

The Economist

A budget to end austerity?

Europe without Merkel

Red October in the markets

HBO v Netflix

NOVEMBER 3RD - 9TH 2018

AMERICA

Why the mid-terms matter

AMERICA

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Politics this week

Print edition | The world this week Nov 3rd 2018

Following a poor result for her party at a state election in Hesse, Angela Merkel announced that she will stand down as leader of her Christian Democratic Union in December, when the post is up for biennial election. She said she was willing to remain as **Germany's** chancellor until 2021, when elections are scheduled to be called. But she may well not last until then. Her coalition partners, the Social Democrats, also suffered embarrassing losses in Hesse. See [article](#).

The European Court of Human Rights in Strasbourg upheld a decision by an Austrian court to fine a woman who had described Muhammad the Prophet as a paedophile, citing his marriage to a girl said in some accounts to be only six. Blasphemy is still a crime in Austria. Fans of **free speech** denounced the ruling.

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Michael Higgins was re-elected as president of **Ireland**, a mostly ceremonial role he has held since 2011, with 56% of the vote. On the same day voters also opted to repeal Ireland's long-standing constitutional ban on blasphemy. See [article](#).

Philip Hammond, **Britain's** chancellor of the exchequer, delivered a spend-and-please budget. A surprise windfall from increased tax revenues offered a chance for him to claim an end was in sight to eight years of austerity. Mr Hammond could have paid down more of the country's debt pile, but instead chose to boost spending in selected government departments (mostly the National Health Service). The generous pledges are contingent on a smooth Brexit in March next year. See [article](#).

Turkey's government announced a series of tax cuts, prompting more concern that it is not serious about fiscal discipline. The lira swooned.

Stop the war coalition

America's secretary of state, Mike Pompeo, and secretary of defence, Jim Mattis, urged the warring parties in **Yemen** to stop fighting. America is losing patience with Saudi Arabia, an important ally, over its reckless and brutal handling of the war in Yemen, which has left millions at risk of starvation. See [article](#).

A Turkish prosecutor said that Jamal Khashoggi, a journalist, was strangled to death moments after he entered **Saudi Arabia's** consulate in Istanbul in a planned killing. The allegation, which contradicts claims made by Saudi Arabia that Mr Khashoggi was accidentally killed in a struggle, will add to pressure on Muhammad bin Salman, the kingdom's crown prince, to explain the events surrounding the murder. See [article](#).

Another **Saudi prince**, Ahmed bin Abdulaziz, returned to the country from exile in London. Some speculate that he plans to challenge the authority of the crown prince; others that he hopes to reinforce it. As is usual with the cryptic kingdom, no one really has a clue.

Binyamin Netanyahu made the first state visit by a prime minister of **Israel** to **Oman** in 22 years, a clear sign of the Jewish state's warming relations with Arab countries. The trip raised eyebrows as Oman is close to Iran, Israel's main rival. See [article](#).

Security forces in **Nigeria** killed at least 45 people and arrested hundreds of Shia Muslims, according to Amnesty International. They were protesting in the capital, Abuja, against the detention of their leader, Ibraheem Zakzaky, who was arrested in 2015 after soldiers killed 300 of his followers at a protest. He was charged in April with murder.

Right turn

Jair Bolsonaro, a far-right former army captain, won **Brazil's** presidential election. He received 55% of the vote, defeating Fernando Haddad of the left-wing Workers' Party. Mr Bolsonaro has promised to crack down on corruption and shoot criminal suspects. The stockmarket rose sharply on expectations that his chief economic adviser, Paulo Guedes, will reform the pension system, privatise state firms and deregulate, though Mr Bolsonaro until recently opposed such things. Many ex-army officers applied to join Mr Bolsonaro's presidential transition team. See [article](#).

Mexico's president-elect, Andrés Manuel López Obrador, said he will stop construction of the country's biggest infrastructure project, an airport near Mexico City. His decision came after 1m people, barely 1% of the electorate, took part in a vote that he had arranged and rejected the airport. See [article](#).

President Donald Trump said America would send up to 15,000 troops to protect the southern border from a "caravan" of thousands of migrants who are walking towards the country through Mexico from Honduras. He said "tent cities" would be built for **migrants seeking asylum**. Mr Trump has described the unarmed migrants as an "invasion". See [article](#).

Return to form

Maithripala Sirisena, the president of **Sri Lanka**, dismissed the government, suspended parliament and appointed his predecessor, Mahinda Rajapaksa, as prime minister. The ousted prime minister, Ranil Wickremesinghe, says the move is unconstitutional and that his government still commands a majority in parliament. See [article](#).

Pakistan's Supreme Court ordered the release of Asia Bibi, a Christian woman who has spent nine years in prison on flimsy charges of blasphemy. Islamists took to the streets to demand that she be hanged anyway. The government has defended the court's ruling. See [article](#) .

An **Indonesian airliner** crashed into the sea shortly after taking off from Jakarta. All 189 people on board are thought to have died in what is the worst commercial airline disaster so far this year. See [article](#) .

China announced exceptions to its 25-year ban on the use of tiger bones and rhino horns. They may now be prescribed to critically ill patients. Conservationists are furious. See [article](#) .

A lament for the innocents

A gunman murdered 11 people at a synagogue in Pittsburgh. It was America's worst-ever **anti- Semitic attack**. The suspect, who was arrested by police, frequented Jew-hating corners of the internet. Bernice and Sylvan Simon were among the shooter's victims. They had been married in the same synagogue 62 years earlier. See [article](#) .

The suspect behind 14 crude **parcel bombs** sent to high-profile Democrats was charged in court with various crimes, including threatening former presidents. The devices did not injure anybody. The suspect lived in a white van plastered with pro-Trump posters. See [article](#) .

Business this week

Print edition | The world this week Nov 3rd 2018

Stockmarkets ended October on a positive note. But that was not enough to stop the month from being one of the worst for equities since the financial crisis. Markets were weighed down by investors' jitters over rising interest rates, the slowing Chinese economy and uncertainty about global trade tensions. Some \$5trn was wiped off the value of shares globally. The sell-off in tech shares was particularly brutal. The tech-heavy NASDAQ index fell by 9% during October. See [article](#).

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Shoppers' spree

America's economy grew at an annualised rate of 3.5% in the third quarter, driven by a surge in consumer spending that compensated for weaker business investment. The second quarter chalked up growth of 4.2%, which makes this the economy's best six-month performance since mid-2014. See [article](#).

Economic growth in the **euro zone** slowed sharply in the third quarter, to 1.7%, year on year, compared with 2.2% in the previous three months. Inflation rose to 2.2%, the highest since December 2012.

Tensions surfaced between the government of **India** and the country's central bank. The finance ministry has been putting pressure on the Reserve Bank of India to ease monetary policy and lending restrictions. The bank's deputy governor warned of "catastrophic" consequences if the government tried to interfere with its independence. See [article](#).

The **yuan** hit its weakest point since the financial crisis, coming close to breaking the symbolic mark of seven yuan to the dollar. China's central bank sets a daily peg around which the currency can trade. A weaker Chinese currency makes Chinese exports cheaper, a boon to Beijing in its battle to offset the Trump administration's punitive tariffs.

The main grievance behind those tariffs is America's accusation that China is stealing technology secrets. This week the Commerce Department slapped a ban on American companies from supplying components to **Fujian Jinhua**, a Chinese chip-maker that is accused by Micron, an American rival, of intellectual-property theft. Similar American restrictions on ZTE brought that Chinese company to its knees earlier this year. See [article](#).

Investors breathed a sigh of relief after **Facebook** reported a solid quarter. Markets were keenly awaiting the social network's earnings after a downbeat assessment it issued in July about its business wiped billions from its stockmarket value. Facebook made a net profit of \$5.1bn in the third quarter on revenues of \$13.7bn. Both figures were up from the comparable period last year, though the pace of growth was the slowest for some years.

In the biggest deal to date in the software industry, IBM said it was buying **Red Hat**, the world's largest seller of open-source products, for \$34bn. The takeover catapults IBM into the big league of cloud-computing services, a business in which it has struggled to make a mark. See [article](#).

Workers at **Google** staged walkouts at several offices around the world to protest against what they say is the company's lax handling of sexual-harassment claims. It is the latest activist-led incident at Google, which, if conducted by unions, would be described as industrial action.

General Electric's troubles deepened, as it revealed that the Justice Department had opened a criminal investigation into its accounting practices and the Securities and Exchange Commission had expanded the remit of its inquiries. Both probes focus on a write-down related to GE's power business, which caused it to report a quarterly loss of \$22.8bn, one of the biggest ever. GE slashed its dividend to just one cent a share. See [article](#).

General Motors steered its business to a 25% jump in operating profit for the latest quarter. It offset falling car sales in America and China by shifting pricier models. **Volkswagen** also had a good quarter, despite tougher car-emissions standards in Europe, with net profit rising to €2.7bn (\$3.1bn).

A slump in demand for its vehicles, particularly in China, drove **Jaguar Land Rover** to its second quarterly loss of the year. The carmaker announced a cost-cutting plan that could lead to more job losses.

Way to go

Waymo, an autonomous-car project backed by Google's parent company, Alphabet, was awarded the first permit in California to test fully driverless vehicles, without a standby driver sitting inside, on the state's public roads. Waymo will conduct its trials on the streets and highways around Silicon Valley, assuring residents that its cars can "safely handle fog". Meanwhile, Alphabet said that passengers were now paying for rides in Waymo's experimental minivans in Phoenix, which means that Waymo's autonomous cars are the first to introduce commercial charges.

KAL's cartoon

Print edition | The world this week Nov 1st 2018

The mid-terms

America divided

America divided

Why the mid-terms matter

Politicians are making Americans miserable. The elections offer a chance to change

Print edition | Leaders Nov 3rd 2018

AS AMERICA PREPARES to go to the polls on November 6th, the country is more divided and angry than it has been in decades. Campaigning for the mid-terms has been marred by politicians routinely treating each other as rogues, fools or traitors. In recent days a supporter of President Donald Trump has sent bombs to 14 of his opponents and a white supremacist has murdered 11 worshippers at a synagogue, in the worst anti-Semitic act in America's history.

Toxic federal politics is America's great weakness. It prevents action on pressing real issues, from immigration to welfare; it erodes Americans' faith in their government and its institutions; and it dims the beacon of American democracy abroad. The mid-term elections are a chance to begin stopping the rot—and even to start the arduous task of putting it right.

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Mr Trump did not begin this abasement. But he has embraced it as enthusiastically as anyone and carried it to new depths of his own devising. All politicians stretch the truth. Mr Trump lies with abandon—over 5,000 times since he was inaugurated, according to the *Washington Post*. His deceit is so brazen and effective that many of his supporters take his word above any of his critics', especially those in the media, and seemingly in the face of all the evidence. That suits Mr Trump because, once nobody is believed, he cannot be held to account. But it is disastrous for America. Once reasoned debate loses its power to win arguments, democracy cannot function.

Mr Trump is also wilfully divisive. All politicians attack their opponents, but presidents see it as their duty to unite the country after a tragedy. Only Mr Trump would think the Tree of Life synagogue shooting a chance to hit back at the media and the Democrats for criticising him (see [article](#)). Only he would suggest that, rather than tone down his explosive rhetoric, he might just “tone it up”. Such divisiveness matters because, when your opponents are simply bad people, the compromise that is the foundation of all healthy politics becomes hard within parties and almost impossible between them.

Mr Trump is not the only politician to wallow in division—just the most powerful and one of the most accomplished. Before he was elected, more than half of Democrats told pollsters that they were afraid of Republicans and almost half of Republicans said the same about Democrats. After a Republican congressman was shot by an unstable gunman last summer, leading Democrats expressed “outrage” at the idea that their rhetoric had played any part. Yet they used the attempted bombings and the synagogue shooting to begin a debate about the precise degree of presidential responsibility for domestic terrorism.

America's democracy is robust—it was designed to be. However, one by one, its institutions are being infected with toxic polarisation. Congress caught the bug in the 1990s, when Newt Gingrich was Speaker. The media have also fallen victim to partisan scepticism—certainly among audiences, if not also among contributors. Just 11% of strong Trump supporters believe the mainstream media, whereas 91% of them trust Mr Trump, a CBS News poll found in the summer. Among Democrats those beliefs tend to be reversed. Now the Supreme Court is perceived to be partisan, too. Democrats see the recent confirmation of Brett Kavanaugh to the court as the ramming through of a partisan who has lied, possibly about a sexual assault, and who will be incapable of putting the law above his party. Republicans, by contrast, see it as a triumph over a monstrous Democratic conspiracy to keep a decent man down. A dishonest executive, conniving with a fawning legislature and empowered by a partisan judiciary: were it to come to that, America truly would be in grave trouble.

What is to be done? Just as American politics did not sour overnight, so the route forward is by many small steps, beginning with next week's elections. And the first of those steps is for the House, at a minimum, to switch to Democratic control.

This matters because Mr Trump should be subject to congressional oversight. He shows contempt for the norms that, to varying degrees, constrained past presidents—whether by refusing to release his tax returns, mixing official and private business, or bullying officials working in, say, the justice department who should be independent. Congress should hold hearings to investigate such behaviour. But House Republicans have repeatedly failed to do this, neglecting their constitutional responsibility. Faced with the judgment of the intelligence services that Russia intervened in the presidential election, for instance, they subpoenaed the officials overseeing the investigation so as to make their work harder. Their abdication of responsibility means that a continued Republican majority in the House would eventually imperil the rule of law.

For Democrats to win control of the House would, in the long run, benefit both parties. Defeat would encourage some Republicans to start putting forward a conservative alternative to Trumpism. Defeat in the Senate, too, would turbo-charge that effort, though it looks unlikely. The status quo, by contrast, would cement Mr Trump's takeover of the party.

The calculation for the Democrats rests on the danger of defeat. Even now, they are in the midst of an argument between the centre and the radical wing of the party (see [Briefing](#)). Another loss could send them careering leftward. If the Democrats once again won a majority of votes but ended up with only a minority of seats, the party could be tempted to build a platform on norm-busting policies, like expanding the size of the Supreme Court or impeaching justices. By contrast, a House takeover would embolden the party's moderates.

Nor has divided government always led to gridlock. Even now the president and congressional Democrats agree on some things, such as building infrastructure, confronting China and fighting the opioid epidemic. Let them fight over everything else, but put aside their mutual contempt in pursuit of policies for which they can both claim credit. A single example might show there can be value and dignity in compromise.

America will not mend its politics in a single election. At a minimum, progress will take more votes, a renewal of the Republican Party and a different president with a different moral compass. But the right result next week could point the way.

This article appeared in the Leaders section of the print edition under the headline "America divided"

Talking to Tehran

How to reach a new deal with Iran

Assuming Donald Trump wants one

Print edition | Leaders Nov 3rd 2018

PRESIDENT DONALD TRUMP was foolish to abandon the Iran nuclear deal. Even critics of the pact—which curbs Iran’s nuclear programme and subjects it to inspections, in exchange for the lifting of sanctions—said the mullahs were complying. Their path to the bomb was blocked for over a decade. But Mr Trump thought he could do better, so in May he pulled out, damaging America’s credibility and the global rules it once upheld.

That harm is done. Now the onus is on Mr Trump to negotiate a better agreement. He says he is “ready, willing and able” to sign a deal that also curtails Iran’s ballistic-missile programme and limits its violent efforts to extend its influence in the Middle East. Such an accord would be welcome. Iran’s odious regime needs to be restrained—as news of an alleged plot to kill an Iranian dissident in Denmark illustrates. But is a deal doable?

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Mr Trump is betting that the pain of new sanctions will force Iran back to the negotiating table or, as many of his advisers would prefer, will lead Iranians to rise up and replace the ruling clerics with more reasonable leaders. Alas, the odds favour the opposite—that the regime becomes more entrenched and that it calculates it needs the bomb more than ever.

There is no doubt that Mr Trump’s actions will give him leverage by hurting Iran’s economy. It was already sputtering when he restored a host of sanctions in August. On November 4th he will impose harsher punishments (see [article](#)). In the past month Iran’s oil exports have fallen. Many countries have stopped their purchases, lest they fall foul of the latest sanctions. International firms are also heeding Mr Trump’s warning that, if they do business with Iran, they will lose their much more valuable business with America. The rial has plummeted; inflation and unemployment are rising.

But exploiting this leverage will be difficult. Serious hardship has led to protests in Iran—and to misplaced hope in Washington that the end of the clerical regime must be nigh. In fact the opposition is leaderless and incoherent. Hardliners who opposed the nuclear deal all along, and warned that America could not be trusted, have been vindicated and are tightening their grip. Officials have blocked Telegram, a popular messaging app, and chased moderates abroad. The regime’s protectors in the Islamic Revolutionary Guard Corps control smuggling networks and own countless firms that might actually benefit from sanctions, which eliminate foreign competition.

Meanwhile, Iran’s pragmatists are reeling. President Hassan Rouhani once promoted the nuclear deal by promising Iranians that it would bring economic dividends. It did not. Today he sounds more like a hardliner himself—not least because he feels he has to respond to verbal attacks by Mr Trump and his hawkish advisers. Mr Rouhani refuses to sit down with Mr Trump, whom he has compared to a Nazi. It is hard to see him being strong enough to lead calls for fresh negotiations.

If Mr Trump is serious about reaching a new deal, the burden is on him to drag everyone back to the table. He would have to start by changing his own rhetoric—he calls Iran “a corrupt dictatorship” that “sows chaos, death and destruction”. If anyone can switch from ferocity to friendliness, it is Mr Trump, as he showed with North Korea. However that change of tone would be hard to pull off in the case of Iran. In the United States anti-Iranian sentiment runs deep, in both political parties. Allies, including Saudi Arabia and Israel, would do everything they could to stop Mr Trump from discovering that he is as fond of Ayatollah Ali Khamenei as he turned out to be of Kim Jong Un.

Skilful negotiator required

The chances of talks soon are therefore small, and of them resulting in a new deal, even smaller. But the alternatives to trying are worse. If the original nuclear deal falls apart, Iran may restart its nuclear programme or take it figuratively and literally underground—out of sight of the international inspectors who keep an eye on it today. The grim prospect of Iran installing new centrifuges to enrich uranium for bombs explains why the other parties to the deal (Russia, China, Germany, Britain, France and the European Union) are fighting to keep it alive.

Sanctions are already pitched at maximum strength, so America’s only response to a new Iranian programme would be to bomb its facilities—and bomb them again over many years if necessary. Yet any military action would strengthen hardliners, destabilise the region and hasten the mullahs in their quest for a nuclear weapon. Even if American bombing could be sustained, it may well end up failing.

This article appeared in the Leaders section of the print edition under the headline “Talk to Tehran”

Angela's exit

Germany's chancellor announces her resignation as party leader

After 13 years, the era of Angela Merkel is over

Print edition | Leaders Nov 3rd 2018

SHE IS STILL Germany's chancellor. But, after 13 sober and admirable years at the top, Angela Merkel's authority has melted away. On October 29th, following an astonishing drubbing handed out to her Christian Democratic Union (CDU) in the prosperous state of Hesse, she announced that she will step down as leader of the party in December. In theory, she could remain as chancellor until 2021. But, as she herself remarked about her predecessor, Gerhard Schröder, who tried to buy himself time with a similar manoeuvre back in 2004, the two jobs belong together.

Her position now is even worse than his was then. Mrs Merkel's writ does not run in her own party, which recently ousted a close ally from his position as parliamentary leader in the Bundestag. Worse, her coalition with the Social Democrats (SPD), who were also walloped in Hesse, is at risk of collapse. Even if the SPD do not walk out in the coming days, the two parties now so thoroughly dislike each other that she will struggle to govern. Mr Schröder lasted only 15 months after leaving his party job before being forced to call an early election, which he lost. Mrs Merkel should not expect to last any longer.

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The timing could hardly be worse (see [article](#)). The EU is being buffeted by Brexit and the threat of an Italian-inspired euro crisis. President Donald Trump is forcing Europe to rethink its security. When leadership is required, neither the EU nor the world should welcome a prolonged period of Teutonic paralysis. Quite possibly, the pace will be forced by the SPD's departure from the coalition. Mrs Merkel also said this week that she will not fight another election and she is unlikely to stay on as head of a new coalition or a minority government. As the lamest of ducks, she will struggle to achieve anything.

Even if the "grand coalition" staggers on, Mrs Merkel should not hang around for long. The CDU, when it gathers in December at the congress that will now choose a new party leader, will be aware that it is also choosing the probable next chancellor, which is why three powerful candidates jumped into the frame on the day she made her announcement. Others are likely to follow. The winner will instantly upstage the incumbent.

As well as being speedy, the process needs to be transparent. On migration policy, euro-zone reforms and defence, the CDU has large disagreements that need to be hammered out. The choice of a successor to Mrs Merkel is the time to do it. There should thus be a genuine debate about principles and, above all, no attempt by Mrs Merkel to push forward the successor who would be the most likely to prop her up.

So far she has not entirely lived up to that ideal. It is widely understood that she wants Annegret Kramp-Karrenbauer to take over (she nominated "AKK" to the post of party general secretary in February with just that in mind, many believe). Ms Kramp-Karrenbauer, as far as one can tell, shares most of Mrs Merkel's centrist instincts. The other two declared contenders, Jens Spahn and Friedrich Merz, are considerably further to the right. Either of them might help the CDU stem the haemorrhage of votes to the Alternative for Germany (AfD), but would alienate the Social Democrats, assuming they remain in the coalition that long.

Once Mrs Merkel steps down as chancellor too, Germany ought quickly to hold another election. Leaders without a mandate from voters seldom command much respect. And the electoral situation has changed radically since the last vote, in September 2017. The coalition parties' support has collapsed, thanks to the unpopularity of their reheated deal; that of the Greens and the AfD has surged. Germany's government needs to reflect that fact if it wants to get anything done.

This article appeared in the Leaders section of the print edition under the headline "Angela's exit"

Red October

What happens next in financial markets depends a lot on China*America will be hard-pressed to juice up global markets***Print edition | Leaders** Nov 3rd 2018

FOR A WHILE this year it seemed as if Wall Street was making its own case for American exceptionalism. Despite looming threats to the world economy, the S&P 500 index of leading American shares reached a new peak at the end of the summer. Then the mood changed. During the course of October, America's stockmarket gave up all its gains for 2018. A handful of tech stocks fell particularly hard (see [Schumpeter](#)). When America's stockmarket wilts, the reflex is to look to the Federal Reserve for relief. A further quarter-point rate increase in December, the ninth in a series that began three years ago, is now a bit less certain than it had seemed just a few weeks ago. Yet the focus on America obscures a larger story.

Although a sell-off on Wall Street still grabs the attention like no other, bourses elsewhere have been struggling for months. Stockmarkets in Europe and Asia have been falling since May. The Euro Stoxx 50 is down by 10% this year. China's stockmarket is off by more than 20%. A handful of other emerging markets have fared as badly. Given that prices of Treasuries and corporate bonds are also falling in response to rising interest rates (bond yields and prices move in opposite directions), scarcely an asset class has gained value in 2018.

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A jumble of anxieties lies behind the falls: further signs of slowing global GDP; a growing belief that profits have peaked; the brewing row between Italy and the EU; the impact on costs of American tariffs on Chinese imports; and so on. But a common theme to the troubles outside America is concern about China's economy. More and more companies speak of China as a factor behind weaker revenue growth. It is events in the East, not the West, that will increasingly set the tone of financial markets.

Investors are of course anxious that the Fed might go too far. Its benchmark rate is the closest thing to a global interest rate. The emerging economies that have suffered most this year—Argentina and Turkey—are over-reliant on foreign capital and have lots of dollar debts. Higher interest rates have drawn capital to America and pushed up the dollar at the same time. Higher yields mean that bonds are now an increasingly attractive alternative to risky investments such as shares.

But whatever the Fed decides, it is now harder for America to pep up global markets. The quarter ending on September 30th may well prove the peak for profit growth in America. The fillip to the economy from President Donald Trump's tax cuts is fading (see [article](#)). Accelerating wages are a threat to profit margins. Import tariffs are pushing up the cost of other inputs. All that, and American shares are already expensive by the yardstick of price-to-earnings ratios.

Shares in Asia and Europe, in contrast, have more room for growth. These places are also more reliant on the Chinese market. Asia's trading economies are closely tied by supply chains, meaning they are affected both by the trade war and by any slowdown in China. As for Europe, although the European Central Bank (ECB) has faith in the strength of domestic demand, exports still pull the economy. From chemical firms to chipmakers, Europe's companies have complained of weaker sales in China. Carmakers have been among the hardest-hit. When Jaguar Land Rover, a luxury carmaker, said recently that it would mothball production at one of its British plants, the local politician blamed Brexit. In fact, the fault lay with a slump in sales to China.

The Beijing put

Much therefore depends on where the Chinese economy heads from here. The government's campaign to cut debt is one big drag on activity. China's effort to tackle its vast shadow-banking sector means that consumers have lost access to unregulated credit and local governments are finding it harder to borrow. The government has made a few compensating moves. Local authorities have been given licence to issue more bonds to finance infrastructure spending. On October 1st the income threshold beyond which personal tax is levied was raised from 3,500 yuan to 5,000 yuan (\$700) a month; a cut in the sales tax on cars from 10% to 5% is mooted. But these measures are still comparatively modest. If a bilateral meeting between Mr Trump and Xi Jinping, China's president, later this month does nothing to ease trade tensions, the government is likely to act more decisively.

China is not all that matters. If the euro zone had agreed on how to pool fiscal resources, say, Italy would not be such a worry. But in the absence of a big shock, the outlook for global asset prices in the coming months will be shaped by how far China goes to stimulate its economy. Investors trained to watch the Fed and the ECB will find they are monitoring China's credit figures and its vehicle sales instead. America's stockmarket may already have reached its peak in this business cycle. If so, what matters more to investors is how soon China reaches its trough.

This article appeared in the Leaders section of the print edition under the headline "Red October"

Red in tooth, claw and tape

Most criticisms of the Doing Business rankings miss the point

Because they are influential, they are also controversial

Print edition | Leaders Nov 3rd 2018

ADAM SMITH visited a pin factory to discover how the wealth of nations was created. Hernando de Soto, a Peruvian economist, went one step further. In 1983 his team set up their own garments factory outside Lima to discover how the potential wealth of nations was obstructed and frustrated by bundles of red tape. His experiment, which revealed that it took 289 days to register and license a new factory, inspired the World Bank's annual assessment of how countries welcome businesses. The latest of these Doing Business rankings was published this week.

Because they arouse countries' competitive spirit, the rankings are unusually influential. India's success last year, jumping by 30 places, helped stir China to lift its position this year—by 32 places. And because they are influential, the rankings are also controversial. In January Paul Romer, then the bank's chief economist, suggested that the political leanings of bank staff had potentially tainted some of the results. That allegation, which he could not substantiate and which led to his resignation, has encouraged critics to renew older lines of attack. They argue that the reports do not match the actual experience of entrepreneurs; that they promote a mindless deregulatory race to the bottom; and that their methods are too unstable to allow anyone to judge countries over time.

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Take each of these criticisms in turn. Rather than setting up factories itself, the bank rates countries by asking thousands of lawyers, accountants and others how long it would take a small firm to be registered, obtain a building permit, pay taxes and so on (see [article](#)). Their answers, it is true, do not always fit well with what firms themselves say about their own experience. But this objection largely misses the point. Everyone knows that some firms are big enough to bend the rules and others shadowy enough to evade them. Certainly Mr de Soto knew that no other factory actually wasted 289 days observing the letter of the law. But it is still useful to know what full compliance would entail. The answer helps explain why many companies stay in the shadows and others need friends in high places.

Other critics argue that the race to the top of the bank's rankings encourages a race to the bottom in regulatory standards. A country in a Hobbesian state of nature would get a perfect score on almost all of the bank's indicators, says one commentator. This charge is easy to rebut. In a war of all against all, firms would struggle to get a loan or a quick electricity connection. The top-ranked country is New Zealand, where life is hardly nasty, brutish or short. It is true that the rankings chiefly assess the costs, not the benefits, of regulations and taxes. But why should it be otherwise? No one would expect an index of pollution to include the benefits of carbon-emitting industrial production.

Critics also point out that the bank occasionally fiddles with its methods of assessment, adding new indicators and tweaking others. Countries can therefore jump up or down the rankings through no action of their own. This can be unfair. But the unfairness is minor in the grand scheme of things. Politicians are always getting credit and blame for rallies, crashes, booms and busts outside of their control. And since governments cannot dictate the bank's methodological tweaks, their best bet for improving their rank is still to cut red tape.

Unfortunately some governments now game the rankings, enacting reforms engineered to yield the biggest jump in their standing for the smallest political effort. But in these cases, the blame surely lies with the governments rather than the bank. And any policymaker bothered enough about the rankings to game them, probably cares at least a little about business. The worst governments do not care enough to cheat.

Worth the candle

In such places, regulations are both grossly inefficient and wholly ineffective, protecting almost nobody; most firms struggle for survival outside of the government's limited reach. Mr de Soto and his followers do not want to liberate firms from all regulation. They want to help garment-makers and pin factories escape an informal economy that can be truly brutish.

This article appeared in the Leaders section of the print edition under the headline "Red in tooth, claw and tape"

The end of austerity?

Britain's feel-good budget is a little too good to be true

The chancellor's promise that austerity is over will come back to haunt him

Print edition | Leaders Nov 3rd 2018

SINCE THE financial crisis a decade ago, the annual task of presenting Britain's budget to the House of Commons has been an especially daunting one. Chancellors of the exchequer have had little to report but bad news, usually requiring them to impose spending cuts, tax rises or both. Yet on October 29th Philip Hammond came to Parliament with a cheerier set of announcements (see [article](#)). His hour-long speech was littered not just with giveaways but also with tax cuts, adding up to the least frugal budget since at least 2010. "The era of austerity", he announced, "is finally coming to an end."

It was a crowd-pleasing package at a crucial time. In the next few months Parliament will vote on whether to approve whatever exit deal, if any, the Conservative government strikes with the European Union. Losing that vote would mean a political crisis, and possibly a general election. Mr Hammond's budget therefore needed to give Tory MPs an incentive to back the government in Parliament, and voters a reason to side with the Tories in an election, should it come to that. With his generous scattering of handouts and hints of more to come, he just about pulled it off. But a budget that got the government out of a tight spot this week also sowed problems for the future.

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Mr Hammond's generosity was not the result of a sudden big improvement in Britain's economic fortunes. On the contrary, the economy is forecast to grow by a dismal 1.3-1.6% a year for the next five years, slower than most advanced countries—and that is assuming an orderly exit from the EU, which is far from certain. Instead, the chancellor's splurge was made possible only by the fact that the Office for Budget Responsibility, which produces the forecasts he uses as the basis for his calculations, found a treasure trove of loose change down the back of the national sofa. It revised up its estimates of tax revenues, possibly because the economy is bigger than it was expecting, giving Mr Hammond up to an extra £20bn (\$26bn) a year to play with.

He gratefully spent the lot, and for the most part did so wisely. The National Health Service, straining under the burden of an ageing population, got almost all of it. Universal credit, the well-designed but underfunded plan to simplify welfare payments, got a small boost in order to ease the worst of its problems. Little grants were made to spruce up classrooms, fill in pot holes and so on, while targeted bungs were directed towards Northern Ireland, ten of whose MPs prop up the government.

These giveaways were accompanied by tax cuts of varying merit. Small companies will get help with paying their business rates, in an attempt to spruce up Britain's high streets. Bigger firms will benefit from the bringing forward of a tax break on investment. Income-tax thresholds will be raised earlier, mainly helping the well-off, and fuel duty was frozen for the ninth year running (odd from a government that wants to limit climate change). A new levy on big tech firms, which pay almost no tax in Britain, was one of few tax-raising measures.

This budget had two big political messages—all the more effective in coming from a not very political chancellor. The first was aimed at voters. After almost a decade of austerity, the public are so sick of cuts that a growing number are flirting with Labour, which promises to bring an end to the squeeze. Mr Hammond's new pitch is that the Tories are also ready to end austerity—and that unlike Labour, they would do so without raising taxes or turning the economy upside down. His announcement of the abolition of the private-finance initiative (PFI), under which firms build and run public projects, sometimes at eye-watering cost to the taxpayer, was another move onto opposition turf. A sign of the budget's political success was that Labour found little in it that it could oppose. This was a budget designed with the possibility of an election in mind.

The second message was aimed at Conservative MPs. Those who dislike the compromises that the government is being forced to make in Brussels—from ultra-Brexiteers, who fear a sell-out, to diehard Remainers, who hope for a second referendum—are threatening to vote against any deal that the government brings back. Mr Hammond made clear that this week's giveaways were predicated on a deal and that, if no deal were to happen, all this would be at risk. The glimpse of sunlit uplands is intended to remind MPs what is at stake if they decide to roll the dice and vote down the Brexit deal.

Hence, this was a riskier budget than it may have looked. Declaring the end of austerity won approving headlines the next day, but it is really only half true. Because of health, overall spending is set to rise again, yet almost all other departments will continue to endure flat or falling budgets. In other words, in most parts of government austerity will continue. After this week, every spending cut will not be seen as a regrettable necessity but as a broken promise. The pressure to loosen the purse-strings will grow—especially after March 29th, when people will expect to see the Brexit "deal dividend" that Mr Hammond promises when Britain leaves the EU.

In truth, the scope for increasing spending is very limited. There is no reason to think that the revised forecast that was the basis for this week's splurge will be repeated—indeed, the next time the estimates are revised it could even be reversed. The economy itself shows little sign of rapid improvement. Though employment is high, productivity growth remains weak. Brexit, just five months away, will create at best a slow puncture and at worst, if no deal is reached, a dramatic bang.

Posterity before austerity

Even without Brexit, Britain's long-term fiscal position is unsustainable. Within two decades the country will have 50% more over-65s than today, even as the scope and cost of their medical treatment is growing. Either taxes will have to go up, or spending will need to be spread so thinly that recent austerity will look like a picnic. This was never going to be the week that the government came up with radical answers to this conundrum. But by telling voters that good times are just around the corner, it has left them unprepared for the hard choices that, sooner or later, Britain will have to confront.

This article appeared in the Leaders section of the print edition under the headline "The end of austerity?"

On Pik Botha, the City, China, Singapore, India, John Cockerill, airlines

Letters

Letters

Letters to the editor

On Pik Botha, the City, China, Singapore, India, John Cockerill, airlines

Print edition | Letters Nov 3rd 2018

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

Pik Botha's legacy

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Any suggestion that Pik Botha, South Africa's foreign minister from 1977 to 1994, defended apartheid and only painted himself as a liberal must be based on popular anecdote and a historical misunderstanding (Obituary, [October 20th](#)). He knew from the start that apartheid could not be defended. His key question was: how do we turn South Africa into a successful democracy?

Democracy had failed dismally in Africa during the cold war. Following the independence of dozens of African countries in the 1960s a heavy price was paid for the chaos surrounding self-rule. The transition from colonial rule often resulted in civil war, the destruction of infrastructure, mass displacements of people fleeing conflict and even genocide. In the case of Equatorial Guinea, it took only five months of independence for the country to be pitched into a nightmare of brutality. More recently, Zimbabwe's economy was destroyed by the Stalinist policies of Robert Mugabe.

My father could not accept this version of "freedom". His overriding quest was for a peaceful transition to democratic rule in South Africa and also in Namibia. He had two important rules of thumb: first, that timing is crucial, and second, that effective change is only possible from a position of power. If he had left the National Party he would not have been afforded vast opportunities to convince people of the dire need for an end to apartheid and an adaptation to democracy.

He used all his resources to prepare the enfranchised minority for this inevitable change. Pik Botha was the pivotal force behind the National Party's decision to fire P.W. Botha in 1989 and to free Nelson Mandela in February 1990. He served under Mandela in South Africa's first cabinet. In the words of Mathews Phosa, an erstwhile treasurer-general of the ANC: "For many in the liberation movement, and especially those in exile, Botha was variously an enigma, a riddle, a breath of fresh air, a lone voice trying to convince his party and his followers to imagine a different future for the country."

Pik Botha wished only peace for his beloved South Africa and for Namibia, a country that was a second home to him. His contribution to achieving this in a continent of despair was immense.

DR ROELOF BOTHA

Pretoria

The City's financial sewers

The Economist rightly flagged the fact that London's financial flows are polluted by illicit money and that, while Britain leads the way in transparency, it lags on enforcement ("Dirty capital", [October 13th](#)). In the House of Commons the Foreign Affairs Committee (FAC), which I chair, has repeatedly said that dirty money menaces our national security because it corrupts our friends, weakens our alliances and erodes faith in our institutions.

In April we joined with six other select committees to form a co-ordination group to deal with this threat. The FAC has called on the British government to address the funding and staffing of the National Crime Agency, the Financial Conduct Authority and our security services to chase those money trails and hold accountable those in the City who enable these illicit and corrupt activities. Much more needs to be done, but Parliament is on the case.

TOM TUGENDHAT, MP

Chair Foreign Affairs Committee

House of Commons

London

Palace drama

Thanks for spoiling the ending of "Story of Yanxi Palace". It is customary to preface plot details with a spoiler alert, but Chaguan ([October 13th](#)), unlike the Qing court, showed scant regard for propriety by leaking the ending of the TV drama that had me hooked. Those responsible for such reckless behaviour should count their blessings; if I were emperor, someone would lose their head.

ADRIAN BOSCOLO

Singapore's judiciary

Contrary to your article, Singapore's Administration of Justice (Protection) Act does not increase penalties for scandalising the judiciary ("Gavel-rousers", [October 13th](#)). Instead, it imposes sentencing maximums where previously none existed. Nor does the act protect judges from criticism. Judicial decisions are routinely criticised, sometimes severely, without violating the act. However, unjustified attacks on the judiciary that call into question their independence and integrity are not allowed, just as they were not in Britain until recently.

In 2012 Britain's Law Commission noted that there was "a great deal of extremely abusive online material concerning judges". But it took the view that even if the loss of respect judges once enjoyed was to be regretted, it was not possible to change course. For this and other reasons it recommended abolishing the offence of scandalising the court. Thus in 2016 the *Daily Mail* could denounce the three judges who ruled in the Brexit case as "enemies of the people".

Singapore views confidence in our judiciary and its high standing as public goods that must be protected. We do not wish to go the way Britain has gone, and prefer to hold fast to these values we once shared with Britain.

FOO CHI HSIA

High commissioner for Singapore

London

India needs more doctors

Another factor in India's health-care reforms ("Modicare", [September 29th](#)) is that health subcentres are to be upgraded to wellness centres. These are supposed to have one essential difference from a regular subcentre: a doctor. Considering that in 2017 the government needed 27,124 doctors in primary health centres, certified 8,286 (31%), and had in place 3,027 (11%), this upgrade is a farce. India lacks doctors, especially in rural areas. We need to focus less on free insurance, and more on expanding the supply of medical human resources.

