too much Cuban rum, too many sedatives—he read his instructions. He was to wait on a certain street corner, near a bakery, on Tuesday at 7pm, carrying a Safeway plastic bag. Twenty-four minutes later a man would come past with a Harrods bag, munching a Mars bar. He must look him in the eye and silently plead: It's me. Get me out.

His destination was Finland. Or, to be honest, anywhere in the West. Slowly but inexorably, he had been drawn towards it. As a boy he had sometimes caught Voice of America through the jamming on his radio. More indelibly he had heard his mother, with her commonsense peasant attitude, express contempt for the Soviet regime. On his trainee posting in East Germany in 1961 he witnessed people's despair as the Berlin Wall went up. In Copenhagen he was astonished by the beauty, abundance and openness of the West. He compared it with the queues in Moscow, the misery, the shortages and rude officials. But the final straw was the invasion of Czechoslovakia in 1968. He called his wife Leila to pour out his anger then, into a phone he knew was tapped by MI6,

in the hope they would want to cultivate him. He had resolved to fight for freedom and democracy, on the side of good rather than evil. That was so strong a duty that he would do it for nothing.

The next stage of the exfiltration plan was delivered in a brush-past in St Basil's cathedral. It told him to catch two trains, then a bus, to a forest near the Finnish border. There he waited by a particular rock, plagued by mosquitoes, for his MI6 handlers to arrive in cars. They were 15 minutes late. Had he been wrong to trust them? His mother often said he was too trusting, a risky quality in an officer. He had almost given up hope when they appeared.

The British had been late to cultivate him, too. It took a year. They clearly thought he might be a provocation. Instead, he was an extraordinary find. From 1974, using the KGB's own archives in Moscow, he helped MI6 identify communists in Britain, including trade unionists, and follow the track of Soviet funding. He also fingered 25 Soviet spies, who were expelled. The KGB knew it had a mole on board, and began to suspect it was him, but he was still sending titbits back home, too. In 1984 he provided briefings to Mikhail Gorbachev about Margaret Thatcher, and vice versa, leading to an amicable meeting. The ground for that had also been prepared by him the year before, when he warned MI6 that the Russians, paranoid about a NATO exercise and Ronald Reagan's tough talk, were preparing a first nuclear strike.

He was now in the boot of a diplomatic car, wrapped in a foil space blanket to throw off heat-detectors at the several checkpoints. He was sweating with terror that he might be found. At long last, instead of loud pop music, a burst of Sibelius's "Finlandia" came on the car radio. The boot opened on blue sky, clouds and pine trees. He was out, and he was free.

Free in a way. But his death sentence in Russia, for treason, was never rescinded. He could not return. He needed to live incognito, in a safehouse, for the rest of his days. His marriage was shot,

because he had never been able to tell Leila about the activity that took up half his existence. He therefore barely saw his daughters, either. Allied governments still asked him for advice, and he co-wrote four books about the KGB; but there was no more spycraft. Instead in deepest Surrey he wrote reviews, read the *Spectator* and went, with caution, to the pub. Queen Elizabeth gave him the CMG, the same honour granted fictitiously to James Bond. That made a sort of sense.

He missed nothing about Russia, especially under Vladimir Putin. Putin was an abomination, and to think that Russia could ever be democratic was just naive. On “Desert Island Discs” in 2008 his second record was Feodor Chaliapin singing “The Song of the Volga Boatmen”, as faint and crackling and far away as he had once heard the voice of the West. ■

Correction (March 31st 2025): This article originally said that, by causing the curtailment of a NATO exercise in 1983, Oleg Gordievsky averted a third world war. That is indeed what he believed, but recent scholarship shows that a pre-emptive Soviet strike was not imminent.

<https://www.economist.com/obituary/2025/03/26/oleg-gordievsky-worked-for-both-sides-in-the-cold-war>