DHRUV MATHUR GUPTA

Delhi

A pioneering industrialist

I'm glad Charlemagne came across John Cockerill in his research ([October 13th](#)). Although one of England's finest European industrialists, he is little known. He was born in 1790 in Haslingden, the heart of Lancashire's textile industry. Together with his father, Billy Cockerill, he brought the Industrial Revolution to Belgium and the continent. Cockerill senior built spinning machines in Verviers, expanding to Liège and Berlin.

John Cockerill is best known for developing steam engines and for the construction of one of the world's largest ironworks at Seraing, near Liège. He also built locomotives and persuaded the Belgian government to invest in a comprehensive rail network, an example quickly followed by Germany. He died in Warsaw in 1840.

Europe was made of such men, who would be shocked by today's petty haggling about customs duties.

ROY WORSLEY

Kendal, Cumbria

Reversal of fortune

I think it was Richard Branson who once said: if you want to become a millionaire, start as a billionaire and launch a new airline ("Labour pains", [October 13th](#)).

BRIAN THOMAS

Nyon, Switzerland

This article appeared in the Letters section of the print edition under the headline "Letters"

The Democrats

Kick-starting the donkey

Kick-starting the donkey

Are the Democrats a serious threat to Donald Trump, or not?

Their very diversity may be a hindrance

Print edition | Briefing Nov 3rd 2018

A STRANGE PATTERN has marked the past two years in American politics. The party on top has often behaved as if it is losing, and the loser as if it is winning. Republicans have the presidency, both chambers of Congress and most state governments, yet they are forever inveighing against their opponents and the media. Democrats, while largely powerless to stop the changes President Donald Trump and his party are making to the country, most of which they abhor, struggle meanwhile to suppress a feeling of euphoria. Many consider Mr Trump so awful, and his base-rallying tactics so obviously aimed at a minority of voters, that the imminent collapse of his project is assured. A trickle of Democratic victories in special elections—including some astonishing ones, like the capture of a Senate seat in Alabama last year—have bolstered that view.

As the mid-terms loom on November 6th, the Democrats' recovery looks likely to continue. Mr Trump and the Republican Party remain unpopular. Publicly available statistical models give Democrats a 70-90% chance of winning the House of Representatives. They also look well-placed in state races. According to Nate Silver, a prognosticator, 59% of Americans could soon have a Democratic governor. Texas is the only large state which the Republican candidate for governor is favoured to win. According to Carl Klarner, a political scientist, 12 Republican-held state legislative chambers, including Arizona, Colorado and Florida, are in play. If the Democrats won only half of them, that would take a big bite out of the Republicans' 1,000-seat advantage in the states.

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After the Democrats' defeats in 2016, this would be a creditable performance, especially at a time of decent economic growth and near-zero unemployment. A House majority would give them control of its committees and the subpoena power that comes with them. That would augur the first real congressional oversight of Mr Trump's administration. Yet it would also be only a limited success. Assuming the Senate remains under Republican control (which looks about as likely as the House is to change hands), and with the president fixed in place, the Democrats would have no hope of passing legislation. Nor could they vet Mr Trump's appointments. Many might consider this a poor return on the "blue wave" that many Democrats are currently anticipating.

In a febrile moment, such a disappointment would intensify the party's internal disagreements. And if the Democrats fail to win the House, which is possible, more serious feuding is likely. In search of a magic bullet to slay Mr Trump, they would probably also veer to the left. Indeed, the left-wing positions adopted by early contenders for the party's presidential ticket in 2020—for example, the demands for Medicare for all and free college tuition from Senators Cory Booker and Kamala Harris—suggest they already expect this.

Infighting and panicked over-reaction are in the Democrats' nature. As a roughly tripartite coalition of college-educated whites, unionised working-class whites and non-whites, the party is a conglomeration of interests thrown together by the twists of political history. It is much less ideological than its opponent. Democrats are significantly less likely to call themselves liberals (as Americans call left-wingers) than Republicans are to consider themselves conservative. A steady loss of working-class whites, who tend to be more conservative than other parts of the coalition, has sapped this ideological diversity. It has also caused the party to gravitate to the left.

Yet it remains a three-legged stool lightly tacked together, with a governing philosophy that is more functional than uplifting. Whereas conservatives stand for God and liberty, Democrats want to make the country a bit fairer and the government more effective. The upside of this, in place of ideological head-banging, is a tradition of pragmatism. The downside is a tendency to fall apart whenever the party lacks a charismatic leader such as Barack Obama or Bill Clinton. Yet pragmatism has been far more evident in the party's mid-term campaign. Though rudderless and more-than-usually ideologically adrift after their failures in 2016, Democrats have found in resisting Mr Trump a compelling reason to hang together.

An unprecedented surge of leftist activism and fundraising is evidence of that. One in five Americans has taken part in a street or other form of protest since his election, mostly to oppose the president. Thousands of local groups have formed for the same purpose. The best-known activist network, Indivisible, which began as an online handbook for anti-Trump protest, has almost 6,000 branches, including at least two in every House district. Democratic candidates have raised almost \$1.3bn in small contributions through an online fundraising platform called ActBlue. That is more than five times as much as they had managed by the same stage in 2014.

There was an obvious risk (or, some would say, opportunity) that outrage and activism alone would radicalise the Democrats. Provoking them to insanity was the strategy Mr Trump's former chief political adviser, Steve Bannon, articulated for him. And on one important issue, immigration, which has dominated the Republican campaign in the mid-terms just as it did in 2016, the president seems to have succeeded. Democrats are not, as Republicans claim, for open borders. Only a minority want to abolish the Immigration and Customs Enforcement agency (ICE). Yet the fact that even moderate Democrats seem unable to say how many immigrants America should take, and whom they should turn away, is a weakness the party is about to suffer for yet again. That was true even before a crowd of poor Central Americans, marching north towards San Diego, gave the Republicans their closing argument. Yet it is not representative of the Democrats' overall response to Mr Trump, which has been more moderate and disciplined.

Indivisible's founders, Leah Greenberg and Ezra Levin, saw their movement as a rebuke to the moderate Democratic establishment as well as to the right. Yet the network's loose structure leaves questions of ideology to its members, and most envisaged nothing of the sort. The selection of Democratic candidates, in which activists played a part, shows this. Only a third of candidates endorsed by a left-wing campaign group, Our Revolution, launched by Senator Bernie Sanders, emerged successfully from the primaries. And most are running in districts the Democrats have either little hope of winning, or are guaranteed to carry. By contrast, 86% of candidates endorsed by the moderate New Democrat Coalition won, and they are mostly running in competitive races.

Analysis of the ideological positions taken by Democratic candidates suggests that the most left-wing—such as Alexandria Ocasio-Cortez, a 29-year-old firebrand who ousted a party leader, Joe Crowley, from his safe seat in New York—are more extreme than they were in 2016. But their presence is balanced by greater moderation at the other end of the Democratic spectrum. Primary voters, in other words, have picked the candidate they considered most likely to win a given race. This indicates that Mr Booker, Ms Harris and the rest may have confused the excitement of an energised Democratic base, which is manifest, with hunger for the left-wing policies they have adopted.

Lighting the blue paper

Another sign of pragmatism is a scarcity of litmus-test issues. Conor Lamb, a former marine who supports gun rights and is personally against abortion, ran for the Democrats in a conservative district outside Pittsburgh earlier this year. After he won, he became an idol of the left. Similarly, the party's elected representatives have mostly avoided falling out over divisive issues. The battle-cry of "Medicare for all" sounded by Mr Sanders last year has morphed into a fudgier party-wide aspiration for "universal health care". This is the biggest issue raised by Democratic candidates, the subject of 130,000 television ads aired by Democrats in September alone. Most pledge not to provide Medicare for all, but to defend and expand Mr Obama's more moderate health-care reform, which has become more popular. The response from House Republicans suggests that this is hitting the mark. They have lately started running ads in which they also vow to defend some of Obamacare's provisions, though they voted to scrap the reform.

The prevalence of women among the activist groups, starting with the huge "women's march" after Mr Trump's inauguration, helps explain their character. Most women members are first-time activists, motivated by Trump misogyny rather than left-wing ideology. Some are former Republicans. "We are liberals, greens and libertarians, some conservatives, but all Democrats now," says Pam Hill of her central Virginia group, Liberal Women of Chesterfield County and Beyond. Set up after Mr Trump's election by a soccer mom from a conservative suburb of Richmond, LWCCB now has almost 4,000 members and over a dozen chapters, loosely mapped around elementary-school catchment areas.

The mushrooming of such groups recalls the Tea Party insurgency that swept the Republicans to power in 2010. Yet they are less ideological and more local than the anti-government Tea Party was. Ms Hill, a civil servant, who "cried and cried" after Hillary Clinton's defeat, is canvassing for Abigail Spanberger, a Democrat running for Virginia's Republican-held 7th district. Her chapter of the Liberal Women has also adopted a local highway and is raising money to pay off poor children's school-lunch debts. This, and thousands of like-minded groups across America, suggest that the civic spirit lauded by Alexis de Tocqueville is in ruder health than Americans gloomily suspect. Traditionally a preserve of the communitarian right, it is out door-knocking for the Democrats.

A record number of Democratic candidates are also women. Of the 23 women running for the Senate and 237 for the House, over 75% are Democrats. Many Democratic women candidates for the House are highly qualified political neophytes from diverse backgrounds, all motivated by disgust for Mr Trump. Ms Spanberger, though born and raised in the district, is a well-travelled, multilingual former CIA officer. She had not considered going into politics until Mr Trump's victory. "He's the personification of what's wrong in our society, the anger, the divisiveness. He's the voice on TV I don't want my children to hear," she says. A self-described pragmatist, she talks about the need to strengthen Obamacare and cut the budget deficit. She is running neck-and-neck with the district's incumbent, David Brat, a former Tea Partier.

A wave that brought dozens of Spanbergers to the House would be a great infusion of Democratic talent. It might also anchor the party closer to the centre. If that happened, it would be largely because of women voters, especially college-educated white women, a group formerly split between the two parties, but which has broken for the Democrats. What Mr Bannon overlooked is how the president's inflammatory speech offends women on both sides of the political divide. Surveys suggest three-quarters of white women with a college degree consider the president "embarrassing"; almost three-fifths say he is "racist". They are the group likeliest to vote in mid-term elections, and polls suggest that 60% or more will vote Democratic.

This should help the party secure most of the 25 mainly suburban districts that are held by Republicans but voted for Mrs Clinton in 2016. That, in turn, would take them most of the way to securing the 23 extra seats they need for a majority, as long as they can retain most of the 12 Democrat-held seats that voted for Mr Trump. This seems likely. Perhaps surprisingly, the Democrats' poll numbers are as strong in the midwestern rustbelt states, where those districts are concentrated, as they are in

the formerly Republican suburbs. That may not mean that the midwestern working-class voters who forsook the Democrats for Mr Trump are suffering buyer's remorse. It does suggest that they are still willing to vote Democratic when his name is not on the ballot.

Obstacle number one

Yet the Republican base looks solid. Many of its members, who tend to be white, male and heavily evangelical, are also privately uneasy about the president's language. Yet they like the overarching message he transmits: "Liberals want to change your culture, I will defend it." That is not an attitude Democrats, however moderate or multilingual, can easily overcome. In a middle-class neighbourhood of Chesterfield County Helen Marie, a hardworking wife and mother, confessed she didn't like everything about Mr Trump. Yet she felt he shared her "Republican values". Asked what she felt about the many women who have accused the president of sexual assault, she said she knew it was "going to sound awful", but wondered if they were seeking "their 15 minutes" of fame. Blue-collar women have also left the Republicans since 2016, but by a much smaller margin. *The Economist's* predictive model shows that, in even the best case for the Democrats, the resilience of the Republican base would put a hard ceiling of perhaps 55 seats on their House gains.

It probably also rules out the Democrats retaking the Senate, where they are defending two dozen seats, including ten in states that Mr Trump won. Even in the event of a fair-size blue wave, the Democrats could lose some of the ten Senate seats they are defending in states that voted for Mr Trump. Heidi Heitkamp in North Dakota and Claire McCaskill in Missouri are especially imperilled. This would be serious a blow to the Democrats' long-term fortunes, for if they can no longer win in conservative states they will not win back the Senate. This divergence between the House and the Senate illustrates more than the two parties' contrasting geographical strengths. It points to a country split down the middle on most big cultural and political questions, in which bruising and reversible victories, won inch by inch through much toil, are as much as either can realistically hope for.

In that context, the fact that Democratic voters on the front lines have mostly selected moderates, to campaign on bread-and-butter issues rather than transgender rights, should be instructive. "Opportunity is our best one-liner," says Senator Chris Coons of Delaware, who has thought hard about how Democrats might regain the trust of working-class voters. But left-wingers also have their champions in the fray. Chief among them are a trio of liberals, Andrew Gillum and Stacey Abrams, who are running for governor in Florida and Georgia respectively, and Beto O'Rourke, who is running for the Senate in Texas. They have a different idea of how to win in a conservative state. It is to rally younger and Hispanic voters, who tend to vote Democratic when they do vote, which is not that often, with a relatively left-wing message.

Victory for Mr O'Rourke, a winsomely charismatic House member who wants to replace ICE and impeach Mr Trump, would electrify the left. No Democrat has won statewide in Texas for a quarter of a century. If Mr O'Rourke prevails, he or a liberal copycat is likely to be the party's next presidential candidate. Yet, for all the hoopla he has generated, he is trailing Senator Ted Cruz by seven points.

Conversely, if the left-wingers flop and moderates soar, the odds of a centrist Democratic challenger to Mr Trump will increase. In that case, buy Joe Biden, sell Mr Booker and Ms Harris. The verdict is unlikely to be so clear-cut, however. Mr Gillum and Ms Abrams, the first black woman on a major party's ticket for governor, could both win. Plenty of good moderate candidates will lose tight races. And the hard left will be undeterred by defeat. Still, if the Democrats take the House, the establishment wing of the party will be emboldened.

Thank you, Mr President

Democratic House leaders have pledged to provide a foretaste of Democratic government, even if they can do little. They intend to pursue plans for infrastructure spending (which the president might actually go for), lifelong training and the rebuilding of Obamacare. They would also launch investigations into the administration. Asked to name them, Representative Adam Schiff, who would preside over the House intelligence committee, reels off half a dozen for starters: probes into the feds' response to Hurricane Maria last year, into Mr Trump's alleged money-laundering, into the Trump family's business in the Middle East.

Besides being necessary, such probes would help mollify the many Democratic activists who want to impeach the president. Nancy Pelosi, the Democrats' veteran House leader, does not want that. She saw close up, back in 1999, the mess the failed impeachment of President Clinton made of the Republican Party. And though a drag on the party electorally, she is good at getting her way. Without a bombshell from Robert Mueller, the special counsel who is investigating Mr Trump for alleged obstruction of justice and other offences, the Democrats are unlikely to impeach him.

They may not see it this way, but they have a lot to thank Mr Trump for. Bereft of power, leadership and direction, they have found in opposing him a unity of purpose and gush of talent. They are still weak, and have much serious thinking to do about how to become more acceptable in large parts of the country. Yet, in a presidential system, opposition parties rarely set about reforming themselves until after they have selected their next presidential champion. In the meantime, the Democrats are far better off than they would be under a less aggravating Republican president.

Bad results in the mid-terms, especially a failure to retake the House, would probably undo that progress overnight. They might launch a Democratic civil war. The verdicts from leafy suburbs and former factory towns will therefore show whether the Democrats are a recovering party of government—or whether they are a bunch of liberal hand-wringers, twice beaten by Mr Trump, whose prospects of re-election would be greatly enhanced.

This article appeared in the Briefing section of the print edition under the headline "Kick-starting the donkey"

Closing arguments (1)

Caravan of copycats

Basic instincts

Identity politics are stronger on the right than the left

The Republican Party is increasingly unified around whiteness

Print edition | United States Nov 1st 2018

IN THE POPULAR imagination, identity politics is the stuff of queer-studies seminars and Hillary Clinton rallies. The excesses of intolerant university students raging against misogyny, racism and homophobia have been rigorously catalogued. Rather less attention has been paid to the appetite for a different kind of identity politics—one centred around whiteness and championed by President Donald Trump. This kind of right-leaning identity politics is more potent than the left-leaning version. There is no single cause which unifies the Democratic Party like the sense among some white voters that their status as top dogs is threatened, which binds the Trumpian Republican Party together.

For evidence of this, look no further than the president's closing arguments a week before the mid-term elections on November 6th. Worried about the damage that a Democratic wave in the mid-terms could wreak, Mr Trump has fed his base an artery-clogging diet of red meat. Recently leaked news that his administration is planning to rip up Obama-era rules on the treatment of transgender people was a poke in the eye for political correctness. The president has also seized on the useful image of a caravan of Central American migrants heading to the southern border.

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Mr Trump and his allies have claimed that the caravan is an “invasion” harbouring, among other things, criminals, “Middle Easterners” (apparently meaning terrorists) and “diseases” such as leprosy. (At least the last of these can be deterred by a course of antibiotics.) To deal with a slow-moving procession trudging through Mexico and weeks away from reaching the border, Mr Trump is sending 5,200 troops—double the number currently fighting Islamic State in Syria—and announced they will be followed by perhaps 10,000 more. He also floated the idea of abolishing birthright citizenship by executive order. The fact that the text of the 14th Amendment bars such action is no matter, since the point is to sway those white voters who are apprehensive about their future position in a country where, demographers suggest, they may find themselves in the minority within their lifetimes.

Political scientists have spent three years puzzling over the psychological impulses that propelled Mr Trump to power. Hostility towards blacks, Muslims and immigrants was a significant predictor of support for Mr Trump, even in the Republican primaries. But academics have often overlooked the importance of whiteness itself. When this is measured—by asking questions about reverse discrimination and how important being white is to one's identity—white consciousness is in some cases an even better predictor of support for Mr Trump than lukewarm feelings about blacks or Hispanics (see chart). Though there is some overlap, concern over white identity is distinct from racial animus, notes Ashley Jardina of Duke University, who is writing a book on the subject. Ms Jardina's data show that whites can be concerned about their status without harbouring much hostility against non-whites.

Though people with high scores on white identity are hostile to immigration, they are also strong supporters of Social Security (federal pensions) and Medicare, the government health-insurance programme for the elderly. Unlike means-tested programmes, such as cash welfare or food stamps, these schemes are seen as benefiting white Americans after a life of hard work. Mr Trump broke with Republican orthodoxy when he promised no cuts in the programmes, while also driving a hard line against immigration of all kinds.

Diana Mutz, a political scientist at the University of Pennsylvania, analysed survey data from 2012 and 2016 and found that losses in financial status did not predict support for Mr Trump, but a feeling of threatened status (whether white, Christian or male) was a strong predictor. According to recent polling from the Public Religion Research Institute, 76% of Republicans agree that “the American way of life needs to be protected from foreign influence”, and 61% think that “the impact of the US becoming non-white by 2045 will be mostly negative”. Four in five Republicans support barring Muslim immigrants and building a wall on the Mexican border.

The Trump formula has an effect further down the ballot too. Antonio Delgado, a black Rhodes Scholar and Harvard Law School graduate who is running for Congress in upstate New York, has faced attack ads labelling him a “big-city rapper” (Mr Delgado has occasionally handled a microphone). Chris Collins, a Republican incumbent indicted for insider trading, released a campaign ad simply showing his (white) Democratic opponent speaking Korean. Duncan Hunter, another Republican incumbent under indictment, has said that his (Christian) opponent of Arab descent was working to “infiltrate” Congress through a “well-orchestrated plan” supported by the Muslim Brotherhood. Mr Hunter also has qualms about the “radical Islamist propaganda being pushed on our kids in the San Diego school district.”

The Republican Party has either tolerated or funded such campaign rhetoric. The only candidate repudiated by some party members is Steve King, a congressman from Iowa, after he endorsed a white-supremacist candidate for Toronto's mayorship and gave an interview with a far-right Austrian website. Mr King has a history of questionable comments, including saying: "We can't restore our civilisation with somebody else's babies." Similar themes are frequently echoed on Fox News, the conservative news outlet favoured by the president. Laura Ingraham, a presenter, declared: "It does seem like the America we know and love doesn't exist any more", because of "massive demographic changes".

In the past political scientists thought that racial appeals needed to be coded in order to work. Today they are not, and that does not seem to matter. Mr Trump began his political career by suggesting that Barack Obama was a Kenyan Muslim who received an Ivy League education only because of affirmative action. Messrs Collins, Hunter and King are all favoured to win their elections.

This article appeared in the United States section of the print edition under the headline "Caravan of copycats"

The bargaining stage

The White House makes a last-minute proposal on drug prices

Donald Trump wants to reduce drug prices. Good

Print edition | United States Nov 3rd 2018

TRUVADA IS AN extraordinary drug. Take one a day, and the chance of contracting HIV is reduced by up to 99%. Even without a cure for the disease, if all people at high risk of contracting it took the prophylactic pill, HIV would eventually be snuffed out. But a big problem is cost. There are 1.1m Americans, mainly gay and bisexual men, who should be on the pill, according to the Centres for Disease Control. In fact only 200,000 are taking it. A course of treatment costs \$2,000 per month—nearly 45% higher than in 2013. In Britain generic versions of the pills available online mean the same treatment costs just £45 (\$58).

Such exceptional disparities in drug prices are typical in America. Pharmaceutical spending is the highest in the OECD club of mostly rich countries, at \$1,174 per person—more than twice as much as in Britain. Voters have grown tired of the price-gouging. Over the past five years, prices of the 20 most-prescribed brand-name drugs have rocketed at ten times the rate of inflation. Out-of-pocket costs, the cash payments made for treatment that are not covered by health-insurance premiums, have spiked. For these reasons, health care has been the subject of nearly half of all political advertisements on television in the run-up to the mid-terms.

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On October 25th President Donald Trump unveiled a new pitch for reducing drug prices: letting Medicare, the government health programme for the elderly, set prices based on an international index. Unlike previous runs at controlling the costs, the proposal would be carried out by regulatory fiat and therefore would not require an act of Congress, a crucial distinction if the proposal is to stick, given the number of pharmaceutical lobbyists loitering round the Capitol.

The proposal is sensible, though limited. It applies only to drugs covered by Part B of Medicare, representing just 5% of drug costs in America. “You can reference to other countries, but what are other countries doing? They’re having very structured negotiations with pharmaceutical companies about the value of a drug,” says Shawn Bishop of the Commonwealth Fund, a health-policy think-tank. “This is rational—this is something America can do. If we’re so exceptional, we could even do it better,” she adds. This modest scheme, along with an earlier rule requiring drug companies to disclose prices in television advertisements, constitutes the Republican Party’s closing argument on health care ahead of the elections on November 6th.

The ideas are serious enough to have prompted howls from pharmaceutical lobbyists, who have issued apocalyptic warnings about “foreign price controls from countries with socialised health-care systems that deny their citizens access and discourage innovation”. Forget for a moment that rich countries with socialised health-care systems have higher life expectancies than America. Exorbitant drug prices owe less to wondrous innovation than interference with normally functioning markets: pharmaceutical companies engage in anti-competitive behaviour, such as paying off generic-drug manufacturers to delay production after patents expire, refusing to grant enough sample drugs to generic producers, and creating “patent thickets” that successfully ward off competitors. Humira, a top-selling immunosuppressant, is ensconced in a web of 100 interlocking patents.

Democrats, who have pushed policies similar to the president’s for years, claim to be unimpressed. “The president’s policy proposal around drug-price reduction, coming in the closing days of a competitive campaign where he’s afraid that he may lose the House of Representatives, is too little too late,” says Hakeem Jeffries, a Democratic congressman representing New York. “When Democrats are in the majority, we can have a real conversation about how to drive down the high cost of prescription-drug prices.” Mr Jeffries says Democrats would begin by giving Medicare the ability to bargain directly for lower drug prices, which it cannot do now.

So sue me

Health care is a tricky subject for Republicans standing in the mid-terms. They have spent nearly a decade raging against the Affordable Care Act (ACA), a sweeping reform better known as Obamacare that is now enjoying a spurt of popularity. Before the ACA, insurance companies were able to deny coverage to people with pre-existing medical conditions. Reversing that has now become yet another live rail. So some candidates have turned to dissembling.

Josh Hawley, the Republican attorney-general in Missouri, who is running for a Senate seat, put out a touching campaign ad saying that he would protect people with pre-existing conditions because his eldest son has one. In fact Mr Hawley is, along with other Republican state attorneys-general, party to a lawsuit that seeks to overturn the entire ACA. Although Mr Trump insists that “Republicans will totally protect people with Pre-Existing Conditions, Democrats will not!”, his administration is not walking the tweet. The White House is pushing “short-term” health-insurance policies available for three years, which would not comply with the ACA.

By drawing off healthier patients, these plans are expected to increase premiums for those with pre-existing conditions. The administration seems to be doing its utmost to destabilise the health-insurance exchanges created by Obamacare by cutting

funding for outreach, ditching the requirement that everyone must get insurance and stopping legally required reimbursement payments to insurance firms. Weary voters are understandably fuzzy on these details, but retain their impression of a dysfunctional health-care system that is growing more so.

This article appeared in the United States section of the print edition under the headline "The bargaining stage"

The surf forecast

Polls augur well for House Democrats

Other indicators look even better

Print edition | United States Nov 3rd 2018

GIVEN THE unpredictability of American politics during Donald Trump's presidency, the contest for control of the House of Representatives has been remarkably stable. In the summer of 2017 Democrats led "generic-ballot" polls, which ask respondents which party they plan to support for Congress, by around seven percentage points. The opposition's lead now sits just above eight points. Democratic candidates' performances in special elections for vacant legislative seats, and Mr Trump's approval rating of just over 40%, are also consistent with a wave election roughly of the magnitude seen in 2006, the last time the party re-took the lower chamber in a mid-term election.

That precedent is not as auspicious for Democrats as it might appear. Thanks to the Republicans' advantage in opportunities to gerrymander districts after their mid-term victories in 2010, as well as Democratic voters' increasing tendency to cluster in electorally inefficient cities, even a 2006-level share of the popular vote, at 53.5% (after accounting for uncontested races), would be consistent with a close race for the House. To feel more confident, Democrats would need one of two sources of comfort. They would either have to believe they were likely to enjoy a 2008-style wave—when they won nearly 55% of the vote—or need evidence that districts Republicans designed to be impregnable seven years ago are now ripe for the picking.

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Two relatively new sources of data provide support for both these hypotheses. The first is the Democrats' third-quarter fundraising haul. In districts where both the Democratic and Republican nominees have filed reports, Democrats collected nearly twice as much money from individual donors as Republicans have. The most obvious benefit this discrepancy offers the Democrats is the ability to out-spend their opponents. However, donations from the public, as opposed to those from political committees or parties, also serve as a helpful proxy for two hard-to-measure factors: candidate quality and voter enthusiasm. If Democrats are out-raising Republicans by such a margin, that suggests both stronger candidates and a base that is more revved-up than normal.

The other favourable piece of evidence for the Democrats is district-by-district polling. In a wide range of seats where voting histories suggested that the opposition party would face a steep uphill climb, multiple surveys have shown Democratic candidates in surprisingly close races. In West Virginia's third district, which voted for Mr Trump in 2016 by a 76-24 margin, Richard Ojeda, an army veteran and Democratic state senator, who himself plumped for Mr Trump in 2016, is within a few points of the lead. Even more striking are districts expected to be competitive that Democrats appear to have already put away, such as Iowa's first or Colorado's sixth. District-level polling has offered some bright spots for Republicans as well, but far fewer.

Individual district polls are of course prone to large errors. However, they are just as likely to underestimate the Democrats' performance as the Republicans'. Although Democrats do not hold clear leads in enough seats to take control, they are in the hunt in so many different contests that the Republicans would probably need a systematic national polling error in their favour to hold on to the House.

Such misfires do happen, with some frequency. In both 2012 and 2016, district polls lowballed one party's House candidates by nearly three percentage points. A repeat of the 2016 miss could mean a long election night—and perhaps weeks of uncertainty, since California continues to count votes into December.

The Democrats' fundraising makes life hard for election handicappers. Since no party has ever dominated the money race to this degree, there are no relevant historical examples on which to train a statistical model. Extrapolating the impact of campaign contributions in the past, *The Economist's* forecast would give the Democrats a 92% chance to take the House. However, the party may well have approached or surpassed a yet-unseen upper bound on the value of fundraising. Removing this variable from the model reduces the Democrats' chances to 79%. Either way, they are clear favourites but far from a sure thing. It was only two years ago that an unlikely but similarly plausible election result put Donald Trump in the White House.

This article appeared in the United States section of the print edition under the headline "The surf forecast"

Bombs, shootings and elections

What is the link between political rhetoric and violence?

The president is not directly responsible for domestic terrorism, but he should be more careful

Print edition | United States Nov 3rd 2018

THERE WERE silver linings, of course. A small mountain of flowers, candles and messages of love and sympathy on a street corner two blocks away. Thousands thronging an interfaith service one night later. Wasiullah Mohamed, director of the Islamic Centre of Pittsburgh, telling his city's Jewish community, "We just want to know what you need...If it's people outside your next service protecting you, let us know. We'll be there."

But behind those linings, the cloud remained. During Shabbat services on the morning of October 27th, a man armed with an assault rifle and three handguns walked into the Tree of Life Congregation, a 154-year-old synagogue in Squirrel Hill, the heart of Jewish Pittsburgh, and shouted "All Jews must die!" He then murdered 11 Jews and wounded six more people in the deadliest anti-Semitic attack in American history. The shooting's sole suspect is Robert Bowers, a 46-year-old whose social-media posts reveal an obsessive hatred of Jews.

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The massacre occurred a day after Cesar Sayoc, a 56-year-old, was arrested in Florida, suspected of posting pipe-bombs to critics of President Donald Trump. Mr Sayoc owned a white van festooned with pro-Trump stickers; he attended at least one Trump rally, where he waved a sign reading "CNN Sucks" (he is alleged to have sent bombs to the news network).

Americans have since been embroiled in a furious debate over responsibility for these attacks, and fearful that Messrs Bowers and Sayoc are not just angry loners, but harbingers of a new era of violence inspired by politics. A friend of Mr Sayoc's told the *Washington Post* that the alleged bomber ignored politics until Mr Trump made him feel "that somebody was finally talking to him." More than 80,000 people signed a letter to the president calling the synagogue massacre "the direct culmination of your influence."

Mr Trump condemned both the Pittsburgh slaughter and anti-Semitism more broadly. His credentials on the issue are strong. His son-in-law is Jewish and his daughter converted to Judaism before their marriage. He is a strong supporter of Israel. But Mark Pitcavage of the Anti-Defamation League (ADL) notes that white supremacists like him in spite of that. "They say, 'He's not one of us, but he's good for us'." The ADL has noted an increase in anti-Semitic incidents over the past two years.

Whether knowingly or not, the president has used anti-Semitic tropes. In 2016 Mr Trump's final campaign ad featured George Soros, Janet Yellen and Lloyd Blankfein—a rich donor to liberal causes, a former Fed chair and a Goldman Sachs boss, all Jewish—while railing against "global special interests...that don't have your good in mind." His frequent condemnations of "globalists" carry a faint echo of "rootless cosmopolitans". There is a gulf between this stuff and Mr Bowers, who called Jews "the children of Satan". But in some places the worldviews rhyme.

Mr Bowers said that the Hebrew Immigrant Aid Society, a group that helps refugees of all ethnicities, "likes to bring invaders in that kill our people." He posted conspiracy theories about Mr Soros, to whom Mr Sayoc sent a bomb. The belief that white people are at risk of extinction from non-white races, manipulated by Jews, is the core American white-supremacist belief, notes Mr Pitcavage. Matt Gaetz, a Republican congressman, tweeted that Mr Soros was funding the caravan of Central American migrants heading north. The bomb intended for Mr Soros prompted Kevin McCarthy, the second-most-powerful House Republican, to delete a tweet warning that Mr Soros, along with Michael Bloomberg, a former mayor of New York who is also Jewish, and Tom Steyer, a billionaire Democratic activist and donor who is of Jewish descent, were about to "BUY this election!"

Democrats have in the past laid similar charges against prominent Republican donors such as Sheldon Adelson (who is Jewish) and the Koch brothers (who are not). But while the substance of the charges may be similar—rich people exerting too much influence over the political process—the framing is different. A few hours after Mr Bowers went on his killing spree, the FOX Business Network aired an interview in which Chris Farrell of Judicial Watch, an activist group, asserted that the caravan was being funded by the "Soros-occupied State Department". That echoes the white-supremacist belief that America is run by a "Zionist-occupied government", and turns Mr Soros into what Jews have always been for anti-Semites: string-pulling aliens working to undermine the country.

None of this means that a new era of political violence is at hand. The 1960s and 1970s, today remembered as a golden age of bipartisanship, were rife with bombings, street battles and assassinations. What is different now is that after past tragedies, presidents have seen it as their role to comfort the afflicted, and do their best to unify the country. Mr Trump, by contrast, called for unity, then attacked the press ("the true Enemy of the People!"), railed against "globalists" and chuckled at the thought of imprisoning Mr Soros.

A recent study by Lilliana Mason, of the University of Maryland, found that around 9% of Republicans and Democrats believed that using violence to achieve their political goals was at least "somewhat justified". While 9% may seem a reassuringly small share, it adds up to nearly 30m Americans.

They ought to pay a visit to Squirrel Hill, where traffic halted as funeral processions wended through the narrow streets. Condolence messages abounded in shop windows. Police tape cordoned off streets leading to the Tree of Life. Just inside the

main entrance to the Jewish Community Centre stood a slender FBI agent, watching everyone who came through the doors.

Cathy Samuels, the centre's communications director, said that, like other Jewish centres around America, Pittsburgh's has received its share of threats and bomb scares. But she does not want to see the introduction of metal detectors or armed guards. "We see ourselves as Abraham's tent, open on all sides," says Ms Samuels. "I hope that the positive change that will come out of this is that we love our neighbours. And I'm not just talking about the Jewish community."

This article appeared in the United States section of the print edition under the headline "In your lifetime, during your days"

The 1970s revival

Rent control is a hot-button issue in California again

The state with more homeless people than any other could rewrite its housing laws

Print edition | United States Nov 3rd 2018

JOSEPH LIVED in a tent near the building where he had been a tenant for 11 years before he was evicted. “It’s been one bad thing after another,” he told an advocacy group. “Stay off the streets and you’ll live a lot longer.” Joseph was one of 134,000 homeless people in California who live in bus shelters, public parks or dry river beds. They are so many—the population of a small city—that homelessness, and the wider housing problems of which it is part, have become the hottest political topics in California.

On November 6th four statewide ballot initiatives (or propositions) about housing will be put to voters. Potentially the most significant (Proposition 10) would allow local authorities to impose new rent controls. At the moment, a law passed in 1995 bans them from capping rents in apartments built after that year and exempts single-family houses and condominiums from all forms of rent control. Other propositions would authorise bonds to build new houses and allow some state revenues earmarked for mental-health services to be used for housing the homeless. Cities have their own ballot measures, such as Proposition C in San Francisco, which would increase corporate taxes on large companies headquartered there, with the money to be spent on the homeless.

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This slew of measures reflects widespread alarm. As Manuel Pastor of the University of Southern California (USC) points out, housing-market interventions have often been slapped on during crises. The federal government, for example, imposed sweeping rent controls in 1942, fearing landlords would jack up rents to take advantage of the mass movement of people, threatening wartime production.

California needs roughly 180,000 new housing units a year, but since 2008 has built fewer than 100,000 annually. Rents are rising faster than incomes. Many renters are spending more than a third of their income on housing. Rent controls might seem to be a relatively painless solution. Supporters say they mean that people move house less often and that prices rise less sharply. They also argue that rent controls provide a widespread benefit, because moving frequently is bad for the education and health of children. And all without threatening anyone with direct tax rises.

But economists almost unanimously view rent controls as harmful and self-defeating. A recent study of San Francisco by Rebecca Diamond and others at Stanford University found that rent control reduces the supply of rental housing, because landlords sell properties for owner-occupation instead. And, argues Richard Green, also at USC, rent control is a highly imprecise subsidy. On his calculations, people in Los Angeles earning \$350,000 a year benefited from earlier rent controls just as much as those on minimum wages did.

If polls are anything to go by, Proposition 10 is likely to be voted down. But that will not be the end of new housing measures. Other ballot initiatives, such as bond issues for new building, are likely to pass. And rent control remains popular. According to a poll by PPIC, a think tank, a majority of voters say it is good thing.

Pressure for change is becoming irresistible because “housing has reached a crisis point for the political centre,” argues David Plouffe, Barack Obama’s campaign manager in 2008, who now works for Mark Zuckerberg’s philanthropic organisation. The result is to galvanise and reshape the politics of housing. Both Democratic and Republican candidates for governor have come out against Proposition 10, though the state Democratic Party supports it. Organisations on the left which might be expected to back rent control oppose it. They include builders of affordable housing, who fear controlled rents will act as disincentives for building cheap housing, and mental-health advocates, who think some efforts to help the homeless will come at the expense of the mentally ill.

The politics of housing is affecting the technology industry, too, provoking a debate about the social responsibility of firms. In San Francisco Marc Benioff, the head of Salesforce.com, a cloud-computing company, gave \$1m to supporters of the proposal to tax companies and spend the proceeds on homelessness. Jeremy Stoppelman of Yelp.com, an online-review site, is backing a movement called YIMBY (yes in my back yard) which tries to encourage locals to back new housing projects.

Demands for further change will continue. Possible measures include zoning reform (to loosen restrictive zoning rules), more housing vouchers for the poor, and a rent cap which would limit rent rises to inflation plus 5% a year. Whatever happens, though, will come too late for Joseph. He died of a heart attack in August, victim of a political torpor that is finally lifting.

This article appeared in the United States section of the print edition under the headline “The 1970s revival”

Lexington
The Trump cult

Republican voters love the president for whom he hates

Print edition | United States Nov 3rd 2018

IN A CLOSING pitch to voters in Milford, rural New Jersey, Leonard Lance offered a definition of his party that sounded like a lament. Republicans, said Mr Lance, who is campaigning for a sixth term in the House of Representatives, “believe in fiscal responsibility and treating everyone with respect.” That is hard to reconcile with a unified Republican government that will double federal borrowing this year, to over \$1.3trn. It is also at odds with the closing arguments of President Donald Trump, which include a promise of more unfunded tax cuts and abuse of his opponents, even as the threat of political violence roils the country. Asked to account for the dissonance, Mr Lance said carefully: “This is a highly educated, sophisticated district. Its voters can distinguish between me and any other person, including President Trump.”

Unhappily for Mr Lance, who is known for his decency, bipartisanship and opposition to last year’s tax cuts, they may not. Having won his district, a belt of New York commuter-country packed with affluent college graduates, by 37,000 votes two years ago, he is now trailing his opponent, Tom Malinowski, a former human-rights specialist for Barack Obama. That represents a broader recoiling of well-educated voters against the Trump party. Yet while coverage of the mid-terms has focused on such ways in which Mr Trump has rearranged the electorate, the degree to which he has not done so is far more remarkable.

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He may take a different tack from Ronald Reagan, on trade, Russians and racists, but their coalition is essentially the same: most white Americans, with a stress on evangelicals and small-government and gun enthusiasts. Mr Trump is not president mainly because working-class strugglers flocked to him. The vast majority of his 63m supporters were regular Republican voters, and most consider his presidency a roaring success. That is why the president’s party could yet hold both the House and Senate. And if it does not, it will not be because the Democrats filched many Republican voters, but because they did a better job of turning out their own. The media focus on Mr Trump’s appalling behaviour can make this hard to fathom. An evening spent with a crowd of Mr Lance’s remaining supporters, in a community hall tacked onto a fire station near the congressman’s house, made it easier to understand.

Several of the assembled activists and other loyalists, around 30 in all, including men and women and many retirees, acknowledged that Mr Trump’s behaviour could be suboptimal. That was typically expressed as a wish that he would tweet less. One woman, a carer for the elderly, said he could be “crass”; another wished he would “dial it down a bit”. Yet even these mild reservations came with an apologetic smile and an inevitable qualifier. Mr Trump was a reality TV star, a New Yorker, a fighter, not a politician, so what else could he do? Everyone was strongly supportive of him.

Asked to explain why, most said it was because they liked his policies. “Who said ‘poopy’ today in the media? That doesn’t interest me,” said Steve, a firefighter who had looked in from next-door. For a few, this seemed self-explanatory. A couple of retirees from Wall Street, Mike and Sharon, were concerned about over-regulation, and Mr Trump is cutting rules faster than his predecessor. A trio of evangelical women, Lisa and Debbie and her daughter Heather, said they could never vote for a pro-choice party. Yet many struggled to name a policy of Mr Trump’s they liked. Across America, most Republicans would probably say his tax reform, but that is harder in New Jersey, where Mr Trump’s changes combined with high state taxes have left many worse off.

It must be said that the characterisation of Mr Trump and his administration offered by everyone except Mr Lance, a cautious critic of the president, was extremely selective. No one thought him a particularly divisive figure. Mr Obama was polarising too, said Bev, which is true, though arguably he, unlike Mr Trump, did not want to be. Beth insisted there had never been any allegation of racism against the president’s businesses. When it was put to her that there had been, she said, “I mean allegations against him personally.” She was also angry that Mr Trump was reported to have said there were good people among the white supremacists in Charlottesville last year. But he did say that. “I don’t think his policies are those of white supremacists,” her friend Todd chipped in.

The main reason most people loved Mr Trump did not seem to concern his qualities or policies at all. It was because above all they hated Democrats, a force political scientists refer to as “negative partisanship”. Hardly anyone said what they liked about Mr Trump without in the same breath lambasting his opponents. This, more than Mr Trump’s nationalism, populism or chauvinist dog-whistling, is the essence of his divisive appeal. It is what he strives to amplify. It was why Hillary Clinton, the right’s favourite bogie, was his perfect opponent. “I wake up every day and thank God she is not president,” said Beth, when asked how Mr Trump is getting on.

Teflon Don

This is also why the attacks on the administration from liberal journalists are far more noticeable to his voters than whatever Mr Trump has done to provoke them. They reconfirm that he has the right enemies. At the root of this is a feeling of cultural anxiety and resentment, against populous liberal America, with its right-on values and snarky comedians, that the president is

only the latest Republican to exploit. The state senator who introduced Mr Lance said pollsters had him behind because they were hoity-toity libs who wanted Republicans to feel like losers. No one blinked.

Polling in 2016 suggested partisan Republicans voted for Mr Trump despite having doubts about his character and policies. His ironclad ratings among them now suggest that, in matters of political allegiance, which tend to be emotional, that dissonance was unsustainable. Mr Trump's character and policies are largely unchanged, yet partisan Republicans have allayed their doubts. It is hard to imagine what Mr Trump could do to make them return.

The new president

Brazil hearts Jair Bolsonaro, for now

Guns and less butter

Are Brazilians ready for Jair Bolsonaro's radicalism?

The president-elect is sending mixed signals on the economy

Print edition | The Americas Nov 3rd 2018

NO BALLOONS OR confetti descended on Jair Bolsonaro as he claimed victory in Brazil's presidential election on October 28th. Instead, he gave his first speech as president-elect from his flat in Barra da Tijuca, a beachside neighbourhood of Rio de Janeiro, via Facebook Live. That was fitting. Social media brought Mr Bolsonaro, a venom-spewing far-right congressman, from the political fringes to the presidency of the world's fourth-biggest democracy.

Now Brazilians are wondering what their choice will mean. Mr Bolsonaro has a mandate, having beaten his rival in the run-off, Fernando Haddad of the left-wing Workers' Party (PT), with 55% of the vote (though a record number of people abstained). Voters elected Mr Bolsonaro, a former army captain, to cure the triple plague of corruption, rising crime and an economic slump. They are prepared to go along with his radicalism, in part because he does not look or sound like the centrist and leftist politicians who caused those problems. It is less clear that Mr Bolsonaro's programme—a mix of economic liberalism and social conservatism—will command support on the street and in congress once the implications sink in.

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In the days following Mr Bolsonaro's victory his economic plans have been to the fore. Ignoring his authoritarian leanings, the financial markets cheered his impending victory in the hope that he will slash spending, especially on pensions, simplify taxes, privatise state firms and eliminate red tape. Such reforms are needed to avert a debt crisis and raise Brazil's growth potential. The stockmarket index and the real rose by 10% in the month leading up to the election as it became clear that Mr Bolsonaro would win.

The early signals give cause for both hope and worry. Mr Bolsonaro seems ready to hand vast authority to his economic guru, Paulo Guedes, a pro-market economist with no political experience. He is to lead a new "economy super-ministry" that will subsume the ministries of finance, planning and industry. The elimination of the industry ministry suggests that Mr Guedes plans to resist lobbying from businesses that enjoy being shielded from foreign competition. The government will "save Brazilian industry, despite Brazilian industrialists", he says.

Mr Bolsonaro wants the current president, Michel Temer, to enact a pension reform, which was initially voted down by congress, before he leaves office. That will require a constitutional amendment, which must pass by three-fifths majorities in both houses. Once in office, Mr Bolsonaro may keep the current central-bank boss, Ilan Goldfajn. That would reinforce the markets' optimism.

But the Bolsonaro team is also flashing warning signs. Its economic and political sides do not seem to talk to one another, says Zeina Latif of XP Investimentos, a broker. Onyx Lorenzoni, the president-elect's future chief of staff, denies that he backs Mr Temer's pension reform. Mr Bolsonaro's enthusiasm for privatisation does not extend to Petrobras, the state-controlled oil company, or to electricity generation.

He will take office on January 1st with considerable backing in congress. His confusingly named Social Liberal Party is the second-biggest in the lower house. Thirteen of the 27 state governors-elect, including centrists, have declared support for him (see [Bello](#)). But Mr Bolsonaro has said he will not offer congressmen pork and patronage as past presidents have done. Without that, support for reforms could crumble. Fights over public workers' salaries and the minimum wage, to which much government spending is linked, will rage early in Mr Bonsonaro's term.

Such uncertainties have led to divergent forecasts for Brazil's economy. Tony Volpon, an economist at UBS, a bank, thinks it could grow by 3% a year if Mr Bolsonaro governs deftly. Citi, also a bank, has cut its growth prediction for 2019 from 2.5% to 2.2%, saying the government will reform less than the market expects.

The more trouble Mr Bolsonaro encounters in enacting his economic plans, the more likely he is to emphasise the nastier side of his agenda. Encouraging police to kill suspected criminals will give the impression that the government is doing something about crime. Mr Bolsonaro can soothe evangelical voters by campaigning against supposed gay influence in schools.

He offered the ministry of justice and public security to Sérgio Moro, a judge who leads the Lava Jato (Car Wash) corruption investigations. That is another dubious crowd-pleaser. Appointing Mr Moro will deepen suspicion on the left that Lava Jato is a politically inspired witch-hunt. (He locked up Luiz Inácio Lula da Silva, a former president from the PT who otherwise might conceivably have won the election.) Mr Bolsonaro dropped his promise to withdraw from the Paris climate agreement but may merge the environment ministry into the agriculture ministry. Environmentalists would be appalled. They have less political clout than farmers.

Though markets cheered his election, Mr Bolsonaro and his allies reminded Brazilians who value democracy why they fear him. He threatened to withdraw government advertising from media that behave in “undignified” ways. A group of former army officers that has been advising him submitted a list of 25 people, many with military backgrounds, for the transition team, half the spots available.

This article appeared in the The Americas section of the print edition under the headline “Brazil hearts Jair Bolsonaro, for now”

Bello

The demise of Brazil's great centrist party

What will replace the PSDB?

Print edition | The Americas Nov 3rd 2018

IN 1988 A group of centre-left politicians and academics who had opposed the military dictatorship that governed Brazil from 1964 to 1985 set up a new political organisation, the Party of Brazilian Social Democracy (PSDB). Its members were reformers, not populists, statists or pork-barrel conservatives. As one of its leaders, Fernando Henrique Cardoso, later wrote: “We advocated a blend of free-market reform and social responsibility” like that espoused by Felipe González in Spain, Bill Clinton in the United States and Tony Blair in Britain. Under Mr Cardoso they governed Brazil between 1995 and 2003. As the party shifted to the centre-right, it became one of two rival anchors of the political system, along with the left-wing Workers’ Party (PT). In the six presidential elections between 1994 and 2014 it averaged almost 40% of the vote. And now, suddenly, the PSDB looks far closer to extinction than its symbol, the toucan.

On paper, it had a strong presidential candidate in last month’s election in Geraldo Alckmin, a four-term governor of the state of São Paulo. Mr Alckmin assembled an eight-party coalition and thus enjoyed far more free television time than any of his rivals. Yet he won just 4.8% of the vote in the first round on October 7th. Many of the PSDB’s erstwhile supporters switched to the aggressive conservative nationalism of Jair Bolsonaro, who was elected in a run-off vote against the PT candidate. The PSDB also fared poorly in the election for congress. It now has only 29 of the 513 seats in the lower house, down from 54 in 2014, and eight senators rather than 12. Mr Alckmin was one of five PSDB governors elected in 2014. Now the party will rule in only three states (out of 27).

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Its problems do not end there. One of those three governors is João Doria, who narrowly won in São Paulo. A former lobbyist, he was a protégé of Mr Alckmin. But the two fell out, and Mr Alckmin backed Mr Doria’s opponent. While the PSDB remained neutral in the presidential run-off, Mr Doria supported Mr Bolsonaro.

Under Mr Cardoso, the PSDB boasted both brilliant technocrats and some effective politicians, both nationally and locally. Mr Cardoso’s governments slew inflation, modernised the economy partly through privatisation and pioneered social reforms that Luiz Inácio Lula da Silva of the PT would go on to expand. In São Paulo, the PSDB reduced violent crime; in Ceará, in the north-east, it created primary health-care and literacy programmes.

Only two years ago, in the wake of the impeachment of Dilma Rousseff, Lula’s chosen successor, some analysts were writing the obituary of the PT, blamed for the slump and systematic corruption. It survives as the main opposition to Mr Bolsonaro. Why did the PSDB become the victim? Like the Clintons and Mr Blair, it looked dated. Mr Doria was right when he said in victory that the party “lost touch with the reality of Brazil”. The party’s leaders squabbled among themselves. As the founding generation aged, they failed to groom successors.

Above all, with Brazilians in an angry mood the PSDB began to look like the establishment. It joined the unpopular outgoing government of Michel Temer but reaped no benefit from supporting necessary pension and labour reforms. It began to seem as corrupt as other parties. Aécio Neves, its presidential candidate in 2014, has been charged with seeking bribes (which he denies). While PT supporters “have an almost religious attachment to their party, the vote for the PSDB was much more instrumental”, says Sergio Fausto, who runs Mr Cardoso’s think-tank. The instrument broke in Bolsonaro’s wave of rage.

Mr Doria is now poised to take over the remains of the PSDB. All this “represents the defeat of the historical PSDB,” *Folha de S. Paulo*, a newspaper, editorialised this week. The party’s name may live on, but “the PSDB as we know it is definitely dead,” declares a prominent member. “There’s no reason to remain in the party.”

The task for those who believed in the PSDB is to reinvent the reformist centre in a Brazil bitterly polarised between Mr Bolsonaro’s right-wing populism and the unrepentant statism of the PT. That means founding a new organisation that attracts young people, and seeking a new leader. Some see that role going to Luciano Huck, a television host, whom Mr Cardoso wooed in vain before this year’s election. That Mr Huck, who has no previous political experience, may well be the best hope for the reformist centre says much about the way Brazilian democracy has changed since 1988.

This article appeared in the The Americas section of the print edition under the headline “The termination of the toucans”

Up in the air again

Mexico's incoming president halts an airport project, and pays a price

Andrés Manuel López Obrador arouses the wrath of the bond vigilantes

Print edition | The Americas Nov 3rd 2018

IN 2002 VICENTE FOX, then president of Mexico, ended a honeymoon with foreign investors by giving in to machete-wielding peasants and dropping plans to build an airport near Mexico City. On October 29th history repeated itself when President-elect Andrés Manuel López Obrador said he would halt construction of an airport after it was rejected in a vote involving barely 1% of the electorate. The move battered Mexico's peso, which fell to its lowest level in four months, as well as its stockmarket and its bonds. Creditors, who had been hopeful on Mexico, turned hostile.

Mr López Obrador, a left-wing populist, had sought to reassure investors. Despite troubles in other emerging markets, investment in Mexico remained relatively buoyant; the optimism was bolstered by a new trade agreement with the United States. By putting a complex infrastructure project to a poorly conceived vote, the president-elect soured the mood.

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Hardest hit by the repercussions are holders of \$6bn of bonds issued to fund the airport's construction. Prices fell to levels implying default. Prominent business people took a hit, too. They include Carlos Slim, Mexico's richest man, whose construction company is involved in the \$13bn project. Mr López Obrador plans to keep the existing airport and convert a nearby airbase. That may reduce the number of planes that can fly safely.

The bigger worry, however, is that the incoming government is prepared to tear up big contracts for a project that has funding in place, a third of which is already built, using the bogus referendum as an excuse. That sent all the wrong messages in a country that needs foreign investment, and has recently liberalised its once untouchable energy industry to attract it.

Other factors are darkening the horizon for Mexico, such as slowing global growth, higher American interest rates and falling oil prices, says Ociel Hernández, a strategist at BBVA Bancomer, a bank. J.P. Morgan, a brokerage, has lowered its estimates for Mexican growth in 2019 to 1.9% from 2.4%.

The biggest concern of foreign investors is what Mr López Obrador might do in the future. Some fear that he could milk Pemex, the world's most indebted state oil company, by requiring it to build public projects. That would risk damaging Mexico's sovereign-bond ratings, scaring away foreign capital.

It is possible that, having given a sop to left-wing supporters by axing the airport, he may pursue a more sensible economic policy. More will become clear on December 1st, when Mr López Obrador takes office, and two weeks later, when he proposes a budget. His economic team insists fiscal rectitude will prevail.

But damage has already been done. Creditors say they will refuse to finance Mr López Obrador's ambitious infrastructure projects unless he changes his tune. Michael Conelius, of T. Rowe Price, an asset manager, says that if he tries the same gambit with energy reform as he did with the airport, he will struggle to raise any capital and "will have even more pain to feel". That sounds threatening, but Mr Conelius is unrepentant: "bonds...are supposed to act like vigilantes. And it usually works in emerging markets."

This article appeared in the The Americas section of the print edition under the headline "Up in the air again"

London or local?

Two Caribbean countries vote on a colonial court

Some Antiguans and Grenadans decry the Privy Council; others applaud its neutrality

Print edition | The Americas Nov 3rd 2018

IN THE IMPERIAL-ERA splendour of Middlesex Guildhall, near Britain's Parliament, five judges sitting as the judicial committee of Her Majesty's Privy Council will hear a case this month involving a traffic accident in Antigua in 2011. Antigua & Barbuda is one of eight Caribbean countries that still use the Privy Council as their highest court of appeal, as do overseas territories like the Cayman Islands, crown dependencies such as Jersey and the ecclesiastical Arches Court of Canterbury.

The traffic case, *Meyer v Baynes*, may be one of the last from Antigua to be heard by the Privy Council. On November 6th voters in Antigua & Barbuda and in Grenada will decide whether to adopt as their supreme court the Caribbean Court of Justice (CCJ), a 13-year-old tribunal housed in a glass edifice in Port of Spain, the capital of Trinidad & Tobago. In both votes, a two-thirds majority is needed to make the switch.

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Advocates of the change say it will cast off a remnant of colonial rule. Adrian Saunders, the CCJ's president, says it is an "embarrassment" that eight Caribbean countries, including Trinidad itself and his native St Vincent, still use the Privy Council. But anti-colonialism may not be the only motive for dumping the British court, which often overrules regional tribunals.

Antigua's prime minister, Gaston Browne, has reason to resent it. In 1996 a government in which he served as minister of planning and industry tried to block the *Daily Observer*, a newspaper, from setting up an independent radio station. Regional courts backed the government but the Privy Council overruled them in 2000. With *Observer Radio* broadcasting critically, Mr Browne's Labour Party lost the parliamentary election three years later.

Caribbean politicians may hope that the CCJ will be easier to influence. The region's close-knit elites populate governments and the court. One judge, Denys Barrow, is the brother of Belize's prime minister, Dean Barrow. "They all went to the University of the West Indies together," says an Antiguan who is pondering his vote.

Some believe that the distant Privy Council acts as a more effective check on two powerful prime ministers than would the Caribbean tribunal. The Labour Party has 15 of 17 seats in the lower house of Antigua's parliament. Grenada's prime minister, Keith Mitchell, tried but failed to throw off the authority of the Privy Council by holding a referendum two years ago. In an election in March his New National Party held on to all 15 lower-house seats, which may give the former cricketer confidence that he will succeed on his second attempt.

Fears that the CCJ would pander to politicians have so far not been borne out. Belize's family tie to the court has not influenced it. The country has recently lost several cases. In one, involving a loan guarantee for construction of a private hospital, the court upheld an arbitration order that requires Belize's government to pay \$26m, nearly 5% of its revenue.

The court's financial independence from governments, though, is in jeopardy. A trust fund to which they contributed \$114m is supposed to provide income "in perpetuity", but with uneven returns on investment its value has dropped to \$88m. The CCJ may beg for more money from governments, which paid into the fund even if they did not use its services as an appeals court. Antigua and Grenada would bring extra work, but not more resources.

This article appeared in the The Americas section of the print edition under the headline "London or local?"

Politics in Sri Lanka

Back to the bad old days

Back to the bad old days

Sri Lanka's president installs his arch-enemy as prime minister

Maithripala Sirisena rode roughshod over the constitution to do so

Print edition | Asia Nov 3rd 2018

FIRST TO GO was the navy honour guard, in crisp uniforms with brass buttons. Then the maintenance staff departed, followed by the cooks and gardeners and cleaners. The next day no drivers showed up, marooning a fleet of fancy cars in the compound's garage. By the third day all but a token ten out of a normal complement of 1,008 dedicated security personnel—round-the-clock shifts of police, watchmen, bodyguards and the like—had abandoned Temple Trees, the stately official residence of the prime minister of Sri Lanka.

Its sole inhabitant, Ranil Wickremesinghe, insists for now on staying. The suave 69-year-old, a four-time prime minister, says he will only leave when it is clear that he is no longer constitutionally entitled to the residence. To his supporters, who have crowded Temple Trees to protect him from eviction, this means when he is no longer able to command a majority in the 225-seat parliament.

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Perplexingly for this mildly prosperous island-state of 21m people, it is not clear whether Mr Wickremesinghe can or not. Since October 26th the country has been locked in a constitutional crisis. That evening, without any warning, Maithripala Sirisena, the president, took three shocking steps. He withdrew his party from the ruling coalition, dismissed Mr Wickremesinghe and swore in a replacement. He then “prorogued” or suspended parliament, blocking any debate of all this.

The biggest shock was his choice of prime minister: Mahinda Rajapaksa (pictured), a charismatic strongman who was president from 2005 to 2015. Mr Sirisena loyally served him as a party official and cabinet minister before betraying him by joining Mr Wickremesinghe in a successful bid to unseat him. For the past three years Mr Sirisena has blasted Mr Rajapaksa for alleged nepotism, corruption and human-rights abuses. Now, suddenly, the two have been beaming before the cameras and gleefully blaming all the country's woes not on each other, but on Mr Wickremesinghe.

Power couple

The president is not popular, but constitutionally wields important powers over the army, judiciary and administration. Mr Rajapaksa, by contrast, remains a hero to many among the island's 70% Sinhala-speaking, Buddhist majority; his populist rule brought a ruinous quarter-century-long civil war to a brutal close. Earlier this year his new political party won crushingly in local elections. It has been widely predicted to sweep the polls in the next parliamentary election, scheduled for 2020. That, in turn, would almost certainly have brought Mr Rajapaksa back as prime minister by the usual route.

Instead, Mr Rajapaksa has become prime minister in a legally dubious manner. No one disputes that Mr Sirisena has a constitutional right, under Sri Lanka's hybrid presidential-parliamentary system, to give legislators a holiday. And no one challenges his right to choose any MP who looks likely to muster sufficient votes in parliament as prime minister. But a constitutional amendment introduced in 2015, which was intended to dilute the executive powers that Mr Rajapaksa was widely condemned for abusing, stripped the president of the right to sack the prime minister. Only parliament can do that.

At the time of his dismissal, Mr Wickremesinghe, despite the fading popularity of his government and even after the withdrawal of MPs allied to the president, still controlled the most seats in parliament. He could muster 106 compared with Mr Rajapaksa's 95. Although that is short of the 113 needed for a majority, in event of a showdown he could probably count on a further 22, from ethnic Tamil and leftist parties loth to see Mr Rajapaksa's return.

So why, then, did Mr Sirisena suddenly embark on a legally risky course, and Mr Rajapaksa jump to seize a prize that in just a few months' time he would likely have won by acclamation in any case? It was no secret that the suspicious, earthy president and the polished, aloof Mr Wickremesinghe had grown to detest each other. It was also clear that the prime minister's camp was moving to accelerate legal challenges to Mr Rajapaksa's wider family, which has been entangled in a range of lawsuits. Mr Sirisena may also have calculated that, with his term expiring in a year's time, he would be wiser to win points now with Mr Rajapaksa, than to wait until he had little to offer the likely future prime minister.

Both the president and his newfound ally may have reckoned that they could bluster through any legal challenges to what many have labelled a constitutional coup. In the meantime, by suspending parliament, Mr Sirisena gave the conspirators time to suborn or shanghai enough defectors from Mr Wickremesinghe's camp to reach the magic 113 MPs. This, in fact, is what has happened. As Mr Wickremesinghe demands a parliamentary vote, his opponents have begun poaching his MPs with offers

of cabinet posts and other inducements. Several have joined Mr Rajapaksa's camp. The president has called a parliamentary session on November 5th, which suggests he has found enough votes.

Mr Rajapaksa's swift re-emergence, following an abrupt exit only three years ago, has left the country sharply polarised. The large Tamil and Muslim minorities fear a resurgence of Sinhalese nationalism, and an end to already hesitant efforts at post-war national reconciliation. Civil-rights activists fear curbs on free speech and human rights. Businessmen worry that Mr Wickremesinghe's painstaking but thankless efforts to straighten out the economy may be undone by more populist policies. (Mr Rajapaksa's profligacy in office has helped push public debt to almost 80% of GDP.) And Sri Lanka's Western allies and closer neighbours, chief among them India, are concerned that Mr Rajapaksa will steer the country back to a closer embrace of China, his favoured partner in the past.

But it is the president who has earned the most opprobrium. Thinking back to the heady days when Mr Sirisena and Mr Wickremesinghe conspired to unseat Mr Rajapaksa, a minister in the dismissed cabinet shakes his head at the president's mix of treachery and tenacity. "We thought we were getting a Mandela as president. Instead we got a Mugabe."

This article appeared in the Asia section of the print edition under the headline "Back to the bad old days"

A dog's life

Japan pampers its pets like nowhere else

But not all its animals are cosseted

Print edition | Asia Nov 3rd 2018

A FEW LAPS of the pool can help prevent diseases in later life, stave off obesity and maintain ageing joints—for dogs as well as humans, claims Wanwan (“Woof-woof”) Fitness, a sports club for pooches west of Tokyo. Dogs can take swimming classes, but for those that don’t like getting wet, there is the option of a 30-minute session on the balance ball for 4,000 yen (\$36). If Rover needs to “relieve tension” over a lost bone or a cat that got away, Wanwan has a balm for that too: an aromatherapy massage using oil matched to the dog’s character.

In parts of Tokyo it is rare to see a dog unclothed. They are often trussed up in a T-shirt and jeans or the latest fashions from expensive boutiques. Socks or shoes to protect paws from perils like broken glass are becoming popular. A new kit on the market this autumn contains emergency supplies for dogs in case of an earthquake.

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It is common for a parent taking a baby for a stroll to exchange a look of solidarity with another pram-pusher, only to glance down and realise the other’s contains a furry friend. Greying Japan is alert to animal ageing, too: there are acupuncture services for elderly pets, and several firms offer funerals.

The pet industry really took off in the 2000s; since 2003 there have been more pets than humans under 15 in Japan. The absolute number of pets is now falling, but the industry is still growing healthily. Yano Research Institute, in Tokyo, reckons annual sales are around ¥1.5trn (\$1.3.bn). More speculatively, Kasuhiro Miyamoto of Kansai University estimates that the cat craze alone contributes ¥2.3trn to the economy, if one includes such things as tourism to Japan’s dozen-odd “cat islands”. Felines last year overtook dogs as the pet of choice.

Masahiro Yamada, a sociologist, puts the popularity of pets down to changes in the Japanese family. People have fewer relatives or don’t get the affection they crave from them. “People have a need,” he says. Some dead doggies are even given a place in the *butsudan*, the Buddhist shrine that families keep at home to pay respects to deceased relatives.

Animal activists are pushing for more protection for pets. In the 17th century under one animal-loving shogun, it is said that a samurai who slew a dog was ordered to commit *seppuku*, ritual suicide by disembowelment. Standards have slipped. Although Japanese are keen to share Instagram images of handbag-sized pedigree pooches, few adopt abandoned pets. As a result, thousands of strays are gassed to death every year.

This article appeared in the Asia section of the print edition under the headline “A dog’s life”

Land of the pure

How 500 Yemeni refugees in a Korean resort sparked protests

Many South Koreans have odd ideas about racial homogeneity

Print edition | Asia Nov 3rd 2018

“**D**EPORT FAKE refugees”, read the signs held up by protesters in central Seoul in late October. The object of their ire was a group of 500-odd Yemenis who had arrived over the summer on Jeju island, an agreeable resort 500km to the south, to seek asylum from their country’s civil war. “We don’t want them here, and the government is just trying to shut us up,” one protester told a local news agency. On the other side of the square, a group of counter-protesters brandished “refugees welcome” posters.

The protests came in response to the government’s decision to deny 339 of the Yemenis refugee status, but nonetheless allow them to stay temporarily, on humanitarian grounds. They had washed up on Jeju because the government had been trying to promote tourism there by allowing most nationalities to visit without a visa. Soon after they arrived, unfounded rumours began to circulate that they were jihadists, and that some had been involved in the disappearance of half a dozen women on the island. A majority of South Koreans told pollsters that they were against admitting the Yemenis. More than 700,000 people signed a petition asking the government to turn them away and to tighten or abolish laws on asylum.

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Although South Korea has signed treaties obliging it to admit genuine refugees, the government largely yielded to the pressure. As well as rejecting the asylum applications, it rescinded visa-free travel to Jeju for people from Yemen and several other mainly Muslim countries, including Pakistan and Somalia. This was typical: last year South Korea received nearly 10,000 applications for asylum but accepted only 121.

The episode is a reminder that, despite increasing diversity, prejudice against outsiders still runs deep in South Korea. Ethnic homogeneity came to be regarded as a bulwark against the erosion of Korean culture during the Japanese occupation in the early 20th century. Schoolchildren are still taught the myth of King Dangun, from whom all Koreans are said to be descended, whose mother was turned from a bear into a woman and taken for a wife by a god as a reward for living off garlic in a cave.

Lessons about racial purity and blood-based nationhood have, however, disappeared from textbooks in recent years. The economy needs workers to do unpleasant jobs that well-educated locals are unwilling to take up. And a desire to prop up the low birth rate means that the government has long encouraged marriages between local men and women from China or South-East Asia (though those numbers have recently dropped). All of this means that South Korea is slowly becoming more diverse. In 2015, the latest year for which data are available, the country had 158,000 naturalised citizens—most of them Asian—nearly three times as many as in 2007. There are now more than 2m foreigners living in the country, twice as many as ten years ago, but still a small number for a rich country of 51m.

But the conflation of race, ethnicity and nationality lingers, says Shin Gi-wook of Stanford University. “The Korean idea of multiculturalism is very assimilationist. It allows people to pretend that a family where the woman is from, say, Malaysia, is not really multi-ethnic.”

Arab and Muslim men, as most of the refugees are, do not seem to be seen as plausible candidates for assimilation. Reports, again unfounded, that an influx of Syrian refugees has created “no-go areas” in European cities have reinforced the hostility, says Shin Kang-hyup of Jeju Residents for the Human Rights of Jeju Refugees, a pressure group. The most vocal opponents of accepting the Yemenis are women under the age of 30, who fear that Muslim refugees are likely to be misogynist and that their admission will undo recent advances in women’s rights.

Many other immigrants also feel less than welcome. The government has begun to do more to aid integration, by providing free language lessons, for instance, but the growing numbers have exacerbated public hostility, reckons Jasmine Lee, who immigrated from the Philippines in 1995. As the first and only immigrant to have been a member of parliament, in 2012-16, she faced intense racist abuse throughout her tenure. “Back when I arrived, there were so few immigrants that most people didn’t care,” she says. “Now, we’re competition, and easy to scapegoat when something goes wrong.”

This article appeared in the Asia section of the print edition under the headline “Land of the pure”

Standing up to bigotry

Pakistan's Supreme Court acquits a woman accused of blasphemy*But the government could still undermine this healthy precedent*

Print edition | Asia Nov 1st 2018

NINE YEARS ago Asia Bibi, a poor farm labourer from Pakistan's tiny Christian minority, went to fetch a jug of water from a well for the Muslim women working beside her in the fields. It was a hot day. She took a sip before passing the water on, inadvertently initiating a furore that has lasted ever since.

On October 31st the Supreme Court overturned the verdict of the lower courts and acquitted Ms Asia of blasphemy. The charges stemmed from her neighbours' anger that an "unclean" Christian had dared to share their drinking vessel. Ms Asia's fellow fruit-pickers had demanded she convert to Islam. After she refused, a mob accused her of insulting the Prophet Muhammad—an offence punishable by death in Pakistan. The mother of five has languished in a windowless cell ever since, at great cost to her mental health. In 2011 Islamist extremists murdered Salman Taseer and Shahbaz Bhatti, two politicians who had dared to speak in Ms Asia's defence. In 2016 a Supreme Court judge recused himself from hearing her appeal, delaying proceedings until earlier this year. Ms Asia's long detention and possible hanging had come to symbolise the inability of the state to stand up to religious bigotry.

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That the court did finally stand up to the zealots came as something of a surprise. Publication of the verdict, reached on October 8th, was delayed amid threats from Islamists to bring the country to a standstill and to murder both Ms Asia and the judges who acquitted her, should she be let off. Yet the ruling, when it came, proved both forthright and religiously grounded. It deems the claim that Ms Asia committed blasphemy "concoction incarnate". It states that, by "mixing truth with falsehood in the name of the Holy Prophet", the original complaint could be seen as blasphemous. Ms Asia, it declares with Shakespearean flourish, was "more sinned against than sinning". It ends with a reference to a story about Muhammad, who is said to have criticised those who are "cruel and hard" to non-Muslims.

If the judges' courage was unexpected, the Islamists' reply is predictable. In the past year Tehreek-e-Labbaik Pakistan (TLP), a fast-growing political party formed by supporters of the murderer of Mr Taseer, has fanned public hysteria about largely imaginary incidents of something that should not be a crime in the first place. Its supporters are now blocking roads and burning tyres in most big cities. One of its leaders has called for the army, with whom it has often seemed to align, to mutiny.

Pakistan now stands at a tipping point, argues Fasi Zaka, a pundit. "The judges have done their part," he says, but if the government or the armed forces begin to negotiate with and appease the TLP, the case could once again make the state look pathetic. Previous stands against pious bullies have often been followed by capitulation. Encouragingly, Imran Khan, the prime minister, blasted the protesters in a televised address. But the following day he said his government would, as feared, negotiate with them. There has been talk that the army might disperse the enraged Islamists, but it has not said so publicly. If the state presents a united front, Mr Zaka insists, it can win this "war of nerves" with the protesters.

See also

[A good man who did something \(January 6th 2011\)](#)

This article appeared in the Asia section of the print edition under the headline "Standing up to bigotry"

Needling Hun Sen

The European Union threatens the mainstay of Cambodia's economy

It is considering imposing tariffs on Cambodian garments

Print edition | Asia Nov 3rd 2018

FROM STITCHING sequins to printing logos, making clothes can be a delicate, fiddly process. Even so, Cambodian factories swiftly fulfil huge orders placed by Western firms. Clothing is the country's main export, bringing in some \$5bn a year, and Europe its largest market. More than 40% of Cambodia's goods head there. Under a concessionary regime called "Everything But Arms" (EBA), all Cambodian products enjoy tariff-free access to the European market.

In return the Cambodian government is supposed to respect the democratic and humanitarian principles of the UN charter and the EU's Lisbon treaty, as well as the conventions of the International Labour Organisation (ILO) on workers' rights. Unfortunately, it does nothing of the sort. So the European Commission is starting its own delicate, fiddly process: to withdraw Cambodia's preferential tariff regime.

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Cecilia Malmstrom, the relevant European official, told the Cambodian government as much last month. The country's strongman, Hun Sen, has been in power for more than 30 years. Brutal campaigns against his critics help keep him in the job. Ahead of an election in July, the government arrested the leader of the Cambodian National Rescue Party (CNRP), the main opposition; closed independent news outlets; and intimidated activists. The courts helped by dissolving the CNRP completely. The ruling party duly won every one of the 125 seats in parliament. Ms Malmstrom has condemned all this as "blatant disregard" for human rights. The government huffily retorted that the steps it had taken were "within the prerogatives of an independent and sovereign state".

The imposition of tariffs on garments could cause severe economic pain. What is more, garment workers are a testy bunch. They protested in huge numbers about poor pay and conditions five years ago. Their support for the CNRP almost caused an upset in the previous election, in 2013. A charm offensive followed. The government has increased the minimum monthly wage from \$45 then to \$182. The prime minister frequently visits factories himself, promising more fillips. But these improvements would make no difference to those left without jobs if the terms of trade with Europe change.

The European Commission does not want to hurt the industry's 740,000-odd workers, most of whom are women from the countryside. Many village homes have changed from wood to brick thanks to garment workers' remittances. An ILO representative cites a study that found that every worker in the industry supports three other people. The hope is that the mere threat of losing trade privileges will spur the government to release detained opponents and give more leeway to the press.

Foreign clothing brands are also pressing the government to ease up. A delegation from such firms as Nike and Adidas visited Cambodia in recent weeks to argue for better treatment of labour leaders and other activists. "We fully understand the need for the European Union to look into how to address the human-rights situation in Cambodia," declares a spokesman for H&M, a Swedish fashion giant. If tariffs do bite, flighty firms can always move elsewhere. A new free-trade deal between the EU and Vietnam makes the latter an attractive alternative.

But trade relations will not change for months yet. The process of suspending EBA access requires consultation with various institutions of the EU, further discussion with Cambodia and two six-month periods for collecting public comments, among other bureaucracy. Tariffs would not come into force until 2020 at the earliest, if any are agreed on at all. Not all EU members are keen. France, the former colonial power, wants to exempt clothing and target only sugar. Sophal Ear, a professor at Occidental College in America, says such a narrow response to the government's misdeeds would be "a complete joke".

This article appeared in the Asia section of the print edition under the headline "Needling Hun Sen"

Tall order

India erects the biggest statue in the world—and it's not Gandhi

The man who orchestrated the forcible annexation of “princely states” is deemed worthier of veneration

Print edition | Asia Nov 3rd 2018

At 182 metres, twice the height of the Statue of Liberty, it is the world's biggest statue. Inaugurated on October 31st, it depicts Sardar Vallabhbhai Patel, a leader of India's independence movement. Patel, who orchestrated the annexation of self-governing “princely states”, fits better with the muscular nationalism of the ruling Bharatiya Janata Party than more famous heroes of independence, such as Mohandas Gandhi and Jawaharlal Nehru, who stood for wishy-washy virtues such as peace and tolerance.

This article appeared in the Asia section of the print edition under the headline “The world's biggest statue”

Pacific gyre

New Caledonia holds a referendum on independence

The island territory will probably vote to remain part of France

Print edition | Asia Nov 3rd 2018

MICHEL ROCARD, a former French prime minister, once described the peace deal he brokered in New Caledonia in 1988 as a “bet on intelligence”. A referendum on November 4th will reveal whether the gamble has paid off. The small Pacific territory’s long-term residents will vote on the question: “Do you want New Caledonia to accede to full sovereignty and become independent?”

Rocard’s wager originally seemed like a long shot. In 1984-88 New Caledonia was racked by fighting between pro-independence activists (largely indigenous Kanak) and those who wanted to remain part of France (mostly French migrants or their descendants). His stratagem was to concede a referendum on independence, but to defer it for ten years—a deal formalised in the Matignon Accords of 1988. When 1998 rolled around, the two sides agreed a further delay of 15-20 years in the Nouméa Accord. Now the vote is finally going ahead.

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The Nouméa Accord offered further concessions to independence activists. A customary senate was established, as was a power-sharing executive. “Rebalancing” reforms were adopted to improve the lot of Kanaks, who tend to be far poorer than immigrants. Public spending was skewed towards majority-Kanak regions.

New Caledonia holds a quarter of the world’s proven deposits of nickel and Kanak leaders have big stakes in several nickel-mining projects. But the French state pays for most public expenditure. France’s representative, Thierry Lataste, points out that this lucrative arrangement will end if the territory votes for independence.

Voters will probably opt to remain part of France. All seven opinion polls conducted over the past 18 months suggest that a majority of eligible voters oppose independence. Those who arrived in the territory after 1994 are excluded from the vote, increasing the Kanak share of the electorate to around 54%. But a substantial minority of Kanaks oppose independence, as do almost all non-indigenous voters.

The main Kanak parties have softened their pro-independence rhetoric, and muse about “free association” or “shared sovereignty” instead of a clean break with France. Emmanuel Macron, France’s president, has himself talked of a “sovereignty within a sovereignty”, whatever that might mean. It was the anti-independence camp that insisted that the referendum should offer independence; the other side prefers the woollier “sovereignty”.

If voters shun independence, the Nouméa Accord provides for two more votes in 2020 and 2022, should a third of the territorial congress so choose. But an emphatic defeat would probably encourage politicians who wish to remain part of France to demand changes. France’s prime minister is due to arrive in the capital, Nouméa, the day after the vote. Brokering compromises among feuding politicians in the Pacific is a little-known part of his job.

This article appeared in the Asia section of the print edition under the headline “Pacific gyre”

Banyan

The legalisation of gay marriage meets resistance in Taiwan

Voters face a series of confusing referendums on the subject in late November

Print edition | Asia Nov 3rd 2018

NOWHERE IN ASIA celebrates gay pride as flamboyantly as Taipei. The annual parade in Taiwan's capital draws tens of thousands, many from overseas. If you think near-naked men in diamanté tiaras and white go-go boots are normal for Asia—not to mention horned devils marching next to real Christian pastors—think again. Only in September did India legalise gay sex. In mainland China gay people are still often regarded as deviants. In Afghanistan sex between men is punishable by death.

Some 25 countries around the world allow same-sex marriage—but none of them is in Asia, unless you count Australia and New Zealand. Last year, however, Taipei's parade-goers really had something to celebrate. Taiwan's highest court had recently ruled that barring same-sex couples from marrying violated the right to be treated equally. It gave the government of President Tsai Ing-wen two years to write same-sex marriage into law.

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At this year's parade, on October 27th, the flamboyance could not conceal mounting worries. Since the court ruling, Ms Tsai and her Democratic Progressive Party (DPP) have dithered over the needed legal changes. Ms Tsai was once outspoken in favour of marriage equality, which recommended her to younger voters. But she has since found the issue to be more polarising than she expected—and Taiwanese society has plenty of divisions already. Besides, municipal elections loom on November 24th. They will be a test of Ms Tsai's leadership, and the DPP wants to avoid controversy. Its traditional base in the island's south is older and more conservative, except in wanting Taiwan to declare a formal separation from China.

Anti-gay forces have seized their chance. A law passed by the DPP makes it easier to get referendums onto the ballot: voters face no fewer than ten questions on November 24th. One asks whether discussion of LGBT matters should be banned in primary and middle schools. It is intended to roll back those parts of the national curriculum that teach respect and understanding for gay students. The second asks whether voters think the civil code should define marriage as between a man and a woman. A third asks whether the rights of same-sex couples to form a permanent union should be guaranteed in a form other than civil marriage.

Gay activists have hit back with two referendums of their own—one asking whether the school curriculum should stipulate education on LGBT matters, and the other asking if same-sex rights should be enshrined in the civil code.

It is not clear how binding the results of the referendums are (they may also prove contradictory, which would be awkward). And the court has made clear that if the government does not legislate in time, same-sex couples may go ahead and marry anyway. But the conservatives' aim is to change the climate, says Victoria Hsu of the Taiwan Alliance to Promote Civil Partnership Rights: teachers may grow nervous about talking about gay issues, for instance. Opponents of gay marriage would also like to get the government to institute a distinct form of marriage for gay couples, rather than amend existing marriage law. But for supporters of same-sex marriage, separate legislation for gays would be discriminatory. They liken it to America's Jim Crow laws that once enforced racial segregation.

Other parts of Asia are watching Taiwan. Hong Kong has a vibrant civil society and growing openness to homosexuality. Since a court ruling in July the government recognises marriages of foreign same-sex couples conducted abroad for residency and other purposes. The move has the backing of businesses and law firms worried about Hong Kong's ability to attract international talent. As in America, says Evan Wolfson, who has campaigned for marriage equality in several countries, it is likely to prove a step towards allowing same-sex couples from Hong Kong to marry.

After Hong Kong, Japan, the only G7 country that does not recognise same-sex unions, may be next. In September five foreign chambers of commerce called for marriage equality, backing calls from influential multinationals. One female lawmaker from the ruling Liberal Democratic Party wrote this summer that LGBT couples were "unproductive" because they didn't reproduce. But other ruling-party politicians are more open-minded. A growing number think the Olympic games, which Tokyo is hosting in 2020, could be a cue for Japan to come out in favour of marriage equality. That would put Japan itself on the podium.

This article appeared in the Asia section of the print edition under the headline "Gay hitch glitch"

Biotechnology

Movie stars and soyabeans

Movie stars and soyabeans

China's public worries pointlessly about GM food

The trade war with America will make some even more fearful

Print edition | China Nov 3rd 2018

AMID AN ESCALATING trade war with America, China's leader, Xi Jinping, has tried to reassure a nervous public by insisting that his country can go it alone in its pursuit of tech supremacy. The Chinese people must "cast aside illusions and rely on ourselves", he said in April soon after the first shots were fired. But in one technological realm, China appears less eager to surpass America: the development of genetically modified (GM) food crops. China was once a world leader in the field, but in the face of public opposition it now lags far behind (see chart). Unlike America, China restricts the commercial use of GM strains largely to non-food farming.

In 2016, after years of vacillation, the government looked ready to allow wider introduction of GM food crops. In a five-year planning document, released that year, it said that certain GM maize and soyabean varieties would be in commercial use by the end of the decade (an experiment with GM rice is pictured). But it has yet to convince the public to swallow the idea. A study published this year on the website of *Nature*, a British science journal, found that just over one in ten of respondents to a survey in China had a positive view of GM food. More than 45% were opposed to it. Only about 12% said they trusted information on the topic provided by their own government. Fewer than one-quarter said they had faith in scientists' views. Nearly one in seven believed GM technology to be "a form of bioterrorism targeted at China".

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Anxieties show no sign of abating. Indeed, one of the most high-profile campaigners against GM foods has recently gained even greater prominence (and public admiration) thanks to his involvement in exposing a celebrity scandal that has nothing to do with food. In May Cui Yongyuan, who achieved fame in the 1990s as a presenter on state television and later as a flame-throwing blogger, posted to his nearly 18m followers on Weibo, a social-media site, accusations that Fan Bingbing, one of China's best-known actors, had misdeclared her income to the tax authorities. For most of the summer Ms Fan disappeared from public view, apparently into some form of custody. She emerged in October with an abject apology to the public and promising to pay 884m yuan (\$127m) in fines and back taxes. People are still avidly gossiping about the case.

Cao Cong of the University of Nottingham, the author of a new book about GM crops in China, says Mr Cui has been the most influential critic of the technology. There is also a more organised force at work. A coterie of diehard Maoists and neo-leftists oppose GM foods partly because of concern about food safety but mainly because they fear that foreigners, especially Americans, will use their mastery of genetic engineering to gain control of China's food supply. The trade war launched by Donald Trump will fuel their conspiracy theories. In tacit recognition of the leftists' appeal, especially to society's underdogs, Mr Xi himself uses strikingly Maoist rhetoric. Five years ago he urged "bold" competition with foreign developers of GM crops. But since then he has kept quiet on the topic.

People in other parts of the world have been munching GM crops for a quarter-century without ill effects. GM techniques can raise farm output and reduce the use of pesticides. The overwhelming scientific consensus is that they are safe. But in China many unrelated safety scandals have sapped public confidence in the authorities' ability to regulate such things. On October 16th the government imposed a \$1.3bn fine on a company that had given dodgy vaccines to hundreds of thousands of children. Many people still shudder at the discovery in 2008 that thousands of children had been hospitalised after consuming tainted milk products. The government's anxiety about the strength of public dissatisfaction is reflected in omnipresent slogans in city streets about the need for strict supervision of food safety.

James Chen, chief executive of Origin Agritech, a firm based in Beijing, says that public opinion may complicate his business plans. One of his company's products is a GM maize seed that long ago received official safety approval. "We saw a growing focus on GM within the government and we thought we were about to hit a big jackpot," says Mr Chen. Now, with Mr Cui the campaigner back in the spotlight, Mr Chen may have to wait longer.

Government scientists keep trying to make a case for GM food crops. But sometimes the government itself fails to speak with one voice. A feud erupted in October in the pages of two important state-run newspapers. One, the official newspaper of the Ministry of Science and Technology, scathingly rebutted a report in a provincial newspaper, *Heilongjiang Daily*, which quoted a soyabean-industry lobbyist as saying China's leading researchers had concluded that GM soyabeans were unsafe. This, said *Science and Technology Daily*, was "seriously misleading". It said the article had crossed a "moral and legal red line".

Officials tend to keep quiet about how dependent China already is on imported GM soyabeans for its animal feed and food oil. The trade war will reduce its purchases of them from America. But China is expected to make up for that by boosting

imports of beans, mostly GM ones, from other countries such as Brazil. “What scientists should be saying is that if we had done things differently ten or 15 years ago, we would not be in this situation” of having to rely on foreign supplies, says Mr Cao, the University of Nottingham academic. China could have boosted its own production of the vital crop by growing its own GM beans. “Even if we do start now, it will take us years to catch up,” he says.

How different it could have been. In 1992, when China allowed the commercial production of virus-resistant tobacco plants, it was the first country in the world to do so with any GM crop. Officials once touted goals of growing the majority of the country’s rice, wheat and maize using GM strains by 2010. Now even the more modest target set in the latest five-year tech plan is in doubt. If China is to start commercial growing of GM maize by 2020, it will need to have plans in place and seed stocks ready by next year. Mr Chen is not entirely confident it will. He is hedging his bets by developing other agri-technologies: “The government is just waiting and waiting, and I can’t wait forever.”

This article appeared in the China section of the print edition under the headline “Movie stars and soyabeans”

Only in emergency

China waters down its ban on the use of tiger and rhino parts

*Bizarrely, it suggests they may be useful for treating critical illnesses***Print edition | China** Nov 3rd 2018

“IT’S GOOD news for my patients,” says Zhu Meng, a practitioner of traditional Chinese medicine in Beijing. Ms Zhu is cheering a government directive, which took effect on October 29th, allowing the medical use of tiger bone and rhinoceros horn after a 25-year ban. Although evidence of their curative properties is sorely lacking, Ms Zhu insists that tiger bone mixed with alcohol can cure arthritis and that rhino-horn powder can help in the treatment of cerebrovascular disease, among other things.

In 1993, when the previous ban was declared, tiger bone and rhino horn were also removed from the officially approved list of Chinese medicines. In 2010 the World Federation of Chinese Medicine Societies, based in Beijing, told its members not to use tiger bone or any other parts from endangered species. Astonishingly, however, the new directive implies that tiger and rhino parts may have considerable medical value. Usage of them is to be restricted, it says, to patients at approved hospitals with “critical” conditions or “difficult and complicated illnesses”. Private trade in those animals’ parts remains prohibited.

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Global conservation groups are furious. “The Chinese government has signed a death warrant” for wild rhinos and tigers, says Iris Ho of Humane Society International. Only around 30,000 rhinos and 4,000 tigers are estimated to roam freely. The directive says that the bones and horns may be procured only from farmed animals, and that only the bones of tigers that have died of natural causes can be used. But conservationists worry that allowing exceptions to the ban will encourage people to lie about the origin of animals. Poachers may take advantage of this.

Activists are also surprised by China’s apparent step backwards. It had won kudos for its ban on all trade in ivory, which came into effect in January. Many Western analysts had assumed that China’s obsession with traditional medicine would wane as it modernised. But old “cures” remain popular. Some traditional drugs are included in the government’s “essential medicines list”, meaning they can be obtained at heavily subsidised prices. In a survey earlier this year of nearly 2,000 urban Chinese by GlobeScan, a consultancy, 8% of respondents in Beijing and 7% in the southern city of Guangzhou admitted to having (illegally) purchased rhino horn in the previous 12 months. Most came from middle- or high-income households. Many will have unwittingly bought fake substitutes, but some undoubtedly paid to have real rhinos killed (pictured is a Siberian tiger found by police after it was slain by black marketeers).

China’s government has defended its decision to backtrack. A foreign-ministry spokesman said that the previous regulations, which in effect banned all uses of rhino horn and tiger bone, had neglected to accommodate the “practical and reasonable” needs of “medical healing”. The change of heart may reflect the proclivities of Xi Jinping, the president. More than his predecessors, Mr Xi has been extolling the virtues of ancient Chinese culture and medicine—“a gem of ancient Chinese science,” as he once called it. Endangered animals have reason to differ.

This article appeared in the China section of the print edition under the headline “Only in emergency”

Chaguan

Think of China as a giant sub-prime lender in Latin America

Relations with Brazil and Venezuela show how little ideology matters to the People's Republic in its global strategy

Print edition | China Nov 3rd 2018

SINCE ITS emperors first wrangled with distant barbarians, China has practised unsentimental diplomacy. Not much has changed, to go by its dealings with Brazil and Venezuela as the two Latin American countries struggle with political crises.

On his noisy, populist path to victory, Brazil's hard-right president-elect, Jair Bolsonaro, cast China as a menace. "The Chinese are not buying in Brazil, they are buying Brazil," the former army officer growled on the stump. He was referring to China's snapping up of oilfields, mines, ports, giant dams and power grids. Since 2000 Chinese direct investment in Brazil has amounted to nearly \$50bn. At times, Mr Bolsonaro's gripes echoed those of the Trump administration, far to the north. In October Mike Pompeo, the American secretary of state, accused Chinese state-owned firms of "predatory economic activity" in the region. Mr Pompeo's predecessor, Rex Tillerson, had urged Latin Americans to reject "new imperial powers" like China, bent on extracting natural resources while issuing unpayable loans. Candidate Bolsonaro seemed to agree. In February he pointedly visited Taiwan, the democratic island that China wishes to control. Back home, he said a planned privatisation drive might "leave Brazil in Chinese hands".

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China's response to Mr Bolsonaro's victory was an olive branch. The government's English-language mouthpiece to the outside world, *China Daily*, expressed "sincere hope" that when he takes charge of the world's eighth-largest economy in January, Mr Bolsonaro will view China ties rationally.

Contrast that forbearance with China's impatience when Venezuela's President Nicolás Maduro visited Beijing in September, trailing clouds of flattery. On paper Mr Maduro is a fellow socialist (he calls China "big brother"). It matters more that his corrupt, violent and inept regime has bankrupted a country blessed (or cursed) with vast oil wealth. When China advanced into the Western hemisphere, Venezuela was a beachhead, taking more than \$62bn in Chinese loans. Now Chinese officials privately mutter that Venezuela's rulers have no grasp of market forces.

The regime's founder, Hugo Chávez, was fond of quoting Mao Zedong to charm Chinese visitors. In the same vein, Mr Maduro, a man not known for subtlety, began his recent trip by visiting Chairman Mao's mausoleum in Tiananmen Square, bowing and calling the embalmed tyrant a "giant of revolutionary ideas". But his reward was a few modest oil deals, aimed at reversing a production slump that makes it harder for Venezuela to repay its debts. China even nagged him in public to pursue economic reforms and strengthen property rights. Mr Maduro claimed to have signed agreements worth billions. China discreetly briefed diplomats in Beijing that this was previously committed money.

China's restraint, tolerating Bolsonarian bluster while ignoring Venezuelan sycophancy, does not signal impotence. Its clout has grown astonishingly, notably in the region's south. Five years ago, for South Americans, the leading outside power was the United States, says Argentina's ambassador to Beijing, Diego Ramiro Guelar. "Today it is China. Not as a projection into the future. Now."

China is the region's second-largest trade partner after America, and the number one trade partner for Brazil, Chile and Peru, notably buying soybeans, iron ore, oil, copper and meat. Its loans are often at high interest rates and are tied to contracts for Chinese firms. They fund both useful projects and vanity ones for local despots. China's lack of scruples helps autocrats in other ways. This summer a Chinese diplomat responsible for Latin America praised Venezuela and Cuba for conducting elections "smoothly"—one way of describing fake polls in which opposition is stifled.

Yet the specific charge that China is a neo-imperialist power is misplaced. In Latin American history, empires tend to have ideological preferences, and are willing to foment coups or send in troops to enforce them. China is at once less sinister and more cynical than that. A decade ago, leftist governments from Brazil to Ecuador, Argentina and Venezuela welcomed China's arrival. But when the left imploded in country after country, China did not leave. Benjamin Creutzfeldt of the Johns Hopkins School of Advanced International Studies has cross-referenced Chinese investments, loans and high-level visits with left- and right-wing election wins. He found no visible patterns.

Bearing greenbacks, not little red books

Instead China stands out for its willingness to invest in risky or corrupt places with few alternative sources of capital or of cheap, robust technology. Its approach might be called sub-prime globalisation. At best, sub-prime lenders are non-judgmental sources of second chances. At worst, they are see-no-evil profiteers, and vulnerable to backlashes. China is a bit of both.

When Mr Maduro falls, some critics predict a painful reckoning for his Chinese paymasters. Chen Dingding of the Intellisias Institute, a foreign-policy think-tank based in Guangzhou, retorts that friendship is not China's bottom line. When familiar faces lose power, his country's offer to successors is "you may not like us, but you may want to deal with us," he says. Mr Chen sees China's push into Latin America as "70-80%" driven by economics, with long-term influence-building explaining the rest.

Antonio Ledezma, a Venezuelan opposition leader and former mayor of Caracas, says his people are “saddened” that China is propping up their country’s dictatorship. Because China’s loans were not approved by a legitimate parliament they are illegal and will not bind a future democratic government, he adds. Some \$20bn of debt to China has yet to be paid back. Strikingly though, Mr Ledezma talks of renegotiating those loans, not repudiating them. Venezuela will have no problem striking deals with China in the future, he stresses, as long as they are legal. In this Chinese century, there are no permanent enmities nor friendships. It will not be a sentimental age.

This article appeared in the China section of the print edition under the headline “Latin lessons”

America and Iran

Turning the screws

Crude measures

America turns the screws on Iran

Europe cannot save Iran from the pain of oil sanctions

Print edition | Middle East and Africa Nov 3rd 2018

JUST IN TIME for Halloween, the waters around China are filling with ghosts. The *Dino I*, a Panama-flagged tanker, disappeared on October 13th outside Dalian, a big oil terminal. When it switched its transponder back on days later it was near Taiwan—and riding higher on the water. Its cargo, millions of tonnes of Iranian oil, had been discharged in secret. The tanker is now sailing for Kharg Island, where Iran's state oil company has a filling station. At least half a dozen other “ghost tankers” have plied the same route this autumn.

Iran thought it was finished with such chicanery. The deal it signed with six world powers in 2015 lifted most economic sanctions in exchange for strict limits on its nuclear programme. The Iranian president, Hassan Rouhani, promised his people a flood of new investment and jobs. Instead they got Donald Trump, who calls the nuclear pact the “worst deal ever”. (Confusingly, it is not the only deal to which he attaches this label.) He withdrew America from it in May and reimposed some sanctions in August. On November 4th he will put sanctions on Iran's all-important oil industry.

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The last time America did this, Iran's exports tumbled from 2.5m barrels per day (bpd) in 2011 to 1.1m bpd three years later. No one knows how far they will fall this time. They have already dropped by about a third since their peak in April of 2.8m bpd. South Korea and Japan stopped buying Iranian oil. India reduced its imports. China is harder to gauge, in part because vessels like the *Dino I* hide themselves. Other tankers have moved millions of barrels into storage to await future buyers. Iran may lure them by offering it at a discount.

By year's end, though, Iranian oil sales will be at least 1m bpd below their peak. Oil accounts for almost 70% of its exports and half of government revenue. The economy is already weak. Inflation climbed to 15.9% last month. The rial trades, unofficially, at around 150,000 to the dollar, down from 40,000 a year ago. Strikes and protests break out daily. Truckers walked off the job in September to complain about rising costs. Teachers staged a sit-in weeks later.

Despite the economic turmoil, Iran has not restarted its nuclear work. Instead it has appealed to Europe, hoping that the deal's other parties will help it bypass the sanctions. In August the European Union enacted a “blocking regulation” that prohibits European firms from complying with them. EU leaders have also mooted creating a clearing-house to handle trade with Iran denominated in euros. This would allow firms to bypass American banks, and thus American sanctions.

These efforts sound good in theory. But Iran should not expect them to work. European firms will ignore the blocking regulation. Total has already pulled out of a deal to develop Iran's main gasfield. Airbus will not deliver scores of passenger jets. The threat of losing access to American markets and the American financial system is too great. No EU member state is yet willing to host the proposed clearing-house. And Iran should not overestimate the support it enjoys in Europe. Federica Mogherini, the EU foreign-policy chief who championed the nuclear deal, will leave office next year. Danish officials have called for sanctions over an alleged plot to assassinate an Iranian dissident in Denmark.

South Korea and Japan, among others, want American waivers to keep buying at least some Iranian oil. Hawks in Washington want to pre-empt this by forcing Iran out of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the nerve centre of the global financial system. If it loses access, as it did in 2012, buyers would have to barter for Iranian oil or pay in cash. Its biggest customer, China, is happy to do this. During the last round of sanctions it swapped Geely cars and other consumer goods for oil. Disconnecting Iran from SWIFT will mostly hurt ordinary Iranians by making legitimate trade harder.

Mr Trump will not drive Iran's oil exports down to zero, as he hopes. But he will inflict pain. The question is what he hopes to achieve; sanctions are a tool, not a strategy. Barack Obama made clear that he wanted a nuclear deal. Critics argue that his focus was too narrow. Mr Trump has the opposite problem. His secretary of state, Mike Pompeo, has a wishlist for any future agreement. It asks Iran not only to halt its nuclear programme, but also to stop testing ballistic missiles, withdraw its troops from Syria and abandon regional proxies, such as Lebanon's Hizbullah.

Taken together this amounts to asking Iran to change its entire security doctrine of backing Shia militias. The Islamic Republic has maintained that posture despite decades of economic pain. It has little incentive to compromise with a president it sees as bent on regime change.

At the Manama Dialogue, an annual security pow-wow in Bahrain, officials were enthusiastic about this maximalist approach. “Iran is contained,” says Adel al-Jubeir, the Saudi foreign minister. Outside the ballrooms of the Ritz-Carlton, however,

the picture looks different. Iranian forces have helped Bashar al-Assad to win Syria's civil war. Iranian-backed Houthi rebels continue to torment Saudi Arabia and its allies in Yemen. Hizbullah is poised to gain influence in Lebanon's next government.

Mr Trump is convinced he can make a better deal than his predecessor. But with whom? He has discredited Mr Rouhani, who will leave office in 2021. If Iran is still under crippling sanctions, a hardliner may replace him. And if the oil pumps are still off, the centrifuges may come back on.

This article appeared in the Middle East and Africa section of the print edition under the headline "Turning the screws"

The new normal?

Israel's prime minister visits Oman, an Arab monarchy—and is welcomed

Binyamin Netanyahu's warm relationship with the Gulf states comes into the open

Print edition | Middle East and Africa Nov 3rd 2018

TWO UNUSUAL photographs have been making the rounds on Arab social media. The first (pictured) is of Binyamin Netanyahu, Israel's prime minister, being received by Sultan Qaboos of Oman at his palace in Muscat on October 26th. The second, taken three days later, is of Israel's culture and sports minister, Miri Regev, with Emirati officials at the Sheikh Zayed Grand Mosque in Abu Dhabi. Responses to the photographs ranged from positive surprise to angry bemusement. Arabs, though, should get used to such scenes.

Mr Netanyahu's visit was the first by an Israeli prime minister to the Gulf in over two decades. Israel has full diplomatic relations with only two Arab countries, Egypt and Jordan. But its ties with the Gulf have been improving for years. A common enemy, Iran, has brought it closer to Saudi Arabia and the United Arab Emirates. The issue of the Palestinians, which long divided them, has been pushed to the back burner.

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Iran may also have come up during Mr Netanyahu's visit to Muscat, which surprised even Gulf officials. Oman has maintained ties to the Islamic republic, annoying the Saudis and hawks in America. Welcoming Mr Netanyahu may blunt some of their criticism. It also makes Oman a potential interlocutor between Israel and Iran. Oman played a similar role, passing notes between America and Iran, during the Obama administration.

No matter the purpose, the trip was important. It took months of secret negotiations, handled by the chief of Mossad, Israel's spy agency. "Israel has historically maintained under-the-table ties with many nations," says an Israeli diplomat. "The problem has always been how to bring these out in the open. With the visit to Oman, Netanyahu has broken a glass ceiling."

This article appeared in the Middle East and Africa section of the print edition under the headline "The new normal?"

More money, same problems

Iraq's new prime minister inherits a better country

Can he take advantage?

Print edition | Middle East and Africa Nov 3rd 2018

IRAQIS ARE desperate to reboot their creaking democracy. Nearly every government since the fall of Saddam Hussein in 2003 has proven corrupt, incompetent or dysfunctional. Their new prime minister, Adel Abdul-Mahdi, hardly seems like a change. The 76-year-old former finance and oil minister belongs to the old elite, whose fathers were ministers when Iraq was a pro-British monarchy, and who owe their restoration to America.

Mr Abdul-Mahdi's confirmation, five months after a marred election in May, was inauspicious. Parliament's speaker cut off his reading of the government's 122-page programme after 45 minutes. MPs rejected eight of his 22 cabinet nominees. The two largest Shia parties are quarrelling over posts. One of the few things Iraq's politicians agree on is that plum jobs should continue to be handed out by sect.

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But Mr Abdul-Mahdi has advantages that other prime ministers did not. Despite the kerfuffle over his cabinet, he has the backing of all the big parties. He also enjoys support from Shia clerics and, remarkably, both America and Iran. He wants to use their backing to end corruption, repair Iraq's electricity and water grids, and get militias out of the cities.

None of that will be easy, but Mr Abdul-Mahdi will have more money to spend than his predecessors. The government expects a \$20bn surplus this year, thanks to higher oil prices. Iraq is also well placed to fill the gap left by Iran in the oil market, as American sanctions bite. Better ties with neighbours could give it more outlets. Saudi Arabia is mulling reopening a pipeline linking Iraq to the Red Sea that it closed in 1990. The new oil minister has plans for a pipeline to the port of Aqaba in Jordan.

Iraq is also less volatile. When his predecessor, Haider al-Abadi, took office in 2014, jihadists were at Baghdad's gates. Now the capital is calm enough for Mr Abdul-Mahdi to have staged his first cabinet meeting outside the fortified Green Zone. The Kurds are less of a problem. Chastened by a referendum on independence that backfired last year, they praise Mr Abdul-Mahdi as the leader of a united Iraq.

The prime minister has variously been a Baathist, Maoist and Islamist. He has thus been able to court a range of powerful allies. But if he cannot curb corruption or keep the lights on, ordinary Iraqis will see him as just another failure.

This article appeared in the Middle East and Africa section of the print edition under the headline "More money, same problems"

Time to talk

A hint of hope for a ceasefire in Yemen

The Americans call for a truce

Print edition | Middle East and Africa Nov 3rd 2018

AMERICA IS FINALLY losing patience with the war in Yemen. For more than three years it has backed the Saudi-led coalition fighting Houthi rebels, swatting away concerns about human rights and civilian casualties. But on October 30th the secretary of defence, James Mattis, unexpectedly asked the Saudis to accept a truce. “Thirty days from now, we want to see everybody around a peace table, based on a ceasefire,” he said at a Washington think-tank. Hours later the secretary of state, Mike Pompeo, followed with similar language. It was America’s strongest statement since the conflict began in 2015.

At first glance it was surprising. Weeks earlier both secretaries defended the coalition’s conduct. Mr Pompeo certified to Congress that it was trying to avoid civilian casualties, a prerequisite for continued American support. (Human-rights groups and the United Nations disagree with him.) President Donald Trump has hitherto given the Saudis freedom to do as they please.

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But the war itself has become indefensible. The UN says Yemen is on the brink of famine, with 8m people in danger of starving. Cholera has killed at least 2,000 Yemenis. Estimates of the conflict’s death toll range from 10,000 to 60,000.

Diplomats liken Yemen to Somalia: no longer a coherent state but a collection of fiefs. In June the coalition started a push to capture Hodeidah, the main Red Sea port. Four months later the city is still outside its grasp. Hundreds of thousands of civilians have fled the fighting. Even if the coalition does capture the port, the Houthis will still have the capital, Sana’a, and their strongholds in the northern mountains. The fighting there will be harder, so the coalition wants to avoid it.

Messrs Mattis and Pompeo had one other consideration: domestic politics. Doveish Democrats have long wanted to end American support for the coalition, which includes aerial refuelling and intelligence-sharing. But lately even centrist lawmakers are fed up. In September a bill to end America’s involvement drew more than 50 sponsors, including Steny Hoyer, the second-most-senior Democrat in the House. That was before October 2nd, when Saudi assassins murdered a dissident journalist, Jamal Khashoggi, in the Saudi consulate in Istanbul. The killing of Mr Khashoggi, an American resident, has done lasting damage to the kingdom’s reputation in Washington. Even some of its closest allies in Congress now want to impose sanctions.

The call for a ceasefire is overdue, but fraught with difficulties. America wants the Houthis to blink first, halting missile attacks on Saudi Arabia and the United Arab Emirates. Only then does it expect the coalition to stop striking Yemeni cities. But the Houthis are loth to act unilaterally. Even if they agreed, any truce would be shaky. Mr Pompeo’s language suggests something less than a full ceasefire. He did not ask the parties to stop fighting, only to kill fewer civilians.

Getting them to negotiations is another challenge. The Houthis did not show up for a peace conference in September, in part because the coalition refused to let them bring their wounded fighters to Europe for treatment. The UN envoy, Martin Griffiths, is respected by both sides. But he can do little if he is talking to a half-empty room.

This article appeared in the Middle East and Africa section of the print edition under the headline “Time for a truce”

Abiy's law

Ethiopia's re-education camps are open again

The government is illegally detaining young men, to lecture them about the law

Print edition | Middle East and Africa Nov 3rd 2018

“PEACE IS FOR all of us—let us defend it.” These words, printed on a plain white T-shirt, seem innocuous enough. Yet not for Bereket, a 17-year-old lad from Ethiopia’s capital, Addis Ababa. On September 22nd he was arrested as he walked home from church with two friends. He and about 1,200 other young men were taken to a military camp for a month of “lessons” about the constitution and the rule of law. They were released on October 18th, after Ethiopia’s police chief said their “brainwashing” was complete. Bereket, like most of 3,000 people arrested in this way in September, was never charged. He was, however, given a commemorative T-shirt.

The background to the arrests was communal violence, which raged in Addis Ababa for several days in September. According to the police, at least 28 people were killed in riots in the old city centre around September 14th. Many were Oromo, Ethiopia’s largest ethnic group. Shortly after that, Oromo activists held a rally to welcome the return of the Oromo Liberation Front (OLF), a previously banned rebel group that had fought for self-determination. After the event young men, some wearing OLF colours, attacked people in the city belonging to other ethnic groups, killing at least 58.

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The pattern of mass arrests followed by “re-education” has a long history in Ethiopia. Thousands were packed off to camps after demonstrations against disputed election results in 2005. Tens of thousands were detained during a state of emergency imposed in 2016 to curtail protests against the ruling party. They were lectured by military officers on subjects including the “Ethiopian Renaissance”, the perils of neoliberalism and the supposed threat of Western-sponsored “colour revolutions”.

With the appointment in April of Abiy Ahmed, the country’s reformist prime minister, such repressive tactics had seemed a thing of the past. Abiy has freed thousands of political prisoners and begun rewriting some of the country’s most draconian statutes. He often preaches the importance of the rule of law.

The arrests in September were the antithesis of this. Bereket and his peers were detained without a court order or even an explanation. Many seem to have been picked up at random. “I feel like a second-class citizen,” says Kassahun, a 37-year-old homeless man on whom the irony of being taught the constitution while being detained unconstitutionally was not lost. “I consider it propaganda,” he says.

The incident reveals subtle changes in the once brutal Ethiopian state. Many detainees were surprised not to be beaten. “No one touched us,” says Yazid, a 27-year-old. He and others even spoke positively of their civics lessons. “I learnt human rights are inviolable,” he says. On October 18th the prime minister admitted publicly that most of the arrests had been a mistake.

Although he has tried to distance himself, it is implausible that Abiy did not approve the police’s actions. It is likely that he felt under pressure from his party to show he could act firmly against unrest. Despite the talk of a new era in Ethiopian politics, the same party remains in power. The ruling party is “trying to bring something new,” says a former journalist. “But their old self is still intact.”

This article appeared in the Middle East and Africa section of the print edition under the headline “Abiy’s law”

How does your garden grow?

Africa needs a green revolution

Governments can help, but need to get their policies right

Print edition | Middle East and Africa Nov 3rd 2018

GETAHUN SHUMULO is what the Ethiopian government calls a “model farmer”. In the past he would toss seeds at random over his fields near Butajira, in the arable south. These days, using a plastic bottle in which he has cut a small hole, he plants them in pencil-straight lines. To keep the soil healthy he rotates his crops each year. Thanks to hardier seeds from the local agricultural office he now grows mostly maize, Ethiopia’s cheapest staple. “If you do everything the government tells you, you can grow more of it every year,” he says. After feeding his family of nine, he sells more than half his produce.

Farmers like Getahun are sowing the seeds of transformation. The more they grow, the more money they have. The more they spend, the more jobs they help create in market towns and cities. Meanwhile, many rural people are giving up farming entirely and moving to the towns. On average, they work longer hours than they once did in the fields, and are more productive.

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Something akin to Asia’s rural development may, at last, be happening in parts of Africa. Since 2002 the proportion of African workers employed in agriculture has fallen from 66% to 57%. Yet the real value of agricultural production has grown at an average pace of 4.6% a year, double the rate between 1970 and 2000. Even so, the region is lagging behind. Most of the increase comes from using more land, rather than improved productivity.

A green revolution—the increase in agricultural yields seen in most parts of the poor world apart from Africa since the 1960s—is unlikely to succeed if government is obstructive. “Government is the most important partner,” says Boaz Keizire of the Alliance for a Green Revolution in Africa, a think-tank with its headquarters in Kenya, “but in Africa it is the weakest link.”

Ideally, governments would pay for public goods, such as research and roads, and regulate markets lightly but fairly. Too often in Africa, they fail at these basic tasks. In Uganda, for instance, the market is so awash with understrength bags of fertiliser and feeble seeds that farmers are reluctant to invest in them. Many are also unable to get their crops to the market because of bad roads.

Earlier African regimes were even worse. After independence many squeezed farmers mercilessly, forcing them to sell their crops for a pittance through state-run marketing boards. (The aim was to provide cheap food for city dwellers—the result was to deter investment in farming and encourage smuggling.)

Then, in the 1980s, many African states liberalised trade, cut spending on agricultural research and subsidies, and hoped for the best. In 2003, with farm yields stagnating (see chart), the rhetoric shifted again. Governments pledged to allocate 10% of their budgets to agriculture. But by 2016 only ten countries were meeting that target, out of 44 with available data.

Malawi tops the public-spending charts, consistently allocating over 15% of its budget to agriculture. But much of that is swallowed up in a costly system of seed and fertiliser subsidies. The scheme has raised yields. It has also lined the pockets of the well-connected businessmen who win procurement contracts. It has had unintended consequences, too. Farmers who slap cheap fertiliser on their fields grow fewer nitrogen-fixing legumes, a cheap and green way of improving the soil.

Ethiopia, another big spender, offers a different approach. Farming output has grown by 6% a year since 2000, according to official figures, more than three times the rate in Malawi. Subsidies are relatively low. Instead, the government has pumped money into research, infrastructure and training. Its network of 72,000 “development agents”—experts sent to teach modern farming techniques—is Africa’s largest. They knock on Getahun’s door several times a month. “Sometimes they will even visit my fields when I’m not there,” he says approvingly. “They’ll ring me if they find something wrong.”

Reds in the seed beds

Why do approaches vary? Some researchers, such as Robert Bates and Steven Block of Harvard and Tufts universities, think that democracy improves policies by giving rural farmers more of a say. It does not always work out that way. In Malawi politicians use wasteful subsidies to win votes. By contrast, in authoritarian Ethiopia the government worked to avert the rural discontent that fed rebellions against its communist predecessors. It sees agricultural development as a way to build legitimacy.

Yet Ethiopia is not a model to emulate. In practice, its development agents “do everything” from tax collection to mobilising locals to attend meetings and vote for the ruling party, sighs an agricultural expert. They are part of an oppressive system of state control, which works well in some places while failing spectacularly in others. In recent years rural state structures have been among the first targets for violent unrest.

Elsewhere, poor governance has derailed policy altogether. In Uganda the state’s training services for farmers have crumbled, along with the waning popularity of Yoweri Museveni, the president. In a quest for votes the focus has shifted from training farmers to handing out inputs. Since 2014 distribution has been run by the army, creating jobs for veterans. “It’s a military operation,” says one of the officers in charge, “but with no bombs or bullets.” Farmers complain that seedlings arrive late or do not grow. Grace Apiyo, a 30-year-old farmer in the north, says she has never received any help or advice from the government. The value added by the average Ugandan farm worker has fallen by a quarter since 2002.

Political obstacles are not insuperable. On the whole, governance in Africa has improved. And better data can make governments more accountable, says Shenggen Fan, the head of the International Food Policy Research Institute, a think-tank in Washington. But it is hard to uproot “good practice” from one context and replant it in another. Agricultural policy, like farming itself, is a messy business. It needs the right soils and careful husbandry to thrive.

This article appeared in the Middle East and Africa section of the print edition under the headline “How does your garden grow?”

Germany

This is the end

This is the end

Angela Merkel will step down as CDU party leader in December

She hopes to stay on as chancellor till 2021, but probably cannot

Print edition | Europe Nov 3rd 2018

IF ANGELA MERKEL felt emotional, she didn't show it. Her speech on October 29th consisted of numbered bullet points, about as dramatic as a shopping list. But she was declaring the end of her reign. In December Mrs Merkel will step down as head of the centre-right Christian Democratic Union (CDU), ending almost two decades as leader of Germany's most powerful political party. She also confirmed what many had long assumed: that this is her last term as German chancellor. She added that she was "willing" to remain chancellor until the end of the current parliament in 2021—clearly aware that, with her power ebbing, she may not be able to.

Mrs Merkel's announcement came a day after a regional election in the German state of Hesse. Her Christian Democrats won the most votes with 27%, and her close ally, Volker Bouffier, looks set to remain state premier. But it was still a devastating loss of support, down by more than 11 percentage points compared with 2013. The centre-left Social Democratic Party (SPD) also lost around 11% of the vote, scoring only 20%. Surveys show that many in Hesse wanted to punish the central government in Berlin, where Mrs Merkel's conservative bloc governs in coalition with the SPD. The coalition parties have spent much of this year distracted by infighting and undignified spats. Voters have had enough. "It is a clear signal that this can't go on like this," the chancellor said.

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After 13 years under Mrs Merkel as chancellor, Germany is ready for change. But at first glance it is not clear why. The economy is stronger than ever, with unemployment at an all-time low. The country has managed to deal well with the large influx of asylum-seekers in 2015 and 2016, and since then migrant arrivals have fallen dramatically. The issue of refugees barely featured in election campaigns in Hesse.

"The dissatisfaction is not about policies, but rather about how politics is carried out," says Thorsten Haas, of Berlin's Free University. The squabbles in Berlin play into feelings that politicians are out of touch and more interested in their own jobs than serving the country. Loyalties to the traditional big-tent parties have also weakened, and voters are less likely to vote according to affiliations to a trade union, the church or a particular social class. Politics has become more about identity and the debate between open versus closed—questions about which the centre-left Greens and the right-wing populist Alternative for Germany (AfD) are clear, explaining both parties' success. The CDU and SPD, on the other hand, are both internally split on issues like migration. In Hesse the centre-right CDU lost roughly equal numbers of voters to the Greens and the AfD.

Mrs Merkel's successor will have to decide where to position the party. Keep to her centrist course and lose more voters to the AfD? Or head down a more conservative path and risk liberals migrating to the Greens? In December delegates at the CDU's party conference in Hamburg will answer that question by choosing a new leader, who will also probably be the party's next choice of chancellor.

Battle is joined

So far, there are three declared candidates. Friedrich Merz, a former leader of the parliamentary party, was one of Mrs Merkel's first victims on her way to the top. After she beat him for a key party post in 2002, he left politics to work in finance, later becoming chairman of the supervisory board of the German bit of BlackRock, an asset-management company. Socially conservative, a charismatic speaker and close to business, he has sniped at Mrs Merkel's government from the sidelines. It is hard to imagine she could last her full term with him as party leader, and he is the man to watch.

Another conservative hopeful is Jens Spahn, Germany's health minister. He is young, ambitious and an outspoken critic of Mrs Merkel's refugee policy, making him a tricky party leader for her. Popular with the right of the CDU, he likes to hang out with Austria's young conservative chancellor, Sebastian Kurz, and Donald Trump's outspoken ambassador to Berlin, Richard Grenell. His opinions go down less well with centrist party members and voters.

Mrs Merkel's preferred candidate is Annagret Kramp-Karrenbauer, whom she picked in February to be party general secretary, after a competent stint as premier of the state of Saarland (Germany's second-smallest). She is seen as a centrist Merkel ally—not a plus for a party looking for change. But she also holds some more socially conservative positions than the chancellor. She could appeal to Germany's political centre, where elections have usually been won, though that could now be changing. However, she still needs to emerge from Mrs Merkel's shadow.

Whoever takes over, this week has produced bad news for the AfD. The chancellor has been a useful hate figure. “*Merkel muss weg*”, or “Merkel has to go”, has been a key slogan for years, and would have been a feature of AfD campaigns at three state elections in eastern Germany next year. A big worry for the AfD is that a more conservative CDU leader may lure back some disaffected voters.

Can Mrs Merkel carry on? That depends on whether she can work with the CDU’s next party leader, and whether her SPD coalition partners can—unlikely if the new CDU party leader is a right-winger. Meanwhile, outside Germany liberals are already mourning the upcoming loss of the “leader of the free world”—never a title she liked. Germany’s foreign policy is more than just one person. But as a seasoned negotiator able to bang heads together, Mrs Merkel will be greatly missed.

This article appeared in the Europe section of the print edition under the headline “This is the end”

A small piece of hell

The human cost of Europe's migration policy

People have stopped arriving

Print edition | Europe Nov 3rd 2018

THE CONDITIONS here are not the worst part,” says Zabiullah, an affable middle-aged Afghan, sipping sweet tea in a rat-infested tent. The stench of sewage hangs in the air. No, he continues, the worst part of life in Moria, a camp for asylum-seekers on the Greek island of Lesbos, is the waiting. Residents can spend up to 12 hours a day in queues for food. Each day, they also await news on whether they will be granted asylum. Many, like Zabiullah, have been doing so for over a year since making the perilous 10km journey by small boat from Turkey to Lesbos. The prolonged uncertainty, he says, makes Moria feel like “a small piece of hell”.

He is stuck there because of a deal struck in March 2016 between the EU and Turkey. Before it, thousands were arriving on Greece's easternmost islands every day. Turkey agreed, under the deal, to try to stop the boats and to accept unsuccessful asylum-seekers deported from the Greek islands. In return, the EU promised Turkey €3bn (\$3.4bn) in aid and perks such as visa-free travel. For the EU, it felt like a great success. Sea arrivals to Greece fell from almost 1m in the year before the deal to 82,000 in the two-and-a-half years since (see chart).

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But although the deal ended the refugee crisis for most of Europe, it increased the burden on Greece. Asylum-seekers like Zabiullah, arriving on Lesbos and four other Greek islands after the deal, now had to stay on these islands for the entirety of their asylum-application process. This was ostensibly to make it easier to deport them to Turkey if needed, but many Greeks suspect its true purpose was to help enforce the Dublin Regulation, under which people can only apply for asylum in the first EU state where they are registered. In the past, many of those arriving in Greece avoided registering there and went deeper into Europe to seek asylum. But since the deal, far more people are applying for asylum in Greece itself. The country has already received nearly four times as many applicants this year as in 2015. Those accepted are entitled to residence only in Greece, and not elsewhere in the EU, until they qualify for Greek citizenship.

The EU has given Greece €1.6bn over the past five years to take care of the problem. But the country's asylum system has long struggled to cope, increasingly hitting non-financial barriers like local opposition, logistical difficulties, long processing times and a shortage of qualified staff. “You can give us money, but how much can we keep expanding?” asks Alexis Bouziss, a spokesperson for the Greek Migration Ministry. Greece is now home to 65,000 asylum-seekers, 9,000 of them on Lesbos.

Instead the Greek government and aid agencies argue that the EU must overhaul the Dublin Regulation, so that asylum-seekers are distributed more evenly. The current system, they say, is unfair. Five countries—Greece, Italy, Spain, France, and Germany—received over three-quarters of Europe's asylum applications in the first half of this year. Greece has had to deal with 70 times as many claims as Hungary, a country of comparable size and wealth. The rules are also ineffective: EU money is not an adequate replacement for relocation. But calls for reform have been rebuffed, by the “Visegrad” countries (Poland, Hungary, Czech Republic and Slovakia) which are refusing to consider it.

The strain on the Greek islands is visible in Moria. Marios Kaleas, head of the asylum service in Lesbos, says his team is struggling to keep up with the hundreds of applications it receives each week. Processing times vary wildly, but legal-aid workers estimate that people typically wait five months for their first interview and another six to nine for a ruling. The backlog has led to overcrowding. The Moria camp, designed for 2,500, now holds three times that. Hundreds are encamped on a sludgy hillside nearby. NGOs have warned of a mental-health “crisis” in Moria, with children as young as ten attempting suicide. Fights break out almost daily in its endless queues. “We are treated worse than animals,” says Saïda, a 19-year-old Somali who has lived there for eight months.

Locals on Lesbos, once welcoming, feel overwhelmed. Those living near Moria say crime has risen. One in ten people on the island is an asylum-seeker. Municipal authorities refuse to let the Greek government expand the camps on Lesbos or build any new ones. Instead, they insist, more people should be moved to the mainland. “We will not allow our island to become a prison of souls,” declares Anastasia Antoneli, a deputy mayor of Lesbos.

In theory, people from vulnerable groups—pregnant women, the chronically ill, survivors of rape or torture—are exempt from the EU-Turkey deal and can apply for asylum on the mainland rather than stay on Lesbos. But the clinic in Moria that screens people has only two doctors and is currently offering its earliest appointments in March 2019. There are also hundreds of people on Lesbos who are allowed to leave but cannot, because government-run camps on the mainland are full.

The Greek government has recently been scrambling to create more space on the mainland, where conditions are usually far better. In Eleonas, a small camp in an industrial part of Athens, families live in brightly painted containers, each with their own toilet and kitchenette. Police have been raiding Eleonas and other mainland camps, evicting those who had not yet registered with the asylum service, and moving people in from the islands to replace them. But on the islands, these transfers are still outpaced by new arrivals.

Deportations, too, are slow. Many of those denied asylum will appeal, which rarely changes their fate but draws out the process. Only 1,738 people have been sent back to Turkey under the deal, in part because authorities rarely believe asylum-seekers will be safe there. A UN-run voluntary-returns programme has fared slightly better. It offers people a plane ticket, a little cash and help with re-integrating if they choose to return home. Over 12,000 have done so since June 2016. In Moria most people seem unaware they can go no further than Greece, at best. Many yearn to live in Germany or Britain. Stratoula Koudounaki, a street-cleaner in Moria, looks on at them sadly. “These people are not going to Europe,” she sighs. “What will happen when they have to become Greeks?”

This article appeared in the Europe section of the print edition under the headline “A small piece of hell”

A cold coming

Migrants risk their lives to move on from Italy

Several hundred thousand people are trapped

Print edition | Europe Nov 3rd 2018

AMID THE many crosses in the cemetery of the northern Italian mountain town of Bardonecchia is a freshly dug grave with an unadorned headstone. Below it is a quotation from the Koran: “We belong to God and to Him we shall return.” The grave was dug for 28-year-old Mohamed Fofana from Guinea, who died of hypothermia in May after he and a companion were turned back by police as they tried to reach France near the Col de l’Échelle pass, 1,762 metres up in the Alps.

It is ironic. While Italy’s interior minister, Matteo Salvini, continues to focus public attention, and anger, on a drastically reduced volume of migrants arriving in Italy from across the Mediterranean, comparable numbers are risking their lives to leave Italy for other countries—secondary migration, in the official jargon.

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By October 30th Mr Salvini’s own ministry had recorded 22,031 arrivals by sea this year—a drop of 88% on the same period in 2017. The drop is largely owing to agreements reached between Italy’s previous, centre-left administration and the UN-recognised government in Tripoli that bolstered the ability of Libyan coastguards to intercept and return departing asylum-seekers. The Italian authorities are also suspected of having made secret deals with some of the militias in Libya involved in people-smuggling. The main effect has been to divert the flow of west African migrants to Spain, which so far this year has had more than twice as many arrivals as Italy (see chart).

The real challenge for the government in Rome is what to do with several hundred thousand migrants already in Italy, many reluctantly so. Since 1997 the rule in the European Union has been that the first country in which an asylum-seeker’s application is submitted or fingerprints taken should be the one that deals with him or her. With its persistently low economic growth, Italy had little to offer migrants even before Mr Salvini came into office in May. Many of the newcomers, moreover, had linguistic and cultural or family ties with other countries in Europe.

For years, Italian officials quietly let new arrivals slip away without identifying or registering them so that they could ask for asylum elsewhere. But starting in late 2015, France, Austria and Switzerland tightened border controls, causing a build-up in Italy. Around 160,000 are currently in the Italian reception system—living in camps, hostels or accommodation supplied by local authorities in exchange for payment by the central government. Estimates of how many others are outside it, having avoided identification or failed to obtain humanitarian protection, range from 300,000 to 500,000. There is hardly a supermarket or bar in Italy’s bigger cities without a forlorn African begging at the door.

With the border crossings to Austria and Switzerland now tightly controlled, and the coastal route into France near Ventimiglia in effect sealed, virtually the only way to escape from Italy is over the Alps. But with winter again setting in, it becomes a perilous undertaking.

Paolo Narciso heads a humanitarian NGO, Rainbow4Africa, which runs a shelter in Bardonecchia. He reckons that some 30-40 migrants a night had been getting through in the good weather, though these numbers will fall in winter. That broadly squares with figures given by Michel Rousseau of another NGO, Tous Migrants. Its reception centre in Briançon, on the other side of the Alps in France, provided shelter to more than 5,000 people in the 13 months to the end of July. But Mr Rousseau cautions that several other centres exist and some of those who get to France do not go to any of them anyway.

“The best prepared are the Afghans,” says Dr Narciso. “People from the desert don’t have the least idea of what snow is and what it can do.” Even in the depths of last winter, when temperatures dropped to -20°C, Africans were turning up in Bardonecchia and setting off on the 17km walk through the mountains in trainers and anoraks. “They bring them back into the valley half-frozen,” he says.

Mr Fofana was one of three migrants who are known to have died this year. A fourth is missing. Locals believe the real death toll is higher. Bodies covered in snow often come to light only years later. And sometimes never. “There are a lot of carnivorous animals in the mountains,” Dr Narciso grimly notes.

This article appeared in the Europe section of the print edition under the headline “A cold coming they had of it”

An emerald in the rough

Michael D. Higgins is re-elected president of Ireland*A popular president trounces reality TV stars and zealots***Print edition | Europe** Nov 3rd 2018

IN THE HARDCRABBLE Ireland in which Michael D. Higgins grew up it was not considered wise to “have notions” about yourself—to aspire to greater things, intellectually or culturally. But Mr Higgins, who was re-elected for a second term as president of Ireland on October 26th, had notions from an early age.

Born in difficult circumstances in Limerick 77 years ago, fostered at five to his uncle’s farm in County Clare, the young Michael D (as he is invariably known) was not content with being a clerk for the state electricity board. He started writing poetry, found his way as a mature student into University College, Galway, and launched himself into parallel careers as a sociology lecturer and a Labour politician.

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In public life, his flamboyant intellectualism and somewhat long-winded oration might have counted as “notions” against him. His socialism seems at odds with the general political drift of a state that has been ruled by centre-right parties ever since it was born in 1921.

Yet none of this mattered last week, when the citizens of Ireland re-elected Mr Higgins to a second seven-year term with 56% of the first preference vote, compared with the 40% he won in 2011.

His success can be attributed to several factors, other than the affection in which he is widely held. First is the power of incumbency: the Irish presidency (based closely on the British monarchy which it replaced), is largely a ceremonial position, with rarely invoked constitutional powers. Once elected, presidents are expected to be above everyday politics, and to represent the best in Ireland. Those who sought re-election have usually been unopposed.

Mr Higgins’s re-election campaign had the support not only of his erstwhile Labour Party but of most of the other parties of left and right. Only Sinn Féin, the former political wing of the IRA, broke ranks, putting forward the little-known Liadh Ní Riada as a muscle-flexing exercise. This failed dismally. Ms Ní Riada, a member of the European Parliament, got only 6.4%.

Of Mr Higgins’s four other rivals, all independents, one, Joan Freeman, is the founder of an anti-suicide charity and serves in Ireland’s Senate. The remaining three were all performers from the Irish version of the reality-TV show “Dragon’s Den”. Each one argued that, as a successful businessman, he would make a fine president. One also attacked Ireland’s traveller minority and welfare recipients, and surged from nowhere to come a surprising second with 23% of the vote.

On the same day, Ireland also voted to remove a ban on blasphemy from its constitution (changing the constitution can only be done by means of a referendum). As a result the legislature is expected soon to repeal Ireland’s anti-blasphemy law. There will be few practical consequences—no-one has been prosecuted for blasphemy in Ireland’s history as an independent state. But along with recent recognition of gay marriage (in 2015) and the legalisation of abortion earlier this year, it is further evidence that a once-conservative Catholic country has taken a sharp liberal turn. Most European countries seem to be heading in the opposite direction.

This article appeared in the Europe section of the print edition under the headline “Statesman beats celebrities”

Shock treatment

Volt wants to become the first pan-EU political party

A startup launched by twenty-somethings has thousands of members, but will need a lot more

Print edition | Europe Nov 3rd 2018

EVERYONE AGREES that the European Union is not democratic enough, but they disagree on what to do about it. In 2016, shocked by the Brexit referendum, a group of young Europeans who had studied in Britain decided that one solution might be a pan-European political party. Their brainchild, Volt, now has thousands of members across 30 countries (the EU28 plus Albania and Switzerland), and will run in the European Parliament elections next year. On October 27th about 450 delegates met in Amsterdam to approve the party's programme, in a sea of youthful optimism and multilingual policy wonkery.

The problem with European parties is that there aren't any, explains Volt's policy chief, Colombe Cahen-Salvador, a 24-year-old French human-rights lawyer. Every country has its own parties. In European Parliament elections, voters back various national parties, which form groups at the European level. Citizens cannot be sure what they are getting, since a vote for Germany's centrist Christian Democrats is, in effect, also a vote for Hungary's populist Fidesz party, their partners in the centre-right EPP group. DiEM25, a new leftist movement, tries to fix this by getting parties in different countries to adopt one platform.

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In contrast, Volt has "the same brand and the same policies all across Europe", says Andrea Venzon, a 26-year-old Italian ex-McKinsey consultant who founded the party with Ms Cahen-Salvador and a German friend, Damian Boeselager. Volt's members have spent 18 months debating policies in internet groups and live meet-ups. Different country chapters disagreed over how emphatically to support gay marriage and the fight against climate change, but backed both, along with an EU-wide refugee system and gender quotas on corporate boards.

Volt will face tremendous hurdles. It is registered in only ten countries and may succeed in fielding candidates in even fewer. It will struggle to take votes from established pro-EU outfits, such as green and liberal parties. It also has some things going for it: young, clever leaders who look good on television and a bottom-up organisation suited to an age of direct democracy. Besides, the line between the pragmatic and the idealistic is not always so clear. For example, Volt wants to slash the parliament's enormous internal translation costs by requiring MEPs to be minimally fluent in English. Talk about Utopianism.

This article appeared in the Europe section of the print edition under the headline "Shock treatment"

The budget

Autumn harvest

Autumn harvest

The chancellor says austerity is over. It is not quite so simple

A splurge on health means overall spending will rise. But most departments will see flat or falling budgets

Print edition | Britain Nov 3rd 2018

REMINISCING ABOUT budgets of yore, Kenneth Clarke, the Conservative chancellor of the exchequer from 1993 to 1997, recalled how very sensible they used to be. “Politics was different then,” he sighed. “People did not expect the budget would always be popular...even the popular budgets would have things they did not like.” Politics today, in Mr Clarke’s view, is too “short term”. In an era of 24-hour news and instant analysis on social media, politicians are too nervous to propose tough but necessary changes.

On October 29th Philip Hammond, the current Tory chancellor, presented a very modern budget. It had only good stuff in it: big spending rises and juicy tax cuts. Mr Hammond proclaimed three times that fiscal austerity, in place since 2010, was “coming to an end”. And despite all the giveaways, he boasted that the public finances remained healthy. On current forecasts the ratio of public debt to GDP, which rose to 85% after the financial crisis of 2008-09, is now falling. For now, Mr Hammond is all things to all men. But the chancellor cannot forever ignore the big fiscal challenges facing Britain.

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Before each budget the Office for Budget Responsibility (OBR), the fiscal watchdog, presents the chancellor with a new set of forecasts. This time Mr Hammond could not believe his luck. Over the financial year Britain will borrow about £10bn (\$13bn, or 0.5% of GDP) less than had been forecast in March, possibly because the economy is bigger than forecasters had previously believed. By the end of the OBR’s forecast period, in 2023, the public finances will be some £20bn healthier than expected.

The OBR giveth and taketh away

Mr Hammond could have used this windfall to reduce the budget deficit, with a view to bringing down public debt more quickly. Had he made no changes to policy, the OBR reckons, by 2023 the budget would have been in surplus for the first time since 2000. Instead the chancellor promised the biggest spending boost since at least 2010. The National Health Service (NHS) will get more than £20bn extra per year. Defence will also get a one-off payment of £1bn, spread over the next two years. Having been in steady decline for eight years, overall departmental spending will now grow once again in real terms. By Mr Hammond’s logic, this means that austerity is coming to an end.

The change in tack is motivated more by politics than economics. Many Tory MPs are wavering over whether to support Theresa May, the prime minister, when she presents her hoped-for Brexit deal to Parliament. After a feel-good budget they are less likely to kick up a fuss. Mr Hammond also found enough money to grant the city of Belfast a devolution deal worth £350m, as well as £2m to restore the city centre following a recent fire. That ought to mollify MPs from Northern Ireland’s Democratic Unionist Party, who have threatened to vote down any Brexit deal that erects new trade barriers between the province and the mainland.

The prime minister and the chancellor may also be looking to shore up their position beyond March 29th, when Britain is due to leave the European Union and when some Tory MPs may decide it is time to get a new leader. Talking of the end of austerity is intended to blunt the message of the opposition Labour Party, whose anti-austerity rhetoric has chimed with many Britons. History shows that governments often present giveaway budgets ahead of elections.

However, Mr Hammond’s all-things-to-all-men approach to fiscal policy creates hazards. Declaring the end of austerity is a risky political strategy. Although overall spending is to rise, this is only because of the big dollops of cash given to a few protected departments, chiefly health (see chart). The budgets of other departments, including the Home Office and Ministry of Justice, face more cuts. Stories of rising rough sleeping and out-of-control prisons will not go away. Even with the boost, annual growth in spending on the NHS will remain below its long-run average.

Britain’s worst-off households are particularly unlikely to feel as though austerity is over. True, the minimum wage will rise by 5% in April. In the budget Mr Hammond also put a bit of extra money towards universal credit, a big welfare reform, increasing the amount that a claimant may earn before benefits are withdrawn. Before the budget, universal credit was less generous than the already hard-nosed benefits system it replaced. Now it is probably slightly more so.

Yet £4bn of previously announced welfare cuts are still to come. Most working-age benefits will be frozen in cash terms until 2020. This sits awkwardly with Mr Hammond’s decision to bring forward a rise in the personal allowance for income tax in 2019-20, a giveaway from which the fairly well-off benefit most. The rich got another fillip from the bringing forward of a planned increase in the threshold for the higher rate of income tax (though, as is common practice, these gains were eroded by

a corresponding increase in national-insurance contributions for such earners). In all, changes to tax and benefits since 2015 will take a big bite out of the incomes of the poorest households, while slightly raising those of the richest.

There is also a question over how long the good fiscal news will last. When it makes its next forecast, the OBR could quite easily take away much of the fiscal room it has just given. Worse, a “no deal” Brexit could send the economy into a spin. On October 30th S&P Global, a rating agency, warned of a year-long recession if no deal is struck. That would lower the tax take and raise demands on state spending, ultimately making it hard to avoid a return to austerity.

Even with a good Brexit deal, Britain’s fiscal logic is merciless. From the mid-2020s the ratio of pensioners to workers will start to move rapidly in the wrong direction, weighing heavily on the state. Big tax rises will be unavoidable if public services are to maintain their current standards. By then Mr Hammond may be long gone. But whoever is setting Britain’s budget in future years will need to take a leaf out of Mr Clarke’s book.

This article appeared in the Britain section of the print edition under the headline “Autumn harvest”

Feeling lucky?

Britain's taxman takes aim at offshore computing giants

The proposed new levy is popular with the public. Will it work?

Print edition | Britain Nov 3rd 2018

IT WAS ONE of the best-trailed announcements in the budget. But when Philip Hammond, the chancellor, laid out his plans for a “digital-services tax” he was careful to name no names. Instead he said the tax—which will be levied at 2%, on revenues rather than profits, from April 2020—would apply to search engines, social networks and marketplaces, and specifically to those that are already profitable and which generate over £500m (\$640m) in annual revenue around the world.

It does not take a tax lawyer to work out that he had in mind firms such as Google, Facebook and Amazon. They are attractive targets. Their data-breaches, dissemination of “fake news” and tax avoidance means that the reputation of the internet giants has never been lower.

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The tax's impact on the public finances will be modest. Mr Hammond predicted it would raise £400m a year by 2022, out of a total tax take forecast to be about £900bn. As one MP pointed out, Sainsbury's, a big supermarket, pays more than £500m in business rates by itself. But the idea is more interesting than the revenue, for it makes Britain the latest country to promise unilateral action in an area that many governments are arguing over.

International tax arrangements are complicated, but a fundamental principle is that companies are taxed in the countries where value is created, says Dan Neidle, a tax specialist at Clifford Chance, a law firm. On that basis it makes sense that Britain recoups little tax on the profits of companies like Google and Facebook, which have most of their programmers, and their headquarters, in America.

Britain's government argues that digital firms are different, because much of their income is generated not by programmers in beanbag-filled Silicon Valley offices, but by users all over the world. It is they who, by uploading pictures and sending emails, produce the valuable data on which the computing giants' business models rely.

Tax campaigners have long pointed out that many internet giants pay taxes that seem puny compared with how much business they do in a particular country. The European Commission reckons that big computing firms pay an average tax rate of 9.5% in Europe, compared with the 23.3% paid by other companies.

The OECD, a rich-country club, has been pondering how to reform international tax agreements in light of such questions for several years. Mr Hammond is not the only one who has run out of patience. A week before the budget, Spain floated plans for a similar levy. In March the European Commission proposed its own plan. There may be a first-mover advantage in passing new laws. That has been the experience of the European Union with the General Data Protection Regulation, a privacy law that came into force in May. The GDPR was bitterly opposed by the computing industry, but has since been copied by other jurisdictions.

Britain's tech tax is not without risks. Singling out particular business models is one, says Mr Neidle: “Artificial distinctions like that create uncertainties and more opportunities for avoidance.” Economists dislike taxing revenues rather than profits. America, with which Britain hopes to sign a trade deal after Brexit, may see the levy as an attack on some of its most valuable firms. Mr Hammond has said that, if an international tax deal is done before 2020, he will consider abandoning the levy. But the tax code is littered with temporary measures that somehow never went away.

This article appeared in the Britain section of the print edition under the headline “Feeling lucky?”

Brexit options

Norway for now—or never?

Why many MPs are coming around to the idea of a temporary Norwegian arrangement after Brexit

Print edition | Britain Nov 3rd 2018

A WEAKNESS OF Brexiteers has been failing to spell out a clear alternative to membership of the European Union. One such option is Norway's model, outside the EU but inside its single market. Both the government and Parliament have rejected the idea of joining Norway in the European Economic Area (EEA). But it has been revived in a new form by Nick Boles, a Tory MP. His "Norway for now" plan is backed by fellow Tories like Nicky Morgan and Labour MPs such as Frank Field.

The benefits of the EEA lie in keeping the single market but escaping the EU's farm and fisheries policies and the direct jurisdiction of the European Court of Justice. The drawbacks are becoming a rule-taker in that market and accepting free movement of people from the EU, as well as paying into its budget. EEA countries can strike third-country trade deals, but as they are not in a customs union with the EU, membership does not by itself remove the need for border controls, which Britain has promised to avoid in Northern Ireland.

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Mr Boles is clear that his plan works only if Parliament rejects a Brexit deal put to it by Theresa May. But he puts the probability of the prime minister's deal failing as high as 50%. And he does not see a parliamentary majority emerging for a second referendum, which Mrs May is firmly against. For all sides, he says, Norway for now would surely be preferable to a no-deal Brexit. He has also changed his original idea of fixing a three-year time limit in the EEA before moving towards a Canada-style free-trade deal. Now he talks merely of "temporary" membership while some alternative is negotiated.

His idea faces formidable practical and legal obstacles. Businesses would not welcome having to adapt twice to Brexit. Switching horses this late in the negotiations would be awkward. Brexit is less than 150 days away, but to join the EEA requires accession to the European Free Trade Association (EFTA), a process that could take months or years. Mr Boles reckons there are ways round this, but concedes that his plan may also require a transition. That would only add to the uncertainties facing business.

Temporary membership of the EEA would be hard to sell to others. The EEA countries have said they would welcome Britain as a permanent member. But as Erna Solberg, Norway's prime minister, put it diplomatically when she met Mrs May in Oslo this week, joining with the declared intention of leaving a few years later would be "a little bit difficult" for other members.

Then there is the Irish border. EFTA/EEA membership may make it legally hard to be in a customs union with the EU. And that may make it impossible to drop the Northern-Ireland-only backstop that Mrs May is resisting in the Brexit withdrawal deal. Mr Boles suggests that some form of associate membership of the EEA could allow the creation of a temporary customs union with the EU, but many in Brussels disagree.

Last is the issue of free movement of people. EEA and EFTA members must accept this as a principle, a big reason why Brexiteers oppose their model. Continued free movement is an argument for doubting if the Norway model is sustainable for Britain in the long run. Yet there are ways to limit free movement, and net migration from EU countries has also fallen sharply since 2016.

Norway for now is under attack from ardent Leavers and Remainers alike. But that could make it a compromise. For all its problems, it would be foolish to rule it out amid the chaos of a parliamentary rejection of a Brexit deal this winter.

This article appeared in the Britain section of the print edition under the headline "Norway now or never"

Thanks for the miracle

A global city mourns a local hero

Vichai Srivaddhanaprabha transformed the fortunes of Leicester's football club, and changed the city itself

Print edition | Britain Nov 3rd 2018

JEREMY CORBYN, the rumpled, 69-year-old leader of the Labour Party, has yet to be cast as James Bond. But two years ago Leicester City won the English Premier League—something which, at 5,000-to-one, bookmakers had considered less likely than such a celluloid transformation of Mr Corbyn. Fans of the Foxes, as Leicester's football team is known, hailed it as a miracle when their unfancied squad pulled off the upset, putting the unfashionable East Midlands city on the map.

Now the man who made the miracle possible, Vichai Srivaddhanaprabha, is dead, and Leicester is grieving. The club's Thai owner died with four others when his helicopter crashed after taking off from City's stadium on October 27th. Floral tributes surround the ground.

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The story of the Thai billionaire, the Premier League football club and the Midlands city makes for a snapshot of 21st century Britain. Many English clubs are now owned by foreigners; Mr Vichai, who made his money via a monopoly on Thailand's duty-free concessions, was not even the only Thai to hold a team. Thaksin Shinawatra, a former prime minister, briefly owned Manchester City in 2007-08; Dejphon Chansiri, a big fish in the canned-tuna business, owns Sheffield Wednesday.

Mr Vichai developed a close rapport with fans. One reason was his habit of buying them breakfast before away matches. Another was that his club lies in one of Britain's most contentedly multicultural cities. Flying over saffron-robed monks from Thailand to bless the players before kick-off at home games never seemed particularly unusual.

Following waves of immigration, mainly from south Asia, Leicester is one of only three big towns or cities outside London where white-British people are in the minority. In 2016 academics nominated Narborough Road in Leicester as Britain's most diverse street. The owners of its 222 properties come from 22 countries. The city's medieval centre includes Buddhist meditation centres, Jain temples and 35 mosques. The lights of Leicester's Diwali festival, which the city claims is one of the biggest outside India, were switched on the day after the helicopter crash. Sikh temples have held vigils. People of all faiths have lit candles in Leicester cathedral.

A shared pride in the Foxes was one thing that helped Leicester to flourish with such diversity, even as other places struggled. Mr Vichai used to buy beer for fans on his birthday. "It's time for you to have a drink on us," wrote one fan alongside his floral tribute.

This article appeared in the Britain section of the print edition under the headline "Thanks for the miracle"

Building blocs

Belfast's Catholics wait longer for homes than Protestants

Catholics now outnumber Protestants in Northern Ireland's capital, but housing allocation has yet to catch up

Print edition | Britain Nov 3rd 2018

IN BELFAST, THE past is constantly passed. Protestants heading to the shops might walk by a mural of "King Billy", as they call William of Orange, who helped ensure English domination of Ireland in the 17th century. In a Catholic area the subject might be Bobby Sands, a republican who died on hunger strike in 1981. But even without such clues, it is not hard to get your bearings, for there is more vacant land on one side of the sectarian divide than on the other. "You can tell a Protestant part of the city because it's green," says Neil Jarman of the Institute for Conflict Research, a charity.

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Belfast, which was settled by Protestants in the 1600s, has been segregated since rural Catholics moved to work in its linen mills a century later. The sectarian "Troubles" of 1968-98 reinforced the pattern, with "peace walls" built to protect each side from the other's troublemakers. Middle-class areas have integrated a fair bit since the ceasefire, but social housing remains divided. "The west is Catholic, the east is Protestant, the south is wealthy and the north is a mess," says Mr Jarman.

Although the area inhabited by each community has shifted only a little since the early 1970s, their respective shares of the city's population have changed sharply. In 1971, 28% of Belfast's residents were Catholic and 54% were Protestant. By 2011, Catholics outnumbered Protestants, thanks to a higher birth rate and a disproportionate number of Protestants moving to commuter towns. "The Catholic population is expanding and needs more land," says Brendan Murtagh of Queen's University Belfast. "The Protestant population is retreating and needs less."

Enduring tensions and physical barriers between communities make it hard to match supply with demand. Social housing is scarce on both sides, but a report last year by the province's Equality Commission found that Catholics waited longer to be housed than Protestants. In 2013-14 the neediest Catholics waited an average of 28 months for a home in west Belfast, whereas Protestants waited only a little over a year. The mismatch cannot be solved by building in Catholic areas, which are already packed. "We've built on every postage stamp," says Colm McQuillan of the Northern Ireland Housing Executive (NIHE), which maintains social homes. In some Protestant areas, grass grows in empty lots.

Many Catholics will not consider moving to Protestant estates. Carrie-Louise Delaney, a mother of three who has been on the waiting list for more than two years, has Protestant friends but would be afraid to live in their part of town. "If you could just lift all the houses over there over here, it'd be OK," she says. Sectarian murals and paramilitary flags create what NIHE calls a "chill factor", deterring outsiders. Four-fifths of Northern Irish people tell pollsters they would like to live in a mixed neighbourhood, but most social-housing applicants opt to live in their own communities. Ten new integrated estates have been built across the province, but in one such development four families claimed to have been intimidated out of their new homes by loyalist paramilitaries.

Location, location, location

Politicians do little to dispel these fears. Both sides have an interest in maintaining segregation. "It makes it easier for parties to know where to campaign and direct their resources," says Mr Jarman. They have wrangled over housing since at least 1968, when a council home was allocated to a Protestant single woman ahead of two Catholic families, inspiring civil-rights marches that sparked the Troubles.

Caral Ni Chuilin of Sinn Féin, the main nationalist party, accuses NIHE of bowing to unionist pressure not to develop vacant sites. On a tour of a Protestant neighbourhood, Nelson McCausland, a unionist ex-housing minister, points out every child to bust the "myth" that the population is ageing. He claims to support development, so that Protestants who left Belfast might return. But he fears a Catholic "surge" across the north of the city: "Sometimes a siege mentality is the result of a siege reality."

The system used to allocate properties compounds the problem. Prospective tenants are asked to specify two of more than 80 areas of the city where they would like to live. After six months on the waiting list, their search area is expanded, but only a little. A points system designed to identify the neediest applicants allows victims of intimidation to leapfrog the rest. Housing officials suspect some people game the process by fraudulently claiming to have been threatened. One charity worker says people pay paramilitaries to put bullets through their letterboxes. Ms Delaney says someone "intimidated himself" out of a property by scrawling abuse on the walls.

Proposals to abolish intimidation points and allow applicants to search in broader areas were unveiled last year by the province's Department for Communities but are unlikely to get far while its political parties refuse to work together. Northern Ireland's assembly has been suspended since January 2017. The delay is "extremely frustrating", says Mr McQuillan. "Things here move at glacial speed."

This article appeared in the Britain section of the print edition under the headline "Building blocs"

Death comes to all

Where is Britain's stall in longevity most marked? Oddly, rich areas

New evidence raises questions about the supposed link between austerity and the drop in life-expectancy growth

Print edition | Britain Nov 3rd 2018

AS IN POST-SOVIET Russia or opioid-ravaged parts of America, stalling growth in life expectancy is often a sign of a sickly society. Diagnosing the sickness, however, can be difficult. Researchers seeking to explain why Britons have recently stopped living longer have been hampered by a lack of data. Information is often out of date and tends to cover broad swathes of the country, making it hard to spot underlying trends. In the absence of a better explanation, some experts have argued that the slowdown can be attributed to a squeeze on health and social-care spending.

A study published on October 24th suggests that the picture may be more complicated. From 2006-07 to 2015-16, the number of premature deaths decreased faster in the most-deprived tenth of local authorities than in the least-deprived tenth, according to estimates published by the *Lancet* and the Global Burden of Disease Study, based at the University of Washington. Moreover, in 2013-15 premature mortality did not just fall more slowly in affluent areas—it increased. In other words, the slowing gains in life-expectancy seem to be attributable more to rich areas than to poor ones. John Ford of the University of East Anglia, a co-author of the analysis, says it is the first research to find something like this, in Britain or anywhere else.

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One possibility is that illnesses like cardiovascular disease are following an “epidemic curve”, says John Newton of Public Health England, a government agency which helped to fund the research. Such illnesses were at their worst in the 1970s and 1980s and have since become less common. Further improvements will be hard to achieve among rich folk who already smoke little, eat healthily and exercise. Complicating the picture, however, is other evidence which suggests that health inequalities between rich and poor have slightly widened in recent years. It may be that poor people living in rich areas have, for some reason, fared worst of all.

Whatever the cause, the trend has helped reduce regional health inequalities—albeit not in a way policymakers would like. Not only has the improvement in premature mortality slowed in poor areas, too, but poor areas still suffer vastly more than wealthy ones. The number of years of life lost to premature deaths was more than 14,000 per 100,000 people in Blackpool, a deprived seaside resort in the north-west, compared with less than 7,000 in Wokingham, a market town in the south.

The research also identified the main source of the slowdown as more gradual improvements in cardiovascular disease and breast, colorectal and lung cancers. By contrast, the rate of improvement for Alzheimer's disease and other forms of dementia did not change much.

Those who argue that a complex mix of factors, rather than trimmed care budgets, is to blame for stalling gains in life-expectancy point out that a similar stall is also apparent in countries like France and Germany, which have not experienced spending cuts on the scale of Britain's. The new estimates do not end the debate. But the nuanced picture they present, with improvements varying by disease and area, further bolsters this case.

This article appeared in the Britain section of the print edition under the headline "Death comes to all"

Britannia ruled by waves

Rising sea levels threaten Britain's shores

Pacific atolls aren't the only places at risk of going under

Print edition | Britain Nov 3rd 2018

LOCOMOTIVES HAVE plied the Dawlish railway seawall, which hugs Devon's beaches between Exeter and Newton Abbot, since 1846. Passengers are treated to magnificent views of the English Channel—and occasionally to a frisson, when rough seas break on the concrete groynes and envelop oncoming trains in sea spray. If, that is, the trains are running, which increasingly they are not. Service was suspended for a day in mid-October after storm Callum wrecked a culvert. In 2014 the line closed for two months to repair storm damage.

Such disruptions are likely to become more common. A report published on October 26th by the Committee on Climate Change, which advises the government, warns that rising waters pose a growing threat to England's shores. They have edged up by 15cm (six inches) since 1900 and could rise by another 50-80cm by the end of the century, as a result of man-made global warming. Unlike Kiribati or other atoll nations, the sceptred isle would not be wiped off the map. But stretches of its coastline would be.

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Besides 436km (271 miles) of railway, the authors identify 930km of main roads, 187,000 hectares of farmland and as many as 520,000 properties already exposed to a one-in-200 chance of coastal flooding each year. If Earth warms by another 1°C, which the world's current policies all but guarantee, these figures could double, affecting 1.1m Britons. The committee puts the damage to properties alone at £370m (\$470m) a year by 2080.

England appears unprepared (the report did not consider Wales, Scotland and Northern Ireland, which pursue their own policies). Councils rely on outdated planning guidelines. Homeowners in safe areas cross-subsidise the insurance of those in risky ones through Flood Re, a government-run scheme. The property market reflects clifftop villas' breathtaking views rather than their hair-raising risk of tumbling into the sea.

Building seawalls and other defences to protect important stretches of shoreline from rising tides could cost £6.4bn-9.2bn. Big cities like Liverpool or Newcastle can count on help when the water comes. But a tenth of the 1,600km of endangered coast may prove too uneconomical to safeguard, according to the report. Its authors will not say where; that is up to the government. But imperilled residents surely deserve to know.

This article appeared in the Britain section of the print edition under the headline "Britannia ruled by waves"

Bagehot

Two new books explain the Brexit revolt

“Whiteshift” and “National Populism” unearth the causes of the great upset of 2016

Print edition | Britain Nov 3rd 2018

AS FAR AS British politics is concerned, Brexit is the defining issue of our time. Yet even intelligent people cling to feeble explanations of why it happened. Remainers present it as a revolt of the know-nothings, despite the fact that a third of graduates voted Leave. Brexiteers counter that it was a revolt of the people against the elites, despite the fact that Brexit was popular among rich retirees in the shires, and that many of the campaign’s leaders went to expensive private schools. Others implausibly cite one-off factors, such as Russian interference or Jeremy Corbyn’s Europhobia.

Two new books offer much more intelligent explanations of Brexit. They matter—not just because intelligent explanations are preferable to foolish ones, but also because the subject is still a live one, with millions of people hoping to reverse the referendum and the Conservative Party fighting a civil war about what sort of Brexit to embrace. “Whiteshift”, by Eric Kaufmann, is a monumental study of ethno-demographic change and the rise of populism across the rich world. “National Populism”, by Roger Eatwell and Matthew Goodwin, is a fact-filled survey of the revolt against liberal democracy. Both books range far beyond Brexit and Britain. But in doing so they put a parochial debate in a much bigger context.

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Mr Kaufmann, a professor at Birkbeck College, London, argues that Brexit is an example of how anti-immigration populism can suddenly punch through from the margins of politics into the mainstream, threatening the economic interests that cosmopolitan elites care about. The foreign-born share of Britain’s population remained under 2% until the 1950s and stood at 6% as recently as 1991. Then a number of things happened. Immigration surged. The Labour government tried to re-define Britishness to mean support for cosmopolitan liberalism (according to Andrew Neather, one of Tony Blair’s speechwriters, some in the party wanted to use mass immigration to “rub the Right’s nose in diversity and render their arguments out of date”). The attacks of September 11th 2001 and July 7th 2005 put the question of Islamist terrorism at the heart of politics. Successive governments failed to keep their promises to reduce immigration. And a long-simmering row within the Conservative Party triggered a referendum on Brexit that also involved profound issues of national identity, giving voters a unique opportunity to express worries that had been festering for decades. A poll two months after the referendum showed that 87% of Leavers wanted to reduce immigration and 40% thought it the top issue facing the country.

Mr Kaufmann’s decision to focus on “whiteness” is questionable when it comes to understanding Brexit and perhaps even when it comes to understanding Trumpism (28% of Latinos voted for Donald Trump in 2016). The big surge in immigration after 2004 came from whites, when eight eastern European countries were admitted to the European Union. Large numbers of south Asians in places such as Birmingham, Bradford, Luton and Slough voted for Brexit because they worried that Poles and Romanians were taking “their” jobs and using “their” public services. But Mr Kaufmann is undoubtedly right that it is impossible to understand Brexit—or populism in general—without examining the way that mass immigration has discombobulated established populations.

Messrs Eatwell and Goodwin also emphasise the importance of immigration, which they somewhat ominously classify under “destruction”, one of four Ds that they believe explain populism. The second is distrust, of established elites. Some 58% of Britons who thought that politicians “do not listen to people like me” voted for Brexit, compared with only 37% of people who thought they did listen. About 2.8m habitual non-voters, who had given up on politics during the Blair-Cameron years of identikit politicians with interchangeable policies, turned out to vote Leave. The third D is deprivation. It is important not to exaggerate this problem. Many people, rich and poor, voted for Brexit because they worried about democracy and accountability. But a growing feeling of both absolute and relative deprivation nevertheless tipped the balance for significant groups of voters, particularly in Labour territory, where local MPs fought a losing battle against the Brexit tide.

The fourth D is the “dealignment” of politics, meaning the abandonment by voters of their usual party. This is the most counterintuitive of the authors’ claims when it comes to Britain. In the election last year, Labour and the Tories won 82% of the vote, their highest share since 1970. But the potential for dealignment is there. In 2015 and 2017, 43% and 32% of voters respectively changed their votes from the previous election. Brexit cuts like a knife through both main parties: Labour represents the most passionately pro-Remain constituencies in the country and the most passionately pro-Brexit ones.

The revolts to come

What does this mass of research tell us about the future? An immediate lesson is that the political elite should not take the decision to re-fight the 2016 referendum lightly if the opportunity presents itself. Millions of people who voted for Brexit precisely because they felt that their opinions were being ignored by the establishment could be dangerously radicalised if a second vote went narrowly in favour of Remain. A longer-term lesson is that, Brexit or no Brexit, nationalist populism will be an important part of British politics for decades. Many feel the odds are stacked against them. The post-industrial economy combines large amounts of disruption with slow growth. Culture is dominated by preening elites who not only think they are

cleverer than the average person but also that they are more virtuous. Brexit is an example of what can happen if politicians refuse to deal with popular fears about emotive subjects before they become toxic. It is vital that the political class, not just in London but across the West, and not just in legislatures but among the broader establishment, learns the right lessons from this failure.

This article appeared in the Britain section of the print edition under the headline "Explaining Brexit"

Anti-Semitism

The mourning that never ends

Anti-Semitism in the West

Jew-hatred keeps mutating to survive

Lessons from the Pittsburgh massacre

Print edition | International Nov 3rd 2018

LIKE MOST American synagogues, the Kehilath Jeshurun congregation in Manhattan flaunts its Jewishness. The Hebrew letters of its name are cut in the stone façade, under stained-glass windows bearing six-pointed Stars of David. On the Sabbath, when Jared Kushner and Ivanka Trump prayed there (before moving to the White House last year), they would walk past the local Jewish day-school through streets filled with Orthodox families. More progressive Jews might go to the even more ostentatious Park Avenue Synagogue, or one of New York's hundreds of other temples.

In contrast, the Jewish Cultural Centre in Amsterdam is almost out of sight. No religious symbols or Hebrew script identify its exterior. Visitors must be buzzed by a receptionist into a vestibule through double doors. The city's main Jewish day-school is equally nondescript, surrounded by fences and cameras. Security was tightened after a terrorist attack on a Jewish museum in Brussels in 2014. Some Jews who wear skullcaps no longer visit areas with large Muslim populations.

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Such snapshots say much about Jewish life in the West: thriving and exuberant in America; nervous and under attack in western Europe. The new continent has been a promised land; the old one a museum or graveyard. Some American Jews have warned their European brethren to leave. Thousands have gone to Israel, notably from France, where, along with murders and other outrages, graveyards have been desecrated (pictured above).

Frightening times

Yet this oversimplifies matters. Most Jews in Europe do not cower. Nor have American Jews been as safe as they presumed. That became tragically apparent on October 27th, when a white-supremacist gunman, named as Robert Bowers, shot dead 11 Sabbath worshippers in Pittsburgh (see [article](#)). "I never thought that the kind of terrorism that we have seen in France and in other places in Europe would be raising its ugly head in America," says Rabbi Marvin Hier, founder of the Simon Wiesenthal Centre, a Jewish group. And he thinks "it's only the opening round." Suddenly, it is American Jews who have started talking about whether, when and how to leave.

It is futile to try to assess the true extent of Jew-hatred from the deeds of a lone gunman. The Anti-Defamation League (ADL), which fights bigotry, says there was a sharp rise last year in anti-Semitic incidents, such as vandalism of Jewish sites and harassment (including bomb threats). But the number of assaults on Jews was small and fell. Worldwide, violence against Jews has declined sharply since 2014, according to an annual study by Tel Aviv University's Kantor Centre (see chart).

Beyond such violence, defining anti-Semitism is harder because it is so protean. Historically, notes Jonathan Sacks, Britain's former chief rabbi, "Jews were hated because they were poor and because they were rich; because they were communists and because they were capitalists; because they kept to themselves and because they infiltrated everywhere; because they clung to ancient religious beliefs and because they were rootless cosmopolitans who believed nothing." These days, overt Jew-hatred is comparatively rare in the West, largely because of its association with the Nazi Holocaust. Often it is disguised. Rants about "globalists" on the far-right and "Zionists" on the far-left can be euphemisms for "Jews". Yet both words have straightforward meanings, too, and not all who use them are bigots.

Michal Bilewicz of the University of Warsaw outlines three categories of anti-Semitism. The "traditional" kind is based on Catholic teaching (since abandoned) that Jews killed Christ, and on medieval blood-libels (accusations that Jews killed children to mix their blood with Passover flatbread). The second, "modern", sort is based on a belief in conspiracies by powerful Jews. The last kind, "secondary" anti-Semitism, holds that Jews abuse the history of the Holocaust. Others seek to categorise the miasma differently: eg, as racist, economic, cultural and religious; or explicit and coded; or soft and violent.

Many see a "new anti-Semitism" that developed after Israel's victory in the six-day war of 1967. The Soviet Union and its vassals purged Jews on the grounds that they were Zionists and thus agents of America. This overlaps with Muslim Jew-hatred, which not only denounces Israel but also presents Jews as the enemies of Muslims since the time of the Prophet Muhammad. This form has proven the most murderous in recent decades. Global jihadists say they are fighting against "Jews and Crusaders". In the West anti-Semitic acts by Muslim migrants tend to spike with rises in Israeli-Palestinian violence. Speaking at a protest against the war in Gaza in 2014, Appa, a Dutch-Moroccan rapper, blurred the line between politics and religion: "Fuck the Zionists! Fuck the Talmud!"

Left, right and wrong

A wave of jihadist attacks against Jewish targets in Europe in 2012-15 resulted in 13 deaths in France, Belgium and Denmark. Increased security, and caution by many about revealing their Jewish identity, led to a drop in attacks on Jews. Attention shifted to anti-Semitism on the radical left. Britain's Labour Party, the main opposition and political home of many Jews, has torn itself apart this year over which kind of criticism of Israel should be regarded as an attack on Jews. Jeremy Corbyn, its left-wing leader, agreed only grudgingly to accept that utterances repudiating Israel's right to exist, or accusing it of behaving like the Nazis, were anti-Semitic.

Yet it is odd that right-wing anti-Semitism, obsessed with Jews at home, and the left-wing variety, focused on Jews in Israel, survive at all. The number of Jews in the world is quite small—about 6m apiece in Israel and America, and another 2.5m scattered elsewhere. Indeed, some talk of “anti-Semitism without Jews”.

The Pittsburgh murders were a stark reminder of the threat lurking on the far right, particularly among white supremacists who lump Jews in with blacks, Muslims and other minorities as objects of hatred. American far-right groups benefit from a greater degree of free speech than do European ones—and easy access to guns.

Binding the disparate dislikes is a belief in conspiracies—that Jews control society, the economy, the media or the world. “Once you start down the path of interpreting the world in terms of conspiracies, sooner or later you stumble into anti-Semitism,” says Dave Rich of the Community Security Trust, a British charity that helps protect Jewish institutions.

Perhaps the most enduring fantasy, that Jews are plotting to dominate the world and destroy civilisation, was popularised by the “Protocols of the Elders of Zion”, a tsarist forgery from 1903. That trope has been turbo-charged by social media, which can turn rumours into accepted facts, and spread fringe ideas.

A study by the ADL of more than 4m anti-Semitic tweets last year found that a favourite theme is the demonisation of George Soros, a Hungarian-born Jewish financier and donor to liberal causes. This seems to have begun in Russia, home of the Protocols, and spread to Serbia, Macedonia, Turkey and his birthplace in Hungary. There, the populist government of Viktor Orban in 2017 plastered the financier's face on posters with the slogan “Let's not let Soros have the last laugh.” The hysteria reached Britain, where Mr Soros is vilified for his role in helping to push the pound out of the European Exchange Rate Mechanism in 1992. One newspaper ran a sinister front page accusing him of “backing secret plot to thwart Brexit”.

Soon enough, anti-Soros vitriol was poured by right-wingers in America and by President Donald Trump himself. In Pittsburgh, some Jewish mourners say they are “pulsating with anger”—at Mr Trump even more than at the gunman. A defining moment, for many, came during clashes in Charlottesville last year between white nationalists, some of them chanting “Jews will not replace us!”, and counter-protesters. Mr Trump all but equated neo-Nazis with anti-racists by saying there were “very fine people on both sides”.

That was “a mistake”, says Rabbi Hier, who led a prayer at Mr Trump's inauguration. The president divides families and Jewish congregations, admits the rabbi. “But it is hard to say he is anti-Jewish. Of all the presidents who promised to move the American embassy to West Jerusalem, he is the only one who has done it.”

Several populists in Europe have also sought to embrace Israel, whether to cleanse themselves from the stain of neo-Nazism or because they regard Israel as a strong ethno-nationalist state. In France Marine Le Pen, leader of the National Front (now renamed National Rally), has moved to cleanse the party of the anti-Semitic image it had under her father, Jean-Marie. She has described the Holocaust as the “height of barbarity” and claims to be “the best shield” for Jews in France against “Islamic fundamentalism”. An ex-adviser even set up a group called the Union of French-Jewish Patriots. Yet her charm offensive has its limits. During the presidential campaign in 2017, she enraged French Jews by stating that “France was not responsible for the Vél' d'Hiv”, the wartime roundup of French Jews and their deportation to the death camp at Auschwitz in 1942.

Israel, for its part, has been happy to repay populists' love. When Hungarian Jews persuaded the Israeli ambassador in Budapest to denounce the anti-Soros posters as inherently anti-Semitic, he was countermanded by the Israeli government. The Israeli foreign ministry described Mr Soros as a figure who “continuously undermines Israel's democratically elected governments”, and funds organisations “that defame the Jewish state and seek to deny it the right to defend itself”. Binyamin Netanyahu, the prime minister, seems to see Mr Orban as a soulmate who can ease European pressure on Israel over its treatment of Palestinians. For Keith Kahn-Harris of Birkbeck College in London, Mr Netanyahu's dalliance with populists “is splitting diaspora Jews from Israel”.

The rising climate of hatred alarms many Jews. For the most part, they have benefited from the liberal order which populists threaten to disrupt. Deborah Lipstadt of Emory University in Georgia, the author of a forthcoming book on anti-Semitism, argues that Jews in America have enjoyed a “golden age”.

Freed from restrictions on where they could live, study and work, Jews are well integrated among the elites of Western countries. But Jew-hatred, however latent, has never been wholly vanquished. And, as Rabbi Sacks argues, “anti-Semitism is the world's most reliable early warning sign of a major threat to freedom, humanity and the dignity of difference.” It is sometimes said that violence against the Jews does not stop with the Jews. In Pittsburgh, the trail of bloodshed has run the other way. Murderous hatred, which had already killed black worshippers elsewhere, has now reached the Jews. Who will be next?

This article appeared in the International section of the print edition under the headline “The mourning that never ends”

Streaming-video wars

Game of phones

Game of phones

HBO will lead AT&T's challenge to Netflix

Time Warner's crown jewel must scale up while maintaining quality

Print edition | Business Nov 3rd 2018

IN LATE 2012, just before the release of “House of Cards”, Ted Sarandos, chief content officer of Netflix, declared: “The goal is to become HBO faster than HBO can become us”. Few took him seriously. HBO had a globally recognised brand with some of the best programmes in television, including “Game of Thrones”. Yet Netflix would go on to surpass HBO in subscribers, money spent on programming and, this year, Emmy-award nominations.

Meanwhile HBO did not try to become Netflix. It prioritised profits over growth as Jeff Bewkes, then chief of Time Warner, HBO's parent, looked to sell the company. HBO achieved enviable operating-profit margins of 30-40% (\$2.2bn on \$6.3bn of revenue in 2017), and was comparatively restrained in its pursuit of high-profile shows (Netflix committed \$100m in outbidding HBO for “House of Cards”, and was ridiculed for it). The network also lagged behind in the technologies of personalisation and streaming that made Netflix a killer app. At one point Reed Hastings, boss of Netflix, puckishly joked that the password used by Richard Plepler, his HBO counterpart, for online access was “Netflix bitch”.

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Now HBO is preparing to launch its counter-attack, backed by a phone giant. In June AT&T finalised its \$109bn purchase of Time Warner. The wireless firm, which is also America's largest distributor of pay-TV, views itself as locked in an existential battle with Netflix, Amazon, Facebook and Google for people's attention. Facebook and YouTube each command screen time from about 2bn users a month, while Netflix wins about two hours of viewing a day per subscription. With its newly-acquired media assets, AT&T wants to match that kind of engagement.

Ma Bell rides out

AT&T is pinning its hopes in part on a new subscription streaming service to be rolled out in 2019 under Time Warner's new banner of WarnerMedia. A bigger HBO will be the “cornerstone” of that strategy, says John Stankey, boss of WarnerMedia. The phone firm hopes video customers will become wireless customers, and vice versa, driving down both churn and the cost of acquiring subscribers. It will join a crowded field: Disney and Apple are launching streaming-video services next year.

HBO is not far behind Netflix in subscribers, with more than 100m worldwide (142m when counting subscribers to Cinemax, HBO's other premium service), including about 40m subscribers in America. Netflix has nearly 60m subscribers in America and 137m globally. But most of HBO's customers are acquired through a third-party distributor, depriving it of direct customer relationships and data.

Under AT&T, HBO will have a better crack at both. AT&T already offers HBO-over-the-internet in America in high-end wireless plans and in packages with DirecTV Now, a streaming pay-TV service (and will do the same with its new streaming product). Eventually AT&T will allow HBO to sell more directly to consumers around the world. With accompanying investments in technology HBO should get a lot more data about what those subscribers are watching.

And the new HBO will have a lot more shows to watch. Its budget for programming had grown at a snail's pace under Time Warner, to \$2.3bn in 2017; Netflix increases its spending on programming by an entire HBO or more each year, to \$12bn-13bn in 2018. Under AT&T, HBO will spend several hundred millions more on original programming next year, and more than that thereafter. Mr Plepler, who has fretted in the past that he could not say “yes” to everything he wanted, has already started saying “yes” to a lot more. HBO's slate of big-budget shows in the coming years now includes adaptations of “The Time Traveller's Wife”, “His Dark Materials” and “Watchmen”. HBO is also developing a prequel to its biggest hit, “Game of Thrones”. Mr Stankey says he wants “a more muscular HBO” that engages customers so regularly that they consider it important enough to keep year round.

But HBO will not try to muscle its way into becoming another Netflix, which releases hundreds of original feature films, documentaries and series a year. Netflix sells its product on volume, personalisation and ease of user experience. HBO by contrast wins subscribers through a few hit shows and a reputation for quality television, which could be wrecked by an over-rapid expansion. As the network's margins may be eroded in the near term, AT&T will need to be cautious. WarnerMedia will already take a hit to revenues as it pulls its content from Netflix to beef up its offer.

Yet HBO will still face a challenge to maintain its reputation as it expands. One Hollywood executive reckons that its schedule of original shows is about to double in size in the next few years. Among TV networks, he says, “I don't think anybody has ever tried to scale it at the level that HBO is attempting to scale it.”

AT&T's bosses show signs of understanding this. Randall Stephenson, its chief executive, has referred to HBO as Tiffany's to Netflix's Walmart. Still, making the transition under AT&T will not be easy. In June Mr Stankey told a gathering of HBO employees that the year ahead would be such hard work at times that "it feels like childbirth". AT&T is expected to surround HBO'S programmes with a variety of assets from WarnerMedia, from Warner Bros studio's films (such as "The Dark Knight") and TV shows (like "Friends") to Turner's library of classic films. Under Time Warner those assets were farmed out to a wide array of outlets including Netflix, HBO, Cinemax, Turner's cable networks and niche streaming services like FilmStruck (which will shut this month). If they are consolidated in one streaming product, to be sold alongside HBO, subscribers would in theory have something else to watch between servings of "True Detective" and "Westworld". "There are nights you want to go to a four- or five-star restaurant," Mr Stankey says. "But we also know there are nights where you want to get a cheeseburger."

This article appeared in the Business section of the print edition under the headline "Game of phones"

Bartleby
Better by design

Companies can make work far easier for disabled employees, if they want to

Print edition | Business Nov 3rd 2018

BEFORE 2016, Hiroki Takeuchi had not really thought about the difficulties faced by someone in a wheelchair. But while cycling near Regents Park in London he had an accident that paralysed him from the chest down. He was in hospital for three months and when he did return to work he could manage only one day a week. It took 18 months for him to rebuild his strength.

One consolation for Mr Takeuchi was his work environment and the support it gave. That was because he ran his own company—GoCardless, which processes direct-debit payments for businesses. The firm's board waited patiently while his health improved. It also helped that the business could move offices. At the previous site, the desks were tightly packed and it was difficult to manoeuvre a wheelchair. The new office is more open and has parking spaces, so he can drive a specially adapted car to work. He comes in later than others, as it takes a long time to get ready in the morning.

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Few disabled people have such an accommodating workplace. In 2015, 35% of Americans with physical disabilities were employed, compared with 62% of those without. A recent survey by the Toyota Mobility Foundation of 575 wheelchair users across five countries (America, Brazil, Britain, India and Japan) found that 39% had been unable to work because of mobility problems. Only 4% felt they had suffered no negative effects while working or job-hunting.

Even the most treasured employees face difficulties. August de los Reyes is a designer who works for Google, having previously been employed by Pinterest and Microsoft. When he was at Microsoft, he had an accident that broke his back, leaving him paralysed from the chest down. He is fortunate to have a powered wheelchair and nursing assistants that can help him get to work. But travelling for business now is much harder than it used to be, he says; planes cram more people in, for instance. His wheelchair needs 1.5 metres to turn 360 degrees, making cramped spaces very tricky.

Mr de los Reyes's difficulties emphasise the importance of his area of expertise: design. Disability, he argues, is simply a mismatch between a person's ability and their environment. In that sense, disability is designed into the world. Imagine that your home had been built by cats. Entrances and exits would be small flaps; that is all a cat would need. Humans would be trapped inside, rendered immobile by a particular environment.

In her book, "Mismatch: How Inclusion Shapes Design", Kat Holmes recounts a wartime example of how a rigid approach to design can go wrong. America's Air Force took the bodily measurements of its pilots and used the average to design the cockpit. After many unexpected crashes, a researcher took ten of the most important measures and found out how many of 4,000 pilots matched all of them. The answer: zero. Instead of forcing everyone to conform to the average, the best approach was to make the seat adjustable.

Wheelchair ramps are probably the most obvious example of a design change aimed at making environments more inclusive. But several everyday objects and processes have their origins in approaches designed to deal with disability. The original intent of the TV remote control was to help people with limited mobility. Vint Cerf created some of the early email protocols in part to find a way to communicate with his wife; he was hard of hearing and she was deaf. Some of the drive to develop speech recognition and voice commands came from the need to help disabled people.

Ms Holmes says the ideal is "universal design", which creates an environment that can be used in the widest possible range of situations without any need for adaptation. For disabled workers, this means that all the elements of a workplace need to be accessible: entrances, lifts, meeting rooms, coffee facilities and, not least, toilets. If it is difficult for people to travel to meetings, firms must provide videoconferencing. And disability is not just about mobility. People with poor vision can be helped by increasing the colour contrasts on computer displays, for example.

Unless employers are aware of these problems, however, they will not try to solve them. And unless they hire people who are disabled, they will not find out how helpful innovative design can actually be. In the right businesses, such as consumer electronics, that unfamiliar perspective could even help companies come up with better products.

Economist.com/blogs/bartleby

Chip shot

An American ban defangs a nascent Chinese chip champion

Fujian Jinhua could have become too vital in America's military supply-chain

Print edition | Business Nov 3rd 2018

JINJIANG, A COASTAL city in Fujian province, is known for its thriving \$15bn shoe industry. Since the announcement in 2015 of a national plan to dominate ten promising industries, known as “Made in China 2025”, the city has marched into semi-conductors. By 2025 it aims to build a local chip industry that will be as valuable as its footwear one. Among its new stars is Fujian Jinhua Integrated Circuit, a maker of dynamic random access memory (DRAM) chips, the commodity semiconductors snapped into smartphones, laptops and servers.

The chipmaker, set up in 2016, is finishing off a \$5.7bn factory in Jinjiang. It may need to delay the ribbon-cutting. On October 29th America's Department of Commerce put a swingeing export restriction on Jinhua by barring American firms from selling it components. It said the state-owned firm posed a “significant risk” to American national security, and could “threaten the long-term economic viability” of its supply chain for military parts. America fears Chinese state ambitions to compete globally in new technologies, often through unfair or illegal means. But the economic rationale for its ban seems worryingly broad and could be applied to many other firms. China hit back that America was misusing export controls.

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The grievances against Jinhua are clear. On top of local-government investment, it has received money from a multi-billion-yuan fund that is backed by a state body. In 2017 Micron, an American competitor, sued it and a Taiwanese partner for trade-secret theft.

Micron says Jinhua stole its memory-chip designs with the help of engineers poached from United Microelectronics Corp (UMC), a Taiwanese chipmaker with which Jinhua co-operated in 2016 to develop technology for its factory. The case continues in America. The pair has reacted by accusing Micron of infringing UMC'S patents, and asked that a Fujian court hearing the case bar Micron shipments of the concerned products to China, which it did.

Micron said the ban would affect a mere 1% of its total revenue. But the signal from the Chinese side was clear, says Randy Abrams at Credit Suisse, a bank: “If you go after our champions, we can make things difficult for you.” Regulators also opened a price-fixing probe into Micron and two other leading DRAM chipmakers, Samsung and SK Hynix of South Korea.

But the American ban on Jinhua is more bruising than the Chinese one. The firm will be starved of essential manufacturing-technology supplies for its factory, for now a low-volume trial line. High-volume production is still a year away, reckons Mr Abrams. Other suppliers may fall in line with America. UMC said it would halt all research co-operation with Jinhua.

After America slapped an export ban in April on ZTE, China's second-largest telecoms firm, Xi Jinping, China's leader, urged technological self-reliance (the ban was lifted in July). Crippling another of the emblems of “Made in China 2025” will probably mean doubling down on his goal.

This article appeared in the Business section of the print edition under the headline “Chip shot”

Culp's ability

General Electric powers downwards

Larry Culp confronts old blunders that could stymie his future plans for GE

Print edition | Business Nov 3rd 2018

“WE COULD USE a lot more ‘out’ and a good bit less ‘up’ around here.” So declared Larry Culp, the new boss of General Electric (GE), on October 30th as he discussed the firm’s third-quarter results. He took over at the troubled American conglomerate on October 1st and is already sure that it needs to focus more on customers and rivals “and, frankly, less on corporate”, ie, the head office.

When Mr Culp replaced John Flannery, a GE insider who had held the top job for barely a year, investors cheered. GE’s shares had plunged of late even as other industrial shares rose. Initially, the appointment of Mr Culp, an outsider who had successfully led Danaher (a smaller industrial conglomerate), boosted GE’s share price. But the Culp bump subsided as investors started worrying that even Mr Fixit may not be able to fix what ails GE.

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His predecessors, Jeffrey Immelt, chief executive for 16 years until August 2017, and Jack Welch, who ran the firm between 1981 and 2001, have left a ghastly mess, as the latest results attest. GE missed revenue and profit forecasts, posting a loss of \$22.8bn in the third quarter. The firm recently wrote down \$22bn in goodwill at its power division, which makes turbines, as the result of hubristic and mistimed acquisitions made by Mr Immelt. Revenues fell by a third and orders fell by 18% at the power division in the quarter, with little prospect of an upturn. The firm is staying afloat thanks largely to its vibrant aerospace arm and its strong health-care division.

This week Mr Culp took aim at the unwieldy structure of the power division, which has bosses in Atlanta, in upstate New York and also at GE’s corporate headquarters near Boston. The division is to be split in two, with one part containing its gas products and services businesses and the other part bundling together energy offerings ranging from nuclear and steam to “grid solutions” and power-conversion kit. Both will report directly to Mr Culp.

He also slashed GE’s dividend, even though many small shareholders and funds rely on it. The firm has paid out over \$150bn in dividends since 2000, but its performance can no longer sustain such largesse. Mr Culp cut it from 12 cents per quarter to just a penny, saving nearly \$4bn.

That sounds substantial but Stephen Tusa of J.P. Morgan, an investment bank, insists it is not a silver bullet. The sum is small considering GE’s financial problems. GE Capital (GEC), the financing arm that was rapidly expanded by Mr Welch, this year took a \$6.2bn charge to cover shortfalls in its reinsurance business. The firm said this week that an additional \$3bn it had planned to inject into GEC may have to increase. Other liabilities may surface at the unit. Steven Winoker of UBS, an investment bank, has examined various wind-down scenarios and concludes: “Our base case implies negative value” for GEC.

GE also revealed this week that American regulators are asking tougher questions about its accounting practices. It was already being scrutinised by the Securities and Exchange Commission (SEC), America’s main stockmarket regulator, for the \$6.2bn charge it took this year, as well for other big charges. Now the SEC is expanding its civil investigation to look into the \$22bn goodwill charge. GE disclosed this week that America’s Department of Justice is also investigating its accounting practices, raising the spectre of possible criminal charges. As Mr Tusa puts it, “there is still much information to come and wood to chop for the new CEO.”

This article appeared in the Business section of the print edition under the headline “Culp’s ability”

Life on Mars

Guinea's bauxite boom is helping China but failing locals

China has promised the west African state a loan double the size of its GDP

Print edition | Business Nov 3rd 2018

IN THE SMALL village of Lasanayah, Mamadou Kalissa looks out over his ancestral home. Last year it was farmland but now bauxite mining has turned it into a Martian landscape that extends as far as the eye can see. Guinea's red gold is the main ore used to make aluminium. The Boké region in western Guinea has some of the world's richest reserves. A mining lorry rolls past, kicking up dust and causing Mr Kalissa to cough and spit saliva with a reddish tinge.

Every day hundreds of these lorries tear past the surrounding villages, bearing loads destined for China. There is nothing new about China's interest in African raw materials. Both Chinese and Western commodities companies have long looked to the continent's mineral wealth as a way to meet surging demand from China.

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But difficulties building infrastructure and negotiating mineral rights have stymied many projects. As a result of years of squabbling over mining rights, for example, not one tonne of ore has been extracted from Simandou, a vast iron-ore deposit in south-east Guinea. Extracting Boké's bauxite has met with less resistance.

Bauxite is used in many things from power lines and planes to phones and cooking pots. China is by far the world's largest consumer. But in 2014, the country's aluminium giants ran into a big problem acquiring bauxite. Indonesia, a large producer, stopped exports because of the damage that mining causes—it requires stripping vast amounts of topsoil and battering the ground beneath. Two years later, Malaysia ended bauxite mining for the same reason. Guinea, with the largest untapped iron and bauxite reserves in the world (see chart), offered an alternative.

In 2014 Winning Shipping, a Singaporean maritime firm, and UMS, a Guinean logistics firm, teamed up with Shandong Weiqiao, China's leading aluminium producer, in a joint venture called La Société Minière de Boké (SMB). Guinea's government also holds a 10% stake. SMB obtained rights to mine two areas in Boké, producing the first bauxite in 2015. SMB alone will produce 35m tonnes in 2018, almost double Guinea's total exports five years earlier. Everything goes to China; almost half of its bauxite imports come from Guinea.

"The stars were aligned," is how Frédéric Bouzigues, SMB's director-general, describes the firm's expansion. Other bauxite miners are based further inland and are constrained by a lack of railway lines to the coast. SMB's sites are less than 50km from the sea; the company built two ports and roads and transports everything by land on lorries.

The importance of Guinea to China is clear. The authorities in Beijing have promised the government a \$20bn loan—twice the country's GDP—to be paid to Guinea in instalments over 20 years, to secure access to its bauxite. But SMB's rapid expansion has come at a cost. A report published in October by Human Rights Watch, an international advocacy group, said that the Guinean government has allowed SMB to bypass environmental safeguards. "The focus on growth has been at the expense of the local peoples' environment and livelihoods," says Jim Wormington, one of the group's researchers. Although SMB employs more than 17,000 people directly or indirectly, many locals say the new job opportunities are not enough to compensate for the environmental damage. SMB says it has paid all its taxes and done the proper environmental checks.

The situation around the mines is nonetheless grim. SMB gave hundreds of villagers a one-off payment for access to their land but many villages are perilously perched near wide roads over which lorries pass day and night. Many villagers say they lack proper access to clean water because the mining operations have blocked or polluted rivers. SMB says it builds wells for the villages, and supplies water in tankers until they are completed. But a government-commissioned audit in May 2018 said that SMB conducted "no monitoring of the environment" and that the consortium lacks equipment to monitor air or water quality.

There are some signs of improvement: SMB says that it began an environmental-monitoring programme this year. But little of the money SMB pays in charges and taxes is reinvested locally by the central government. Mr Bouzigues says that when the consortium built a health centre it took the government about two years to send a doctor to man it. In an interview with *The Economist* in April he admitted that SMB itself could do more to improve locals' lives and that he personally wants to do better.

Guinea could in theory industrialise if it moved to processing bauxite instead of exporting it raw. SMB does have plans to build Guinea's first refinery, by 2022. Whatever happens, Boké's residents will find themselves at the mercy of the search for this prized material. "We can't just leave. We have nowhere to go," says Mr Kalissa, looking out over the red earth.

This article appeared in the Business section of the print edition under the headline "Life on Mars"

IBM's rebel yell

Big Blue's takeover of Red Hat could produce an über-cloud

*The \$34bn deal is another sign that open-source revolutionaries have won***Print edition | Business** Nov 1st 2018

BIG BLUE is donning red headgear. Even a few months ago the idea that IBM, a venerable corporate IT firm, would buy Red Hat, the biggest vendor of open-source software, would have been considered highly unlikely, not least because of IBM's aversion to big mergers. But on October 28th IBM announced that it would take over the firm for \$34bn, which represented a 63% premium over Red Hat's closing share price at the end of the previous week.

Red Hat is no household name, but in the IT industry the firm is considered a big success. Founded in 1993, it reached \$2.9bn in revenue in its most recent fiscal year. It takes free open-source software, makes some improvements, bundles it with other tools and services such as technical support, and charges a monthly subscription fee. The first product was a version of Linux, an operating system. It later acquired or developed more and more pieces of software that are needed to power computing clouds. One of the latest additions to its collection was OpenShift, a program that allows computing tasks to be easily moved around between data centres.

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IBM, for its part, has been struggling in recent years to transform itself from a firm which made most of its money from IT services, software and mainframe computers to one that is based on cloud computing and artificial intelligence (AI). After 22 quarters of declining revenue, IBM seemed to be over the worst when its turnover started to increase early this year. But in the most recent quarter, revenue dipped again.

The deal will probably mean that Ginni Rometty, the firm's chief executive, stays on for a few years to see through the integration. Analysts thought she was on her way out, not just because her strategy seemed to be failing, but because at 61, she is older than the standard retirement age for IBM bosses of 60.

More importantly, IBM hopes that the acquisition will give it a chance to catch up in the market for cloud computing. Big Blue failed to take the trend seriously in the late 2000s and decided not to invest in a network of huge data centres. As a result it has fallen behind the big "public" clouds (as opposed to "private" ones, which only serve a particular company), in particular Amazon Web Services and Microsoft Azure. Red Hat's OpenShift is supposed to create an über-cloud, allowing computing workloads to run anywhere: whether it is in corporate data centres, on any of the big public clouds or a combination thereof.

There are plenty of ways for the merger, which is the largest in IBM's history, to go wrong, however. One question is whether the added flexibility of such mixed systems and the promise of not getting locked into any one vendor will be enough to lure firms onto IBM's new platform. They could shy away from the additional complexity and still prefer to put their data into one cloud. Another is the risk of a cultural clash between IBM's still relatively strait-laced culture and Red Hat's freewheeling one. Such concerns, in addition to the high price tag, explain why the firm's shares fell by 4% the day after the deal was announced.

And then there is the question of what the acquisition means for Watson, IBM's much-promoted AI business, which has disappointed so far. Some have suggested that buying Red Hat could mean that IBM will turn away from Watson, instead focusing even more on cloud computing. Yet the opposite is true: Red Hat's software containers are meant to be a vehicle to deliver AI everywhere. The idea is that IBM's cloud failure held Watson back; now it has the chance to spread more widely.

However the merger plays out, it has already produced one big winner: open-source software, which is developed collectively by firms that benefit from it and also by volunteer programmers. Red Hat is the third multi-billion dollar acquisition of an open-source firm this year after MuleSoft, bought by Salesforce for \$6.5bn, and GitHub, taken over by Microsoft for \$7.5bn. Not bad for a type of code whose pioneers saw themselves as rebels fighting "evil" proprietary-software makers. Such origins were the inspiration for Red Hat's name, as Bob Young, the company's co-founder, once explained: 18th-century revolutionaries in America and France wore red caps during their uprisings. Now, open-source firms look more like the establishment.

This article appeared in the Business section of the print edition under the headline "IBM's rebel yell"

Bloody defeat

Mumbai unions force Uber and Ola into a corner

Strikes work when backed by violence

Print edition | Business Nov 3rd 2018

MUMBAI, INDIA'S financial capital, is famous for its appalling traffic. But since October 22nd its roads have been miraculously clear. The reason is that drivers for Uber and Ola, India's two biggest ride-hailing firms, have been on strike. Local newspapers estimated that 90% of the roughly 35,000 drivers in the city have stopped working. Mumbai's middle classes have been forced back onto trains, buses and rickshaws to get around, complaining vociferously.

Protests against working conditions at ride-hailing firms are not new, nor restricted to India. But what makes Mumbai's strike different is that for once the firms seem likely to buckle. Drivers' unions said that 80% of their demands had been met, including one to raise pay rates. If so, this will be one of the first times that ride-sharing firms have had to negotiate as a result of industrial action.

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The drivers' complaints are straightforward. When Uber, an American firm, and Ola, from Mumbai, started operating five years ago, they paid drivers generously. Some made as much 100,000 rupees a month (\$1,360), a fortune in India. But over the past two years pay has been cut drastically. And in recent months, rising petrol prices have made things worse. "They are looting us," says Nikhil Thakur, who has been driving for Ola for two years. His daily earnings have fallen from 3,000 rupees a day to less than 2,000. After paying for fuel, insurance and the cost of the loan for his car, he is barely breaking even. And because he still has to pay off what he has borrowed, he is trapped. "We bought cars on trust," he says, and "today we are dying."

But that drivers are miserable is no guarantee of a successful strike. What seems to be making a difference in Mumbai is the organising strength of powerful unions, in particular one called Maharashtra Rajya Rashtriya Kamgar Sangh. Striking is not easy for hard-up drivers, after all. "I won't be able to buy new clothes for my children in Diwali [a Hindu festival]," laments Lakshman, who works for Ola. Thousands would have crossed picket lines already were it not for colleagues who maintain solidarity, by, for example, forcing strikebreakers to strip naked or smashing their phones. Dozens trying to work have been beaten up and their cars damaged.

The ride-hailing firms do not think they have the support of the authorities; last year Uber won an injunction compelling police officers to stop intimidating its drivers. But if the firms do give in to the strikers, what will happen? In July, one of Ola's investors revealed that the firm's losses increased by 55% last year, to \$660m. Uber does not publish figures for each of its markets, but it is not thought to be making money in India. Striking drivers should perhaps not push things too far: they may find themselves out of jobs.

This article appeared in the Business section of the print edition under the headline "Bloody defeat"

Schumpeter
Big Tech's sell-off

The shares of the world's tech giants have sunk. Wobble or wipeout?

Print edition | Business Nov 3rd 2018

BUSINESS BOOMS and busts follow a pattern. They start with an exciting change in the economy. Managers and investors collectively create a story about it, which begins as an explanation, then morphs into an extrapolation, and then into an exaggeration. Eventually the data contradict the narrative, boom turns to bust, and a bout of austerity follows. A rout in internet firms' share prices since August has led plenty of people to ask if the tech industry is experiencing this sequence of hope, hubris and hurt for the second time in two decades. The answer is: to a degree, yes. The level of hype is particularly high, and some of the numbers are decidedly soft. That matters because tech firms are now so big and so spendthrift that a slowdown could damage the economy.

Rarely in stockmarket history have so many investors made so much money from so few shares going up for so long. Some 37% of the rise in the value of all firms in the S&P 500 index since 2013 is explained by six of its members: Alphabet, Amazon, Apple, Facebook, Microsoft and Netflix. About 28% of the rise in Chinese equities over the same period is owing to two firms: Alibaba and Tencent. Managers and investors have bought into a tale of effortless disruption by an elite of firms led by the world's brainiest people.

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Now the trend has reversed in startling fashion. The median drop in value of those eight firms has been 21% since the start of September, double the decline in global stockmarkets. Some \$900bn has been vaporised—more than the eight firms were worth a decade ago, and double the value of Indonesia's stockmarket. The pain has spread beyond the giants. The share price of Xiaomi, the largest tech listing of 2018, done in Hong Kong, has fallen by half from its peak (in dollar terms). Africa's most valuable firm, Naspers, has sunk by 38% from its high, thanks to its large stake in Tencent. Scottish Mortgage, a FTSE 100 investment trust that has bet big on tech, has tumbled by 18%.

Tech investors must have known that hyperbole was rife. In September Jeff Bezos, boss of Amazon, boasted that there was no limit to the size of his firm's market and that he did not focus on day-to-day matters. Bankers have told Uber, a midsized, unprofitable firm, that it might be worth \$120bn, double its valuation in May. Ads for tech-focused exchange-traded funds fill America's financial press—there are 239 specialist options for retail investors. Unfashionable firms are blowing the bank to mimic the cool kids: Walmart has paid \$16bn to buy 77% of Flipkart, an Indian e-commerce firm which is expected to lose over \$1bn next year.

What, then, do the recent falls say about the big tech firms? A rise in real interest rates in America is not the technology sector's fault, and explains about a third of the decline in the eight tech firms' market value (using a discounted-cashflow model). But the rest of the drop reflects three, tech-specific worries: decelerating growth, falling profit forecasts and rising capital intensity.

Start with growth. In the third quarter the median of the eight firms saw their sales rise by 25% compared with a year earlier (using a blend of actual figures and estimates for firms that have yet to report). That is impressive but below the rapid pace set in the prior quarter, of 40%, and the slowest figure for three years. On October 26th Amazon gave a range for its expected sales growth in the fourth quarter for which the midpoint was 15%; a sharp slowdown from the 31% underlying rate in the first quarter. It pointed to one-off factors, including currency moves and an accounting change, but perhaps the law of large numbers is catching up with it. Of the eight firms, all but Microsoft have seen their rate of growth slow.

The second worry is falling forecasts for profits. To justify their loftier valuations at the start of September, the eight firms would collectively need to triple their profits over the next decade, to \$550bn. The median odds of any one of the firms achieving this are 14%, based on the performance of all listed firms in America since 1950. More ominously, Wall Street forecasts for medium-term earnings are also falling as analysts take a more realistic view of tech business models. For the median of the eight firms, estimates for 2020 have dropped by 8% from their peak. Predictions for Facebook in particular have sunk by 18% to reflect the cost of sanitising its platform—hiring more moderators and carrying less virulent (and appealing) material. Analysts have cut their forecasts for Netflix by 11% to reflect escalating content costs, and by roughly a quarter at Alibaba and Tencent to reflect competition in China.

The last concern is rising capital intensity. Investors love tech stocks for their high margins and low investment. But this view no longer fits reality. For the eight firms total investment has tripled since 2013, to \$180bn a year. Internet firms are now the corporate world's largest spenders, but exhibit little of the rigour seen at conventional big investors such as Shell or Intel. The probable result is lower returns as firms throw cash at mediocre new businesses and enter the markets of rivals. China's big companies are battling over e-commerce, entertainment and payments. In America there are more signs of overlap, with Amazon moving into advertising and Apple into video. Measuring tech firms' return on capital is tricky owing to their intangible assets. But if you treat research and development as an asset with a ten-year life, the median return for the eight firms has dropped from 40% in 2013 to 26% this year.

Bloodied fangs and battered bats

Only one of the eight firms—Netflix—needs capital markets to finance itself. The others sit on \$350bn of net cash and in most cases are controlled by their founders, who can shrug off slower earnings and share-price gyrations. If a crash in valuations is unlikely, however, some belt-tightening is in order. That raises a new risk. The big six American tech firms employ almost a million staff, and account for a fifth of all investment by S&P 500 companies. Amazon's cut-throat pricing has lowered online inflation by about one percentage point. It is the ultimate tribute to the rise of the tech industry that if it sneezes the economy could catch flu.

This article appeared in the Business section of the print edition under the headline "The tech sell-off"

The American economy

What goes up

What goes up

Strong growth data obscure a probable slowdown to come

America's economy is being pulled in many directions

Print edition | Finance and economics Nov 3rd 2018

FINANCIAL MARKETS may have wobbled in recent weeks—the S&P 500 fell by 7.3% in October. But America's real economy still seems to be in rude health. Figures released on October 26th showed economic growth of 3.5%, at an annualised rate, in the third quarter of 2018. Most economists had expected a sharper slowdown after the 4.2% expansion recorded in the preceding three months. On just one other occasion since the financial crisis, in 2014, has America clocked up two consecutive quarters of such speedy growth. Can it last?

Some fear not. The economy has been given temporary fizz by President Donald Trump's tax cuts. Though these will be in place for some time, the impact on growth may not last. Together with February's budget bill, they will boost annual GDP growth by 0.6-0.8 percentage points by the end of 2018. But the impact will fade to 0.3 percentage points in 2019 at best, estimate Karen Dynan and Jason Furman of the Peterson Institute for International Economics, a think-tank. Most forecasters expect America to return soon to a growth rate close to 2%, with the main legacy of the tax cuts being weaker public finances.

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Boosters retort that the tax cuts will unleash permanently higher growth and investment. Although an ageing population is a drag, a hot economy could enable productivity to grow faster. That would provide the recovery's final missing ingredient and support growth even as the immediate effect of fiscal stimulus wears off.

At first glance the growth data do little to settle this debate. Over the first half of 2018 taxes on personal income were lower as a share of GDP, compared with the same period in 2017, by around 0.4 percentage points, and those on corporate income by around 0.7 percentage points. In the third quarter government taxation and spending contributed around 0.7 percentage points of the overall 3.5% growth rate, according to estimates by the Brookings Institution, a think-tank (see chart). Though this is the government's biggest contribution to real GDP growth since 2010, the economy would probably still be enjoying an uptick in growth without it.

Yet a closer inspection offers more support for a pessimistic view. Consider two components of growth: investment and trade. Non-residential investment was disappointingly weak in the third quarter, particularly given the economy's broader strength. Just 12% of 116 businesses recently surveyed by the National Association of Business Economics reported that they had increased their investments in response to the tax cut. Investments take time to plan and the data are noisy. But Mr Trump's tax cut was supposed to lead to a sustained investment bonanza. There are few signs of that so far.

There may be trouble in the housing market, too. Private investment in housing, including spending on equipment by landlords, fell for the third consecutive quarter. Explanations include demand constrained by affordability, as well as supply constrained by pricier land, a shortage of immigrant labour for construction and tariffs that have driven up costs. Changes in the tax treatment of housing and interest-rate rises may matter, too.

Meanwhile Mr Trump's tariffs are buffeting trade. A surge in soyabean sales has gone into reverse. Businesses have stocked up on inventory—enough to add more than two percentage points to growth in the third quarter. But this may be because they were preparing for dearer imports after tariffs on Chinese goods came into effect. If so, then those inventories represent spending brought forward rather than genuine growth. Trade worries may be behind the investment slowdown. The latest edition of the Federal Reserve's Beige Book, which gathers anecdotal evidence on the economy from the private sector, includes repeated mentions of uncertainty about the trade environment.

If investment continues to sag, growth will depend more on consumption, which in turn depends on rising employment, working hours and real wages. "The resiliency of the expansion rests purely with the labour market," says Julia Coronado of MacroPolicy Perspectives, a consultancy. So far this seems to be holding up. Private-sector wages are growing faster than in a decade; figures due to be released on November 2nd were expected to show another month of strong employment increases, as well as enough wage growth to push the year-on-year change above 3% for the first time since 2009.

Another risk looms as a result: that the Fed might raise interest rates too fast. It is the central bank's job to respond appropriately to the application and withdrawal of fiscal stimulus. It is not expected to raise interest rates at its next meeting, which ends on November 8th. But investors do expect another rate rise in December, and three more in 2019. As markets have swooned, these expectations have barely shifted. That might change if data on the real economy took a sharp turn for the worse. (Higher rates may be another explanation for the investment slowdown.)

The pessimists are surely right that, even if there is scope for productivity to grow faster, growth will slow as fiscal stimulus fades. And it is easier for the Fed to manage a downturn that it knows is coming than one that comes out of the blue. Still, excessive monetary tightening often precedes recessions. Growth may look good for now. But policymakers need to be ready to turn on a dime.

This article appeared in the Finance and economics section of the print edition under the headline "What goes up"

Lights, camera, imports!

China hopes a big new expo will fix its reputation for protectionism

A trade show for everything from Sri Lankan cinnamon to American cars

Print edition | Finance and economics Nov 3rd 2018

UNDERSTANDING DONALD TRUMP's intentions has bedevilled China since he took office. So it continued this week when the American president made comments that could signal a big escalation in the two countries' trade war—or that a resolution is near. "I think we'll make a great deal with China," he told Fox News in an interview. But, he added, if talks sputter, America will impose tariffs on all goods from China. Having already hit \$250bn-worth of annual Chinese imports with tariffs, America could target the remaining \$267bn.

A bilateral meeting between Mr Trump and Xi Jinping, China's president, later this month at a G20 summit in Buenos Aires should determine which outcome is more likely. First, though, Mr Xi will be pressing China's case in the court of global opinion. On November 5th he will open a huge trade show in Shanghai designed to demonstrate to the world that China's prosperity benefits all.

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Chinese trade shows have traditionally focused on helping its exporters to attract foreign customers. The inaugural China International Import Expo will instead aim to help foreign companies entice Chinese buyers. Mr Xi, as well as innumerable Chinese officials and business leaders, will proclaim that China does not seek a trade surplus.

Yet the expo is also bound to highlight some of the tensions ratcheted up by the trade war. The main complaint of the American administration (Mr Trump apart) is not that China runs a trade surplus but that it discriminates against foreign firms, for example by pressing them to hand over technology to enter its market. Though many countries are sending official delegations and hosting national pavilions, America's government will be conspicuous by its absence. In private, its officials say that the trade show will be little use—and that they do not want to be dragged into Chinese propaganda.

At least publicly, foreign companies are more enthusiastic. A large contingent of American bosses will show up, hoping to set their companies apart from the trade hostilities. In all some 2,800 firms will attend, from more than 130 countries. There will be big automakers (BMW, Ford and Toyota), food groups (Nestlé, Unilever and Cargill), electronics firms (Samsung, Sony and Qualcomm) and more. Since China has provided cheaper exhibition space to developing countries, alongside the multinationals will be spice merchants from Ethiopia, fruit producers from Laos and hatmakers from Ecuador.

Coverage in the Chinese media means the expo is bound to offer at the very least an excellent marketing opportunity. And some foreign firms may make worthwhile connections: the organisers estimate that more than 150,000 buyers, primarily Chinese, will attend. It would not take many Chinese deals to lift the fortunes of, say, a Sri Lankan cinnamon producer.

But privately, some bigger companies are grumbling. China's economy long ago grew big enough that trade fairs need to target specific industries if they are not to be unwieldy, but the expo covers everything from biomedical research to furniture. Even the focus on imports is not as distinctive as billed: most Chinese trade fairs promote imports alongside exports these days. The biggest annual event, commonly known as the Canton Fair, was renamed in 2007 as the China Import and Export Fair. Firms also gripe about feeling political pressure to attend. It might not benefit you much, says one participant, but staying away would bring unwelcome attention.

There will inevitably be a flood of praise for the expo from companies eager to please China. It should be treated with caution. Firms have been asked to announce big deals during its six days. A European diplomat says the commerce ministry approached him six months ago to encourage firms from his country to re-announce recent sales agreements or bring forward future ones. The goal is to be able to trumpet a huge boost to imports at its conclusion.

Critics would forgive such publicity stunts if China also took the opportunity to tackle deeper grievances. Government advisers have said that something big will come out of Mr Xi's speech on November 5th. Steeper tariff cuts are one possibility; tariffs on imported cars, for example, were trimmed this year to 15% but are still high by global standards. Or new protections might be announced for foreign intellectual property. Carlo D'Andrea, of the European Union Chamber of Commerce in China, says that for the expo to count as a success, it must be more than a show.

Yet the expo's highest virtue is its symbolic value. The growth of Chinese imports is a long-term trend. In 2000 China was the world's eighth-biggest importer, accounting for about 3% of global imports. Last year it was the second-biggest, behind only America, and its share had risen beyond 10%. For much of the past three decades the promotion of exports was central to China's economic strategy. In promoting the expo, Mr Xi is showing that the government not only welcomes China's transformation into an import superpower, but wants to speed it up.

This article appeared in the Finance and economics section of the print edition under the headline "Lights, camera, imports!"

Japan's stockmarket is poised for a comeback

After three decades out of fashion, the country's companies are ready for a revival

Print edition | Finance and economics Nov 1st 2018

THE BIG hair, shoulder pads, splashy videos and tinny recordings were hard to escape at the time. But where are the pop stars of the 1980s now? At an arena near you, most probably. Though the waists are thicker and the hair is thinner, the singers and their songs are recognisably the same. In their own minds, they are still big stars. It was the music business that got small.

No sub-genre of pop is so lamentable that it cannot be resold to the nostalgic. Might such marketing magic also be applied to Japan's stockmarket? In the 1980s asset prices in Japan reached a level of excess that made the cocaine-addled pop stars of the era seem like choirboys. By 1990 the Nikkei index of stocks was trading at 60 times company earnings. Then came the fall. But after a long time in rehab, Japanese stocks are creeping back into the spotlight.

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Like other mooted revivals, this one attracts plenty of scorn. Repeated attempts to call the bottom of the Japanese market have made fools of foreign investors. Japanese companies are not known for making shareholder returns a priority. And why invest in a country with an ageing and shrinking workforce? For these and other reasons, big global funds have been underweight Japan. But who can resist a comeback story? For the first time in years, Japanese companies are playing a tune that investors are able to whistle.

The key change is that listed firms in Japan are using shareholder funds more effectively. As a new report from analysts at Morgan Stanley points out, return on equity (RoE) has lagged well behind global standards for most of the past three decades. But since 2012 the gap has narrowed. Japan's RoE has doubled, to 9.8% (see chart). Much of the improvement can be traced to cuts in corporate taxes and a reduction in debt-servicing costs because of lower interest rates. But it is also down to better control of costs and the sweating of corporate assets.

A healthier economy has helped, too. Deflation has ended. Nominal GDP has been growing steadily. And the job market is buoyant. Unemployment has fallen to 2.3%. The ratio of vacancies to jobseekers is the highest since the early 1970s. More women than ever are in the workforce—the female participation rate is higher than in America and above average for the OECD. Output per hour has recently grown faster in Japan than in any other G7 country, according to the Conference Board, a research group.

Less noticed, perhaps, are changes at the company level. Corporate Japan remains a cosy place; the custom of cross-shareholdings, in which companies own equity stakes in each other, created a core of friendly stockholders who don't rock the boat. But a recent spate of governance reforms has shaken things up a bit. The vast majority of companies now have at least two independent directors. There are more female board members. And firms are less likely now to schedule their shareholder meetings on the same day as each other—a tactic to deter awkward questions for managers.

All this is encouraging. But it is easier to change Japan's corporate culture than its demography. Investors wonder why they should put money into a country with fewer and fewer customers. The answer is that the market for Tokyo-listed firms is not confined to Japan. A survey commissioned by the Morgan Stanley analysts found that expanding into foreign markets was the primary strategic focus of Japanese firms. (Improving productivity was second.)

The firms themselves are investing. Private-sector capital spending has risen for seven consecutive quarters for the first time since the 1980s. In an economy with a shortage of labour, people are more likely to be open to automation. Japanese firms already hold sway in key parts of the robotics industry. Increased automation will help Japan close the RoE gap with its peers by 2025, says Morgan Stanley. A higher premium on Japanese stocks would then be warranted.

Reaching that target would depend on Japan sticking with "Abenomics", the expansionist policies of the prime minister, Shinzo Abe. It would also require buy-in from global fund managers. They are used to thinking of China and other emerging markets as the alternatives to investing in America, passing over Japan and Europe as has-beens.

But fashions change, in investing as in popular culture. Time in the wilderness can be used to great effect. In order to have a comeback you must first have a setback—a wise observation by that icon of 1980s popular culture, Mr T.

This article appeared in the Finance and economics section of the print edition under the headline "Sunrise in Tokyo"

Igniting economic fire

India's central bank faces a major test of its independence

The cash-strapped government is threatening to gut the RBI

Print edition | Finance and economics Nov 3rd 2018

CENTRAL BANKERS are not normally fiery types. But on October 26th Viral Acharya, the deputy governor of the Reserve Bank of India (RBI), brought a dispute between it and India's government into the open with a flaming speech. Mr Acharya said that "governments that do not respect central-bank independence will sooner or later incur the wrath of financial markets, ignite economic fire and come to rue the day they undermined an important regulatory institution." His words, which he made clear had been approved by his boss, Urjit Patel, have had incendiary effects.

Arun Jaitley, the finance minister, seems to have taken them as an invitation to a trial of strength. "The nation that is India is higher than any institution," he said the following day. Local papers reported that the government had invoked a law dating to the establishment of the RBI in 1934, never before used, that allows it to issue directions to the governor. As *The Economist* went to press, rumours were flying that Mr Patel might step down.

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The row, which has simmered in private for months, threatens to wreck one of the government's main policy achievements. Three years ago, after a short bout of double-digit inflation, the RBI and the government agreed on a target for annual inflation of 4% and created a monetary-policy committee to set interest rates. Inflation has remained subdued ever since.

But now the government wants to meddle. Various economic indicators are moving the wrong way. The central-government deficit has widened recently. That has sucked in imports, increasing the current-account deficit. Since January the rupee has fallen by 12.5% against the dollar. The RBI's foreign-exchange reserves, which had been rising, have started to fall (see chart).

Credit is tightening, too. The main reason is banking regulation. State-owned banks, which have about 70% of total deposits, are weighed down by rotten loans; 11 of them are subject to "prompt corrective action", which means that they cannot lend. Last month the government took over IL&FS, a large infrastructure lender, after it defaulted on debt payments, chilling commercial credit.

The government, and many businesspeople, would like the RBI to compensate by cutting rates or perhaps by easing up on public banks. Yet India's economy is growing at 8.2% annually, faster than any other big country. This growth has been fuelled by a pre-election splurge in government spending, and the politicians will soon need even more cash. In September, for example, the government launched a huge new health-insurance scheme, which it claims will somehow cost almost nothing. A particular worry for the RBI is that some government officials have raised the idea of increasing the dividend that the bank pays to the government, or even confiscating its "excess" reserves. In his speech, Mr Acharya referred pointedly to the dire consequences when Argentina's government made a similar move in 2010.

The row goes beyond policy and into nationalist politics. Two years ago the RBI's previous governor, Raghuram Rajan, left after the government refused to renew his term. An ally of Narendra Modi, the prime minister, had called him "mentally not Indian". Both Mr Rajan and his successor are American-educated economists. Some nationalists think Mr Patel is a cosmopolitan technocrat who wants to wreck their chances in next year's election.

Petty arguments, for example about whether the RBI should switch from millions and billions to lakhs and crores (Indian terms for 100,000 and 10m), are indicative of the culture clash. So too is the appointment of Swaminathan Gurumurthy, a firebrand nationalist journalist who was among the architects of Mr Modi's ill-conceived demonetisation policy (whereby 86% of banknotes were suddenly withdrawn in 2016), as a part-time director on the RBI's board.

If Mr Patel is forced out, it will be an "incalculable disaster", says Vivek Dehejia of the IDFC Institute, a think-tank in Mumbai. For his replacement, "they'd be sure to appoint essentially a stooge". Confidence in the rupee would crumble; that in turn could cause inflation to shoot up. Having granted the central bank independence, India's government would have undermined it for short-term gain—precisely the risk that Mr Acharya warned against.

This article appeared in the Finance and economics section of the print edition under the headline "Flame war"

Ubernomics

The social costs of ride-hailing may be larger than previously thought

A new study says congestion from Uber and Lyft drivers is leading to more deaths on the road

Print edition | Finance and economics Nov 3rd 2018

ECONOMISTS HAVE always been fond of Uber. Its willingness to battle incumbents, use of technology to match buyers and sellers, and embrace of “surge” pricing to balance supply and demand make the ride-hailing giant a dismal scientist’s dream. Steven Levitt, the author of the bestselling “Freakonomics”, called it “the embodiment of what the economists would like the economy to look like”. But if economists subjected Uber and its competitors to a cost-benefit analysis, they might not be so impressed.

This might surprise customers. A study in 2016 by researchers from Oxford University, the University of Chicago and Uber itself found sizeable benefits from ride-hailing services for consumers. Using data from 48m Uber trips taken in four American cities in 2015, they estimated the difference between how much customers were willing to pay and their actual fare. Each \$1 spent on UberX rides generated a “consumer surplus” of \$1.60. Across America, that surplus was estimated to be \$6.8bn a year.

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Drivers also benefit. Few sign up for lack of anything else, as is true of some gig work: in America roughly eight in ten have left another job to get behind the wheel. The typical American Uber driver makes \$16 per hour (\$10 after expenses), higher than the federal minimum wage. In London earnings after expenses come to £11 (\$14) per hour and a recent survey found Uber drivers reporting higher levels of life satisfaction on average than other workers.

But against these benefits, there are costs to weigh. Far from reducing congestion by encouraging people to give up their cars, as many had hoped, ride-hailing seems to increase it. Bruce Schaller, a transport consultant, estimates that over half of all Uber and Lyft trips in big American cities would otherwise have been made on foot or by bike, bus, subway or train. He reckons that ride-hailing services add 2.8 vehicle miles of driving in those cities for every mile they subtract.

A new working paper by John Barrios of the University of Chicago and Yael Hochberg and Hanyi Yi of Rice University spells out one deadly consequence of this increase in traffic. Using data from the federal transport department, they find that the introduction of ride-sharing to a city is associated with an increase in vehicle-miles travelled, petrol consumption and car registrations—and a 3.5% jump in fatal car accidents. At a national level, this translates into 987 extra deaths a year.

What could be done to tip the balance back to benefits overall? “Congestion pricing is the most direct solution,” says Jonathan Hall of the University of Toronto. Several cities, including London, Stockholm and Singapore, have moved in this direction, charging drivers for entering busy areas at peak hours. If ride-hailing firms tweaked their pricing to encourage carpooling, that would help, too.

One of the worst things a city can do, says Mr Barrios, is to cap the number of ride-hailing cars on their streets, as New York did in August. That marked a step back towards the days when barriers to entering the taxi market were high and competition was low. A dismal outcome, as most right-thinking economists would agree.

This article appeared in the Finance and economics section of the print edition under the headline “A hard bargain”

Gaining currency

Cash is replacing other forms of aid, even in conflict zones

Markets in war-torn areas are surprisingly resilient

Print edition | Finance and economics Nov 3rd 2018

IN 2011 WAR and drought plunged Somalia into famine. Aid was held at the border, for fear of it being stolen. A few NGOs decided to try something different: giving people cash instead of bringing in sacks of food. They used *hawala* networks—a traditional Muslim form of money transfer—to get cash to aid workers, who handed it out. But most charities hung back, afraid of accidentally running afoul of American anti-terrorism laws.

By the time drought returned to Somalia last year, the spread of mobile-money transfers meant that cash could be sent directly to phones. In April 2017 alone \$35m was given out to 2.4m people (a sixth of the population). Individual merchants found ways to bring food in to supply this ready market. Famine was averted.

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Cash handouts were not the only reason: the fighting was less fierce than in 2011. But the difference between the two interventions illustrates both the efficacy and the growth of cash aid. By 2016 it made up around 10% of global humanitarian aid, up from almost nothing a decade or two earlier. In fact this understates the speed with which the new approach has been adopted, says Alexa Swift of Mercy Corps, an NGO, because the other 90% includes things that cannot be converted to cash, such as mental-health counselling. Her organisation now gives more than half its aid as cash, and other large NGOs have promised to do the same.

Giving cash to poor people is not a new idea. The UN sends money direct to bank accounts it sets up for Syrian refugees in Jordan; many countries use cash transfers as part of their social safety nets. What is new is donors' willingness to give out cash in war zones. Where possible, they use mobile-money transfers. But in other places, including Syria, they increasingly regard the risks that come with using *hawala* systems as justified by the benefits of cash.

Money has many advantages over in-kind aid. Recipients can choose what they want. Studies show that most use it wisely. It helps them save, is easier to carry and supports local traders—unlike in-kind aid, which supplants them. And though vetting recipients to ensure they are not terrorists can be slow and pricey, cash aid is cheaper overall than delivering sacks of stuff.

And it turns out that markets in war zones are surprisingly resilient. Take Konduga, a dusty town in north-eastern Nigeria where bullet holes pockmark the lampposts. When Boko Haram, a jihadist group, torched the main market in 2014, traders built stalls from grass mats and tarpaulins on the outskirts of town. Markets in Somalia held up through last year's drought, says Richard Crothers of the International Rescue Committee (IRC). When Islamic State's pop-up caliphate blocked Iraq's main north-south roads in 2014, suppliers quickly found new routes through Iran.

The switch to cash requires care, says Ms Swift. Aid agencies need be alert to the risk that it causes inflation, for example. They should also seek to strengthen supply chains by rebuilding infrastructure and offering small-business loans. And they need to experiment—even if they may not always like what they find. Private traders may care less than agencies about where goods come from, and whose hands they pass through. But agencies should not let such fears hold them back, says Barri Shorey of the IRC. "We know that cash works".

This article appeared in the Finance and economics section of the print edition under the headline "Gaining currency"

How the big emerging economies climbed the World Bank business ranking

China emulates India and zooms up the league table

Print edition | Finance and economics Nov 3rd 2018

THE CENTRAL SPORHOTEL in Davos usually plays host to skiers intent on picturesque descents. But during the World Economic Forum in January it celebrated an eye-catching ascent. One side wall was bedecked with a poster of Narendra Modi, India's prime minister. Its caption boasted that India had climbed 30 places in the previous year's World Bank ranking of the easiest places to do business.

China's prime minister, Li Keqiang, lacks Mr Modi's flair for self-promotion. But at the next gathering in Davos, he will have an even prouder boast. In the latest World Bank report, published on October 31st, China rose 32 places.

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How did they do it? And how credible is their progress? In an ideal world, countries would rise in the World Bank ranking as a welcome by-product of reforms undertaken for their own sake. But India and China are among the 60-plus countries that have government units dedicated to moving upwards, almost as if it were an end in itself.

China's comprises about 40 people; India's perhaps 200, plus others working on state-level scorecards. Many teams visit the bank to learn precisely how the scores are calculated. India's now thinks it could mark its own exam. It announced, long before the bank's official assessment, the score it felt it "should" receive.

The rankings also loom large in Russia. Vladimir Putin, its president, set an ambitious target to rise by 100 places in six years. That proved impossible. Russia has instead risen by 89 places in seven years. This steady progress says a lot about the ingenuity of its reform unit. It says less about Russia's actual friendliness to business. Compare, for example, its positions in the Doing Business report (31st) and the corruption index produced by Transparency International, an NGO (135th).

Russia's manoeuvres may, however, have motivated more genuine reforms elsewhere. Mr Putin's target possibly helped inspire Mr Modi in 2014 to set one of his own: to move India into the top 50 countries by 2019. India's rapid progress on this front seems in turn to have galvanised China's efforts.

Much of the red tape that hurts a country's rank is wrapped and tied not by the central government, but by local officials. They may have little interest in national reform efforts, since they are unlikely to adorn any posters in Davos. China therefore took care to enlist the help of the deputy mayors of Beijing and Shanghai (the two cities assessed by the World Bank). They led China's campaign, drawing on the expertise of the central reform unit.

China's ascent was partly eased by the fact that its rubber-stamp legislature could not hold things up. For a democracy, it is harder to elbow up the rankings. India, for example, took over a decade to pass the unified goods-and-services tax that helped boost its standing this year. It required a constitutional amendment, numerous parliamentary votes and delicate negotiations with state legislatures.

Brazil's reform efforts have often faced similar obstacles. It nonetheless improved its ranking by 16 places this year, presumably because its unpopular outgoing president, Michel Temer, knew he had nothing to lose. In a fierce democracy, the lamest ducks may also be the bravest.

This article appeared in the Finance and economics section of the print edition under the headline "Doing BRICness"

Watchdogs are worrying about a booming corporate-credit market

The Fed's ex-boss joins those expressing concern

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INVENTORS OF FINANCIAL terminology have little love for language. “Leveraged loans” are at first sight a tautology: in fact they are loans, usually arranged by banks among a syndicate of lenders, to highly indebted companies. “Collateralised loan obligations” (CLOs) are another mouthful. These are not abstract nouns but legal entities, run by asset managers, private-equity firms, hedge funds or others, that own more than half of American leveraged loans. CLO managers chop the loans into slices and sell the parts to match their investors’ appetites for risk.

However ugly its terms, both borrowers and investors have discovered beauty in the market for leveraged loans. Some financial watchdogs, with memories of the crisis of 2007-08 still fresh, fear that the loans will soon lose their looks. In recent days Janet Yellen, who headed the Federal Reserve until January, and Daniel Tarullo, the Fed’s chief bank supervisor after the crisis, have joined the chorus of concern.

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Leveraged loans have been booming. In America, where the bulk are raised, the stock comfortably exceeds \$1.1trn, twice as much as six years ago (see chart). It is “unlikely but not impossible” that issuance there this year will pass 2017’s record of \$650bn, says Ruth Yang of S&P Global Market Intelligence, a data provider. (Estimates vary: some, including Dealogic, another data provider, reckon that the market is bigger still.)

According to S&P, more than a third of recent American leveraged loans have refinanced existing debt. A thinner slice goes on private-equity firms’ dividends. A good deal of the rest pays for mergers and buy-outs—most eye-catchingly this year the purchases by Blackstone, a big private-equity house, of part of Thomson Reuters, a financial-data company, and by Carlyle Group, another buy-out firm, of the speciality division of AkzoNobel, a Dutch chemicals firm.

Lenders find leveraged loans attractive for several reasons. They have offered good returns when interest rates have been ultra-low; this year, according to J.P. Morgan, they are among a handful of assets earning American investors more than three-month cash. Because most are at floating rates, they pay more as rates rise; corporate bonds, by contrast, tend to have fixed rates. And they usually come with collateral, putting leveraged-loan investors ahead of unsecured creditors should a borrower default. Borrowers like the loans because initial interest rates tend to be lower than on bonds, they are easier to repay early and they involve less administrative bother.

A decade of easy credit has given borrowers the upper hand. That shows not only in low rates but also in the decline of covenants—eg, requiring borrowers to keep a certain capacity to absorb losses to protect lenders in the event of default. Before the crisis, most leveraged loans had some such covenants. Now most are “cov-lite”. Christina Padgett of Moody’s, a rating agency, thinks that the amount of relatively senior, cov-lite loans in companies’ capital structures has grown so much that lenders can expect to recover less in the next downturn than hitherto if borrowers default. She forecasts that recovery rates, 77% on average since 1988, will decline to 61% or so.

Declining standards have watchdogs worried. An American court’s ruling in February, which relieved CLOs of a regulatory obligation to retain some of the risk of the loans they slice and sell, has done nothing to soothe them. In April the International Monetary Fund detected traits “reminiscent of past episodes of investor excesses”. In September the Bank for International Settlements noted that defaults had picked up and that rising American interest rates could trigger more. Downgrades of stressed borrowers could force “fire sales” of illiquid loans. Ms Yellen worried to the *Financial Times* about “systemic risk”; Mr Tarullo fretted to Bloomberg that it was unclear “who owns this debt”.

When such folk hear echoes of 2007-08, it would be foolish not to pay heed. Eventually the cycle will turn and investors will suffer. But the outlook is still largely benign. Interest rates, though rising in America, are still low—and rock-bottom in the euro area. A leveraged-finance banker says that investors in leveraged loans carry out careful “primary diligence” of corporate borrowers before lending them money. Before the crisis buyers of toxic mortgage-backed securities, each housing thousands of loans, undertook no such close scrutiny.

Recent jitters in the American stockmarket may suggest that investors are less keen on risk. Ms Padgett says that the leveraged-loan market has so far shrugged those jitters off. But she adds: “If the markets remain rocky, that will have an impact on leveraged finance. At least, it has historically.” Whether or not it is time to worry, this is a market to watch.

Correction (November 2nd 2018): This article previously stated that Ruth Yang worked for S&P Global, a rating agency. She in fact works for S&P Global Market Intelligence, its data division. We have clarified this.

This article appeared in the Finance and economics section of the print edition under the headline “Load bearing”

The path to economic development is growing more treacherous, again

Emulating China's development model is getting harder

Print edition | Finance and economics Nov 3rd 2018

IN THE 1990S economists had almost given up on the developing world. Although individual countries, like Singapore or South Korea, occasionally scaled the income ladder, the overall picture was, in the words of Lant Pritchett, a development economist at Harvard University, “divergence, big-time” between advanced economies and the rest. Then the scene changed. From the late 1990s global trade grew explosively, and the gap between the rich and the rest closed fast. Poverty tumbled. The share of people living on no more than \$1.90 a day (at purchasing-power parity) fell from 36% in 1990 to just 10% in 2015. It would be the best of news if this trend could be maintained. Sadly, convergence seems to be slowing. That is bad news for Africa in particular.

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The path to becoming a rich country usually runs through industrialisation, supported by opening up to trade and developing export industries. Trade facilitates technology transfer. Global markets weed out all but the most productive firms and allow even companies from small countries to scale up using techniques such as mass production.

Historically, few poor countries had stable, growth-oriented governments for long enough to build a broad, competitive industrial base. But in recent decades the once-exclusive club of fast-growing economies welcomed scores of new members, ushered in by the rapid growth in trade associated with the emergence of global supply chains. Supply-chain trade allowed countries to sidestep the arduous process of building an industrial base from the ground up. Cheap labour and proximity to big markets were often enough to lure foreign plants. The growth of China, sitting at the heart of Factory Asia, served as a “force multiplier”. It also shifted the world's economic centre of gravity towards Asia's poorer economies, and sparked a commodity boom that buoyed parts of the emerging world not linked into supply-chain networks—notably Latin America and parts of Africa.

A quarter of a century on, the limits of this development miracle are increasingly clear. Incomes in the poorer parts of Asia and Europe surged towards those in America (see chart). Elsewhere, there was less convergence. Indeed, in Latin America and Africa recent income growth did not fully make up the ground lost during the tumultuous 1980s and 1990s, and real output per person is once again falling compared with that in America. The end of convergence would be bleak news for Africa, where incomes are lowest. The share of Africans who are extremely poor fell from 54% in 1981 to 41% in 2015. But because the population has grown so rapidly the number of poor Africans has increased.

Most countries languishing on the lower rungs of the development ladder place their hopes in replicating China's experience. Industrialisation in East Asia has followed a “flying geese” pattern: as leading economies become more advanced and wages rise, less sophisticated production jobs shift to poorer places with lower labour costs. China benefited in this way from growth in South Korea and Taiwan. And as Chinese workers have become more expensive, some firms have shifted jobs again, for example to Vietnam. Perhaps rising wages in emerging Asia will eventually push manufacturers to look to Africa for cheap labour.

But it could be a long wait. As Ewout Frankema of Wageningen University in the Netherlands and Marlous van Waijenburg of the University of Michigan note in a recent paper, the flow of jobs from more advanced to less advanced economies depends in part on a very wide wage gap. During the early 20th century, when textile producers in Japan challenged British manufacturers, wages in the former were roughly an eighth of those in the latter, for example. In most African countries wages are around a third of those in newly industrialising countries such as Vietnam and Bangladesh.

Growth potential

That gap might be too small to offset the costs of poor infrastructure and low labour productivity. There are exceptions, such as Ethiopia, where wages are much lower than in emerging Asia and where value-added in manufacturing has risen sharply over the past half-decade as a share of GDP. Yet it is still only 5.6% of GDP, tiny by global standards. And a recent study by Chris Blattman of the University of Chicago and Stefan Dercon of Oxford University suggests that Ethiopia is attracting the dregs of industrial work. Its factory workers earn no more than their compatriots in other sectors, and their health is worse.

Africa faces other obstacles, too. Its governments are mostly weaker than those in developing Asia. Slowing growth in global trade and rich-world protectionism will not help. Nor will economic weakness in China, which hoovers up lots of African exports. Robots, too, will erode the attraction of cheap labour.

Industrialisation is not the only route to development. Exporting business services has helped India to grow fast. But the benefits to such growth have been limited; roughly 70m Indians remain in extreme poverty. And as Poonam Gupta of the World Bank and Barry Eichengreen of the University of California, Berkeley, have noted, India's services exports are uniquely large, and higher than economic fundamentals would predict, suggesting that its experience will prove hard to imitate. Natural resources can also power an economic boom. Botswana, Africa's greatest development success story, depends heavily on

diamonds, for instance. But as Mr Frankema and Ms van Waijenburg point out, growing populations mean that resource riches will have to be spread more thinly—and this is assuming that elites do not grab the lot. Botswana, notably, has one of the least dense populations in the world.

Africa's case is not hopeless. Few economists predicted the emerging world's growth spurt. But the path to development may be getting steeper once more. To make progress the continent's governments must improve education and economic institutions. Rich countries, for their part, should be lowering, not raising, barriers to trade and migration, which prevent Africans from playing a full part in the world economy. The fate of billions is at stake.

This article appeared in the Finance and economics section of the print edition under the headline "A hard place"

Marine technology of the future

In need of a clean up

Cleaning up shipping

Shipping regulators plan to cut greenhouse-gas emissions

That will require bold thinking

Print edition | Science and technology Nov 3rd 2018

SHIPPING IS A dirty business. Since the late 19th century, when steam replaced wind as the main means of propulsion, ships have relied on filthy fossil fuels. Coal-fired steam has given way to internal-combustion engines. But these still burn stuff that is so gunky as to be almost solid unless heated. Like coal, these refinery dregs, known as bunker fuel, release a lot of carbon dioxide—perhaps 3% of global emissions of this greenhouse gas. Cleaning up ship exhausts is therefore a good idea if the world is to get anywhere near the goal, enshrined in the Paris climate agreement, of keeping global warming “well below” 2°C relative to pre-industrial times.

Ironically, the matter is made more urgent by the decision of the International Maritime Organisation (IMO), the United Nations body responsible for the world's shipping, to reduce the amount of sulphur allowed in bunker fuel from 3.5% to 0.5% by 2020. Sulphur is nasty stuff. When burned, it forms sulphates, which cause acid rain and pollute the air. A paper published last February in *Nature Communications*, by Mikhail Sofiev of the Finnish Meteorological Institute, found that the IMO's new rule could stop between 139,000 and 396,000 premature deaths a year.

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The trouble is that sulphates also scatter sunlight and help to form and thicken clouds, which reflect solar radiation away from Earth. As a result, shipping is thought to reduce rather than increase man-made global warming—by 7% throughout the 20th century, according to one study. Dr Sofiev's research showed that this cooling effect could fall by 80% after 2020, with the new low-sulphur standard in place.

The obvious way to offset the loss of sulphur-related cooling is by steep cuts to shipping's planet-cooking carbon-dioxide emissions. The IMO wants these to fall by half, compared with 2008 levels, by 2050, regardless of how many vessels then ply the seas. But unlike desulphurisation, which is both imminent and legally binding, the CO₂ target looks fuzzy and lacks any enforcement mechanism. An attempt to begin fleshing it out, at a meeting of IMO member states which concluded in London on October 26th, foundered.

Happily, many shipping companies appear keen to cut emissions anyway. They prefer to be ready for stricter rules that climate-friendlier places like the European Union might erect in the absence of a global standard. They also want to slash soaring fuel costs, which have swelled from a third of their spending a decade ago to half or more now—and are expected to rise further. Low-sulphur bunker fuel, of the sort needed to meet the new IMO standard, is expected to cost \$600 a tonne when its use becomes compulsory. The current price of bunker fuel is \$450. What companies are mostly doing, though, is making small improvements to existing arrangements. That is good. But it does not grapple with the bigger changes needed if the IMO's target for 2050 is to be taken seriously.

Small is beautiful

One way to cut fuel consumption is to reduce drag by redesigning hulls and propellers. This is happening. In the past five or so years many ships' propellers have been fitted with tip fins analogous to the turbulence-reducing upturned winglets on aeroplanes. According to Charles Cushing, a naval architect in New York, these reduce fuel consumption by about 2%. Polishing propellers is also a good idea. The International Council on Clean Transportation, a think-tank in Berlin, reckons this can trim consumption by 3% or more.

Further percentage points can be shaved away by smoothing hulls. This means, in particular, stopping barnacles and other creatures growing on them. Tin-based antifouling paints are now banned as toxic to sea life, so paintmakers are returning to an 18th-century solution to the fouling problem—copper. Then, navies nailed copper plates to the bottoms of warships to poison the larvae of sessile organisms. Now, copper-based paints are being developed. Modern antifouling paints often also include silicone, a material so slippery that barnacles cannot get a grip on it.

Hulls can be scraped smooth, too, but restrictions on littering waters with paint chips and species from foreign parts have made such cleaning problematic. This may change, though, thanks to an underwater drone described by its Norwegian maker, ECOSubsea, as “a cross between a vacuum cleaner and a lawnmower”. Rather than scour hulls with a metal brush, ECOSubsea's robots blast water at an angle almost parallel with the hull's surface, which mostly spares paint from abrasion but hits marine growth perpendicularly, and thus hard. A suction system hovers the dislodged gunk ashore. Some 350 vessels have already

been cleaned in this way at Southampton, a port in southern England. The service, which costs between \$17,000 and \$25,000 for a big ship, will be available in Antwerp in December.

Another drag-reducing technique on offer is air lubrication. This works by spraying compressed air through nozzles in a ship's bottom. The bubbles that thus form reduce the hull's contact with water. Depending on how flat the bottom in question is, 5-10% less fuel is burned, says Noah Silberschmidt, the boss of Silverstream Technologies, a firm in London that is developing such kit. Shipping firms typically recoup the cost in about two years, and demonstrating the saving is straightforward, Mr Silberschmidt adds: switch on the bubbles and the ship accelerates. Three big ships have now been retrofitted to use Silverstream's system, and a dozen more are being built with it incorporated.

Performance-management software also offers a way to cut emissions. This monitors data from sensors and from records of a ship's past voyages, and adds in weather reports. It then uses this information to calculate optimal settings for things like engine speed, to keep fuel consumption down. When all is said and done, however, these various tweaks are just that—tweaks. For the dramatic cut in emissions that the IMO seeks, entirely new ways to power big ships will need to be found. And that will be tricky.

Big is better

Many have hopes of returning to wind propulsion, and engineers have devised various modern versions of the sail. None has yet succeeded. A system developed by SkySails, a firm in Hamburg, for example, relied on kites to pull ships along. It was installed on five ships from 2008-11, but proved fiddly to use and maintain. Another approach is to fit revolving vertical cylinders known as Flettner rotors. These generate thrust via a phenomenon called the Magnus effect. (This is also responsible for the curved path taken by spinning footballs when players try to “bend it like Beckham”.) Only a handful of vessels use the kit at the moment, but it is being tested by Maersk, the world's biggest shipping company, so may soon be deployed more widely.

Some hope to cut marine emissions by employing batteries and electric motors. For transoceanic shipping this looks a long-shot. But local shipping might benefit. Norway, for instance, has started to introduce battery-powered ferries. And a Dutch company called Port-Liner is building electric canal barges for transporting shipping containers. These barges will begin operating next year.

From the barge owners' point of view, this is a good deal. By eliminating the engine room and the need to store bunker fuel, the barges' capacity will increase by about 8%. Environmentally, though, it is dubious. Batteries have to be charged. If the electricity used to do so is generated by burning fossil fuels (which is the case for 92% of Dutch power) the emissions benefits are slim. And the technology is expensive. Without taxpayer subsidy it would hardly be a runner—a fact also true of the Norwegian ferries.

The problem of shifting emissions around rather than eliminating them also applies to the idea of powering ocean-going vessels using fuel-cells. These generate electricity by reacting hydrogen and oxygen together. Though nowhere near ready for heavy-duty use yet, fuel cells have the advantage over batteries that their range is limited by the amount of fuel carried, not by the number of cells on board, since the cells themselves do not store the energy. But that fuel, hydrogen, has to be made, and the commonest way of doing so, steam reformation of natural gas, generates carbon dioxide as a waste product.

Given that electric propulsion more usually disguises emissions than eliminates them, some suggest the most practical approach to reducing shipping's contribution to global warming is to switch to low-carbon fuel systems rather than conducting a futile search for no-carbon fuels. One alternative is diesel-electric propulsion. In this a diesel engine drives a generator. Power from the generator may be used either to run an electric motor or stored in a battery. Because the diesel engine can thus operate at a constant speed, rather than having to track the needs of the propellers, this arrangement is a third more efficient than conventional oil-fired propulsion.

Liquefied natural gas (LNG) is another option. Burning LNG releases about a quarter less carbon dioxide than burning bunker fuel does. According to Sustainalytics, a Dutch firm that rates companies on environmental performance, around 100 big vessels already run on the stuff. And ten other vessels around the world run on methane's chemical cousin, methanol. This is a liquid at room temperature, so easier to store than LNG. But it is hard to see the environmental advantages of using it. In effect, methanol is methane (one carbon atom and four hydrogens) plus an atom of oxygen. You get more or less the same amount of CO₂ by burning it as you get from burning methane.

If the IMO target is to be met, then, some radical thinking is needed. In the view of Vince Jenkins, head of technology at Lloyd's Register, a London maritime consultancy, such thinking leads to nuclear propulsion. This releases no carbon dioxide, and shipboard reactors are an established technology. Some 140 icebreakers, warships and submarines are so propelled. A nuclear-powered fleet, capable of terrific speed, could move more goods with fewer vessels.

Few, though, share Mr Jenkins's line of reasoning. Cosco, a Chinese shipping giant, dropped its study of nuclear freighters after the reactor meltdown in Fukushima, Japan, in 2011. How the IMO's target will actually be reached, if it is to be reached at all, is thus obscure.

This article appeared in the Science and technology section of the print edition under the headline “In need of a clean up”

Viking technology

New evidence of how the Norse became long-distance mariners

They made tar in industrial quantities, to coat ships' hulls and sails

Print edition | Science and technology Nov 3rd 2018

ACCORDING TO THE Saga of Erik the Red, “shipworm will not bore into the wood which has been smeared with the seal-tar”. Viking scholars debate the precise meaning of “seal” in “seal-tar”. One interpretation is that the Scandinavian conquerors mixed tar, or pitch, with animal fat and some experiments suggest this may indeed keep shipworm at bay. What is clear is that tar was an important marine technology, and new finds suggest that a vast industry making it emerged at the beginning of the Viking era, helping enable their conquests.

The oldest tar pits in Sweden date from around 100AD to 400AD. The first were discovered in the early 2000s, and are found close to old settlements, suggesting that the tar was for coating houses and household items. It was made by stacking pine wood into conical pits a metre or two across, setting the wood on fire and covering it with turf and charcoal to encourage a slow combustion. In this way, the wood's resin would turn to tar and drip out of the cone's bottom into a buried container.

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However, as Andreas Henniuss, an archaeologist at Uppsala University, reports in this month's *Antiquity*, around the eighth century something shifted. The pits got much bigger—reaching eight to ten metres in diameter—and moved far into the forest. These pits could have made between 200 and 300 litres of tar in a single production cycle.

Mr Henniuss argues that the builders needed all this tar for ships. The eighth century was when sails arrived in Scandinavia. That, in his view, is no coincidence. Tar has been found on hulls, rigging and small fragments of sails from Viking vessels. It was used to waterproof the hulls and windproof the sails. It was also, according to Morten Ravn of Viking Ship Museum in Roskilde, Denmark, mixed with pigments such as ochre to give sails colour and offer protection from damaging ultraviolet rays.

Sailing suddenly expanded people's maritime reach, creating opportunities both for long-distance trade and for the large, swift attacks that define the Viking age. Vikings conquered half of England and part of northern France. They raided as far as the Mediterranean and left monks in coastal monasteries quaking in their cassocks. “From the fury of the Northmen, O Lord, deliver us!” these monks prayed. From their tar pits, too.

This article appeared in the Science and technology section of the print edition under the headline “Pitching in”

Public transport

Making trains run on time

Speeding up the “platform-train interface” using AI

Print edition | Science and technology Nov 3rd 2018

IT IS A myth that, whatever his faults, Benito Mussolini, dictator of Italy in the 1920s, 1930s and 1940s, made the trains run on time. He didn't. If even a man with dictatorial powers cannot enforce a railway timetable, what hope is there in a messy democracy? In India a third of trains are held up. Seven out of ten are late during the rush hour at some of Britain's busiest stations. Nor is the fabled reliability of Japan's railway always what it seems, with a number of commuter lines into Tokyo experiencing hold-ups.

Plamen Angelov of the University of Lancaster, in Britain, has an idea that he hopes will make train delays rarer. Often, Dr Angelov observes, the problem is not the inefficiency of operators but the behaviour of passengers—the “platform-train interface”, to use railway parlance. When trains arrive, passengers crowd around the doors waiting to board, restricting the flow of those getting off. When they are about to depart, people often hold doors open, delaying that departure. (A recent study by Japan's Railway Bureau found that passengers attempting to board trains after their scheduled departure times accounted for almost 50% of delays.)

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Passengers also frequently stand too close to the carriages for safety. Waiting for malefactors to move back behind the yellow safety line on a platform might hold a train up for less than a minute. But over the course of a journey those minutes add up. Even a slight delay is compounded if it causes a train to slip out of its running order and be held at a subsequent station, or be required to follow a slower service.

Dr Angelov thinks that applying artificial intelligence to the problem might help. And that is what he and his team are doing. Using images from the CCTV cameras already mounted in carriages and on platforms, their system employs algorithms that have been trained to detect objects such as people, luggage, pushchairs and bicycles. It then measures the movements and positions of these objects relative to areas such as the train doors or the yellow safety line and uses this information to predict problems.

The cameras in the carriages detect how busy particular doors are getting as passengers leave their seats and gather next to the exits when the train approaches a station. At the same time, the station cameras monitor the numbers waiting for the train to arrive, whereabouts they are standing along the platform, and how encumbered they are. The two sets of data can then be compared, providing warning of likely areas of congestion. This permits passengers—particularly those on the platform—to be directed to doors that will be less busy. Indeed, says Dr Angelov, the process could be automated by using LED strips along a platform that illuminate in green, amber or red to mark the easiest places to board an arriving service.

The system Dr Angelov and his colleagues have devised does not rely on having a central computer to do the number-crunching. The video-analysis algorithms will be embedded into small electronic devices incorporated into the cameras themselves. So far, the researchers have tested the system using video supplied by railway companies. They are now working with Digital Rail, a new firm based at the university, to conduct tests on a live railway with a view to commercialising it. Commuters are creatures of habit. But if video analysis can help to make their trains run on time, then even the most hardened travellers may be prepared to change their routine.

This article appeared in the Science and technology section of the print edition under the headline “Stand clear of the doors”

Astronomy
Kepler, RIP

A revolutionary space telescope has run out of fuel

Print edition | Science and technology Nov 3rd 2018

IT USED TO be that finding even one new planet was enough to make an astronomer's career. Uranus was discovered in 1781 by William Herschel, who these days has, among other things, space telescopes, asteroids, schools and a street in Paris named in his honour. Urbain le Verrier, who predicted the existence of Neptune in 1846, based on its gravitational influence on Uranus, has likewise given his name to craters, asteroids and bits of the French capital. It is one of 72 engraved into the sides of the Eiffel tower.

These days, though, astronomers can do better. William Borucki has thousands to his name. He is the researcher who conceived of and ran *Kepler*, a planet-hunting space telescope that was launched in 2009. On October 30th NASA announced that, after nearly a decade in space, *Kepler* had run out of fuel and would be retired. *Kepler* has discovered around 2,600 exoplanets—those that orbit stars other than the sun. Another 3,000 candidates await confirmation from ground-based telescopes. The result has been a revolution in astronomy. Its practitioners had long assumed that other stars were likely to have planets of their own. These days, they know that to be true.

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The first exoplanets were detected in 1992, thanks to the gravitational effect they had on the pulsar around which they orbited. (A pulsar is the dead, ultra-dense remnant left over after a supernova.) A trickle of subsequent discoveries followed.

Kepler transformed that trickle into a flood. Yet it almost did not happen. Dr Borucki proposed the mission four times to NASA before it was accepted in 2001. Rather than look for stellar wobbles caused by a planet's gravity, he suggested monitoring a star's light itself—looking for tiny dips in brightness as planets, if any, crossed in front of the stellar disc. It is a simple idea. But it required the construction of a light detector 1,000 times more sensitive than anything that had been built before.

The advantage of this “transit” method is that it is well-suited to mass production. *Kepler* was designed to stare fixedly at a single patch of sky in the constellation of Cygnus, observing around 150,000 stars simultaneously. The consequential torrent of data can be used to draw statistical conclusions about the rest of the galaxy. It seems likely that every one of the Milky Way's hundreds of billions of stars sports at least one planet.

Many of these are of a type unknown in the solar system. The most common in *Kepler*'s data are “super-Earths”—rocky worlds intermediate in size between Earth and Neptune. *Kepler* also helped prove that “hot Jupiters” are common. These are gas giants which orbit implausibly close to their stars. Theorists, who would previously have argued that such planets were impossible, are still debating whether they are able to form *in situ* or whether they coalesce farther out in their stellar systems and then migrate inward, knocking other planets into deep space as they do so in a game of planetary billiards.

Kepler's biggest quarry was Earthlike planets at just the right distance around their stars for liquid water to exist on their surfaces. Several have turned up, but the search became harder in 2013, by which time two of the four gyroscopes that kept the telescope stable had broken. *Kepler*'s engineers came up with an ingenious fix, relying on the radiation pressure exerted by sunlight to re-steady the craft.

With its fuel depleted, no technological rescue is possible this time. But nothing succeeds like success. Exoplanets are now the hottest topic in astronomy. The Transiting Exoplanet Survey Satellite, launched in April, is a *Kepler*-like mission designed to look for exoplanets in Earth's immediate neighbourhood. These might be amenable to detailed follow-ups from other, more powerful telescopes.

In theory, it should be possible to sniff the air of such neighbours for signs of life, or even make rough maps of their surfaces. Two similar European missions are scheduled to launch in 2019 and 2026. Exoplanetology is just getting started.

Entomology

How flightless beetles wander the Pacific

Going with the flow

Print edition | Science and technology Nov 3rd 2018

PACHYRHYNCHUS WEEVILS are found on most islands in the eastern Pacific Ocean. If these weevils could fly, that would not be surprising. But they cannot. Why they are so widespread is therefore a mystery. But it is one that Wen-San Huang of the National Museum of Natural Science in Taiwan thinks he has solved.

One theory, which dates back to 1923, is that the beetles drift from place to place, buoyed up by a tiny air cavity each has beneath its outer shell, which allows the insects to float. Dr Huang's research into the weevils began when he noted that this theory had never been tested. He discovered, when he put it to the test, that the beetles do, indeed, float. But, as he reports in *Experimental Biology*, floating in seawater does not do them much good. All 57 adults he tried it with died within two days. Clearly, adult weevils are not good sailors.

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That does not, however, mean that weevil young are not. Pachyrhynchus weevils have a predilection for laying their eggs inside the fruit of a mangrove-dwelling plant called the fish-poison tree. This reproduces in a way reminiscent of coconut palms. It drops its fruits into the ocean, which carries them away to germinate on distant beaches. Coconuts are protected from being eaten on their travels by having a hard, thick shell. Fish-poison-tree fruit are also protected from hungry sea creatures. But in their case, as their name suggests, the protection is chemical.

Given the relationship between weevils and plant, Dr Huang wondered how beetle larvae would fare if they were deep inside a piece of fruit floating in seawater. So he tested this as well. His experiment revealed that such larvae are tolerant of saline conditions. Specifically, of 18 grubs thrown into seawater inside a piece of fruit, two survived for six days. Moreover, these larvae went on to develop into healthy, sexually mature adults.

Two larvae out of 18 surviving for six days at sea might not sound particularly impressive. But Dr Huang argues that such numbers would easily support island colonisation. He observes, for example, that the Kuroshio Current, which carries water from the Philippines, past Japan and onwards into the Pacific, moves so swiftly that a piece of fruit caught in it could easily travel 90km in a day. Since it is only 400km from the northernmost islands of the Philippines to the southernmost islands of Japan, a constant migration of larvae in this direction would be easy to maintain—thus solving the question of how a flightless beetle can island-hop so effectively.

This article appeared in the Science and technology section of the print edition under the headline "Go with the flow"

The fate of the West

The old ways

The old ways

A path out of the West's malaise

Paul Collier advocates a return to pragmatism and a restrained form of patriotism

Print edition | Books and arts Nov 3rd 2018

The Future of Capitalism: Facing the New Anxieties By Paul Collier. Harper; 256 pages; \$29.99. Allen Lane; £20.

GLOOMY BOOKS about the decline of the West are a booming mini-industry. After the crisis of 2008-09 a wave of writers revealed the rot at the heart of the financial system. In 2013 Thomas Piketty published his improbable blockbuster, "Capital in the Twenty-First Century", which explored inequality. Populist election victories in America and Europe prompted another outpouring of pessimism. Paul Collier's new book revisits this familiar territory, but stands out because it is pragmatic, blunt—and optimistic.

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In "The Bottom Billion", published in 2007, Mr Collier examined the plight of the world's poorest. Now he turns to rich countries, which he believes are morally bankrupt and ruled by predatory elites. That has not always been so, he says. The patriotic legacy of the second world war allowed Western countries to combine the strengths of the market with a protective web of reciprocal obligations, most notably via the welfare state. By the 1980s, however, two toxic ideologies were ascendant.

One was modern economics, which, Mr Collier says, assumes individuals are selfish and rootless, and which argued for a freewheeling kind of globalisation because it is efficient. The other ideology came from centre-left parties that stopped caring about families and communities. Instead they urged people to claim a proliferating set of rights and promoted "new victim groups seeking privileged treatment".

Mr Collier, a professor at Oxford University, grew up in working-class Sheffield, a British steel town. A cousin struggled as a teenage mother; another relative cleaned toilets. He is doggedly independent-minded. Capitalism is astonishingly dynamic, he says, and Marxism is hate-filled, yet the state must be able to harness markets to an ethical purpose. The task is to find practical answers: "ideology is a menace."

A first step, he argues, is to reframe rights and responsibilities. In some circumstances society has a duty of rescue—to refugees, for example, or teenagers trapped in dead-end jobs. But in most domains the governing principle should be "reciprocity". He applies this concept in various contexts. Families should look after the old and young. Firms should be loyal to their staff. At the national level, rich metropolises should share more of the spoils with laggard cities; migration must be calibrated to benefit the host population.

Some of these ideas work better than others. A proposal to hold company boards accountable to the "public interest" would be a quagmire. A chapter on families ends limply with the suggestion that the oldest generation should try to police the obligations of the extended clan.

Mr Collier is more convincing on big cities. As the economy becomes centred on knowledge, clusters such as London and New York grow even more valuable, yet the dividends are skewed. Urban landowners extract rents while lobbying against new buildings. The rule of law is a collective endeavour, yet a legal elite benefits from it. Mr Collier suggests these "gains of agglomeration" should be clawed back. Property and land values should be taxed more, as should the income of urban high-earners. The proceeds should be distributed nationally. There should be levies on litigation.

The technical discussion is enlivened by one-liners. Bolsheviks used to recruit "useful idiots" to their cause; Jeremy Corbyn, the hard-left leader of Britain's Labour Party, relies on "youthful idiots". Pious metropolitan elites are lampooned, too: "In a bizarre parody of medieval religion, ordinary people are cast as sinners who need to be ruled by exceptional people."

Mr Collier admires Lee Kuan Yew, Singapore's former leader, who he says melded patriotism, economic dynamism and fairness (he glosses over Lee's authoritarian streak). He longs for a cultural awakening which restores the primacy of pragmatism and a restrained patriotism. Yet the question left hanging is whether those old virtues still appeal. Social media has polarised electorates; it will be hard to turn the clock back on individualism. Successful "one-nation" politicians are rare. Mr Collier cites Emmanuel Macron, but since the book was written, the French leader's popularity has slumped. Mr Collier knows what he wants—but do voters want it, too?

This article appeared in the Books and arts section of the print edition under the headline "The old ways"

All he surveyed

Napoleon's journey from sublime to ridiculous

Adam Zamoyski's magnificent new biography captures the man in full

Print edition | Books and arts Nov 3rd 2018

Napoleon: A Life. By Adam Zamoyski. *Basic Books*; 784 pages; \$40. *William Collins*; £30.

IF YOU HAVE ever been confused about exactly what Napoleon was doing in Russia in 1812, you are in good company. He was, too. As his army arrived in Lithuania, en route to Moscow, fury overtook him. "I am already in Wilna," he said, "and I still don't know what we are fighting over."

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A historian writing about Napoleon, as Adam Zamoyski does in this magnificent new biography, faces many challenges, not least the scale of the subject. Napoleon's stature might have been modest but, for good and ill, his achievements were vast. He unfurled the map of France from Rome to Amsterdam, assembled the staggering 600,000-strong Grande Armée, then watched it become more petite by the day as it was ravaged by frostbite, sickness and one of the worst-ever military disasters.

Then there is the overwhelming mass of literature, including a monumental work published this year by Michael Broers, another distinguished historian. Earlier accounts of Napoleon's life were less reputable. A comet, say some, streaked across the sky at his birth. At his death Goethe gushingly likened him to a "demi-god". Others have portrayed him as a violent monster. Humbug, says Mr Zamoyski. Napoleon was neither demon nor deity. He was a man, with great talents and great flaws, often intertwined.

For the commander who caused the deaths of hundreds of thousands of troops was also the ruler who forbade corporal punishment in his schools. The brilliant logistician who shod an army, and unrolled the roads that halved travel times across France, also had baffling practical blind spots. In Egypt his men—lacking water bottles—died of thirst. In Russia they were reduced to cutting meat from still-living horses, lest it freeze. A dazzlingly charismatic warrior in the field, at home Napoleon was considerably less stylish. At court he was gauche and ill at ease; as one visitor noted, he "picked his nose very much".

As Mr Zamoyski deftly shows, the arc of his life spanned similar contrasts. Napoleon Bonaparte, the Emperor of the French, started out as the sallow-skinned, underwhelming, Italian-speaking Napoleone Buonaparte from Corsica. Sent away to become a military cadet, as a lonely young man he got into a habit of secluding himself for hours, reading improving works and writing dull ones. "Clisson et Eugénie" was a novella about a young man of lofty ideals who becomes a soldier and whose "victories followed one after the other". Mr Zamoyski (who, unlike his subject, writes beautifully) calls it "a psychoanalyst's feast". It is also awful.

And prescient. The victories did follow one after another. Even in a book on the imperial scale of Mr Zamoyski's, Bonaparte's rise is a rapid blur. Within a few chapters he moves from lowly bit-part in Corsica, to queller of crowds in Paris, to preening victor in Italy, then on, and on...By the age of 28, he was a nationally feted general. By his mid-30s, he was an emperor who had declared victories from Italy to Egypt.

Note that word "declare". If Napoleon's followers sometimes exaggerated his brilliance, that is nothing compared with his own hyperbole. He wrote his dispatches with the florid creativity he had lavished on "Clisson et Eugénie". The bodies of dead French soldiers vanished; the corpses of enemies piled up. The phrase "to lie like a bulletin" entered common speech.

But not everything could be rewritten. Eventually the French started to grow disgruntled with relentless war. Rumbles of disapproval were heard in Paris. Upon Napoleon's return from Russia, balls were held in the capital in an attempt to raise spirits. Instead, as soldiers who had lost legs, arms, noses and ears to frostbite stumped about the dance floors, they resulted in scenes of Goya-ish grotesquerie.

"From the sublime to the ridiculous", Napoleon had announced on the return from that disastrous campaign, "there is but one step." He was right. Not long afterwards, the former ruler of all France, who once cut a swathe through Europe, was demoted to rule only Elba—reduced to "swishing with his stick at the flowers" as he walked through his garden.

This article appeared in the Books and arts section of the print edition under the headline "All he surveyed"

Ghosts at the feast
China's dream and nightmares

Ma Jian's new novel is a caustic, brave satire

Print edition | Books and arts Nov 3rd 2018

China Dream. By Ma Jian. Translated by Flora Drew. *Chatto & Windus*; 192 pages; £12.99.

IN HIS PREFACE to this compact, savage satire, the exiled novelist Ma Jian condemns “the false utopias that have enslaved and infantilised China since 1949”. For Mr Ma, who left the mainland for Hong Kong in 1987 and afterwards settled in London, the latest cloud in “the fog of lies that shrouds my homeland” is the “Chinese Dream”—a vision of fulfilment promoted by President Xi Jinping. Mr Ma’s hand-grenade (or stink-bomb) of a book is bitter and farcical. In his story, a mayor lauds the Communist Party’s aim of “replacing personal dreams with the communal China Dream”. Good luck, Mr Ma implies, with that.

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His clownish protagonist, the bureaucratic oaf Ma Daode, is a corrupt, greedy hack. He has undeservedly risen to take charge of the China Dream Bureau in the city of Ziyang. With his multiple mistresses and swanky apartment stuffed with extorted loot, Ma Daode is an avatar for the abuses inflicted by the self-proclaimed “ruling party of humanity” on the people of China. His idea of fun consists of a boozy evening at the Red Guard Nightclub, a Maoist-themed brothel, where hapless hostesses dressed in retro uniforms pay expensive attention to his “jade stalk”.

However, as he hatches plans for a futuristic implant to re-program brains with state-approved desires, memories ambush Ma Daode. “Visions of death and violence” from his militant youth, during the carnage of the Cultural Revolution, resurface in traumatic flashbacks. As long-buried grief weighs him down “like an overripe pear”, he remembers how he helped drive his parents to suicide. “Men and ghosts”, a traditional healer tells him, “are intricately entwined.” The memory-wiping tonic (or China Dream Soup) that Ma Daode tries to concoct will never wash away “the nightmares that plague our minds”.

Mr Ma’s critique of the totalitarian mindset recalls that of Soviet-era dissidents. For him, the might of the state rests on its erasure of history, private and public. His anti-hero tells pensioners at a mass golden-wedding festival that “the past must be buried before the future can be forged”. This novel suggests the contrary, in scenes of slapstick mockery punctuated by tragic and elegiac interludes. Coercive amnesia traps a person, or a society, in a cycle of neurotic repetition. What is repressed always returns. Ma Daode finds that “his memories are like footballs on a pond: the harder he pushes them down, the higher they bounce up again.”

The satirical buffoonery is garnished with both horror and tenderness. Flora Drew translates with a keen ear for switches of voice and tone. If “China Dream” is a slighter work than Mr Ma’s major novels—notably, “Beijing Coma” and “The Dark Road”—it shares their courage and outrage. As he takes an angry hatchet to one Chinese dream, he cherishes another: of a democratic nation with “minds and hearts unchained”.

This article appeared in the Books and arts section of the print edition under the headline “Ghosts at the feast”

In the widows' basement

The life and death of a courageous war reporter

Marie Colvin was often the first correspondent into a hotspot, and the last out

Print edition | Books and arts Nov 3rd 2018

In Extremis: The Life of War Correspondent Marie Colvin. By Lindsey Hilsum. *Chatto & Windus*; 437 pages; \$28 and £20.

FIGHTING WARS has generally been seen as the concern of men—and so has writing about them. Yet at the height of the turmoil after the Arab spring, women covered all the region's conflicts, including for *The Economist*. Most female reporters do not want to be typecast, but might acknowledge that their gender influences their work, just as it does for men. It can help: women in the Middle East tend to be less visible at (for example) checkpoints, especially if they wear a headscarf. They can be welcomed into female-only domains. Male interviewees often open up to them.

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Marie Colvin, the roving war reporter for the *Sunday Times* from 1985 until her death in Syria in 2012, at the age of 55, thought female journalists distinguished themselves by focusing on people rather than the bang-bang. She got close to Muammar Qaddafi and Yasser Arafat, but, as this intimate biography by Lindsey Hilsum, a fellow (female) reporter, shows, her gift was writing, passionately, about ordinary lives during war; "humanity in extremis", she called it. Her fateful last piece was on "the widows' basement" in Baba Amr, a district of Homs, where bereaved women and children huddled as Syrian forces starved and shelled them to death.

With the help of Colvin's diaries, Ms Hilsum deftly explores her complex motives. Her troubled relationship with her father pushed her to succeed. Like most war correspondents, she wanted to outdo the competition; seeing death made life more vibrant, as did the adrenalin buzz of near misses. But she was spurred to go further than her peers primarily because she thought she could make a difference through her work—or just her presence. In East Timor in 1999 she refused to leave as Indonesian troops approached a UN compound where refugees were sheltering.

She was often the first, or only, reporter to go in, and the last out, even if that meant trekking over a mountain range, as she did to escape from Chechnya in 1999. She lost an eye to a grenade in Sri Lanka in 2001. But by the time of the Arab spring, war reporting had changed. Nasty regimes overtly treated journalists as enemies. And they could find them easily, thanks to live reporting on social media and Skype interviews. Evidence suggests that the Syrian regime set out to murder Colvin, who was killed by a rocket (her family is taking legal action against Syria's government).

Ms Hilsum's portrait is greatly enhanced by its frankness. Colvin could be reckless. She had already been into Baba Amr and got her story, but returned against advice and without telling her editor. Sometimes she cut corners for a cause. She described a baby's death in Baba Amr on the basis of a video rather than (as she implied) her own observations, because, the book suggests, she thought the image would move readers to think about Syria's plight.

Few who see war avoid trauma; it is hard to switch between the extremes of conflict and humdrum domesticity. Ms Hilsum unflinchingly depicts Colvin's alcohol abuse, the breakdown she suffered and her tumultuous relationships. Women war correspondents struggle to balance work and personal life in specifically female ways, too. Colvin wanted to be a mother, but by the time she had made her name, it turned out to be too late.

This article appeared in the Books and arts section of the print edition under the headline "In the widows' basement"

He said, she said, she won

The fallen woman who took down a congressman

Patricia Miller recounts an explosive but forgotten chapter in the annals of sexual politics

Print edition | Books and arts Nov 3rd 2018

Bringing Down the Colonel. By Patricia Miller. *Sarah Crichton Books*; 384 pages; \$28.

IN BYGONE ERAS, a powerless American woman wronged by a powerful man had little prospect of redress. A thin hope, established by a case in Massachusetts in 1818, allowed a jilted woman to sue for breach of promise. That precedent sets the stage for “Bringing Down the Colonel”, in which Patricia Miller chronicles an explosive but largely forgotten episode in the annals of sexual politics.

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In 1894, after a decade-long affair, Madeline Pollard, a poor young woman of negligible social standing, hauled William Breckinridge, a Kentucky congressman, into court, demanding damages of \$50,000 (about \$1.4m today) for his failure to marry her as he pledged. Ms Miller explains that “heart balm” laws compensated women in instances of “treachery of the man to whom she had plighted her vows”. Ruined women like Pollard, who engaged in a sexual relationship outside marriage, need not bother filing suit, though. “The law will not enforce a contract of marriage in favour of a party...not fit to be married at all,” a Pennsylvania court ruled. Nevertheless, she persisted—and won. Ms Miller draws on unpublished material to explain how.

The sensational trial pitted Breckinridge, a son of southern gentry, short in stature, silver of hair and tongue, against Pollard, who was seduced by him as a 17-year-old student at Wesleyan College in Ohio. The politician, aged 47 at the time, was an accomplished orator, whose speechifying on religion and morality never disturbed his habit of preying on women travelling alone on trains. (“One of his grandstand plays,” two society ladies confirmed.) The affair, conducted during Breckinridge’s second marriage, produced two illegitimate children, both given up for adoption, to Pollard’s distress. Despite his promise to wed her in the event of his freedom, when his wife died he instead married another woman of higher standing.

The trial in Washington was litigated by a huddle of male lawyers before a jury of men, presided over by a male judge. When, on the second day, a group of 20 women entered the courtroom and claimed seats reserved for spectators, the judge ordered their removal. Men immediately filled the empty spaces. Predictably, the plaintiff was smeared: “a self-admitted wanton looking for revenge”, the defence averred.

But in a twist unique for its time, Pollard openly admitted her sexual transgression and decried the double standard that allowed men sexual licence but punished women. It helped that she out-lawyered her opponent (it is unclear who paid the bills). And she understood spin. She described her seduction by an influential man 30 years her senior, reframed the tale of a fallen woman into one of duplicity, and gave the story to the *New York World*, a tabloid. By cleverly taking control of the narrative, Pollard transformed herself into a heroine of sexual equality.

Ms Miller shows how the scandal laid open previously taboo topics—adultery, illicit pregnancies, abortion and sexual hypocrisy. Even if the trial that is the book’s centrepiece lags, her wide historical lens makes it a valuable, timely addition to discussions of gender and power, not to mention an eerie echo of recent news. There are two stories, wrote one courtroom reporter, so contradictory that there “was no possible way of harmonising” them. “One is true and the other is not.” Plus ça change.

This article appeared in the Books and arts section of the print edition under the headline “He said, she said, she won”

Johnson

The dangers of misleading metaphors

The solution is to replace them with good metaphors instead

Print edition | Books and arts Nov 3rd 2018

THE PHRASE “to have your cake and eat it”, much used in relation to Brexit, is a bit odd. In its current form it is not the paradox it purports to be, since having and then eating a cake is the usual sequence; in its original form (“eat your cake and have it too”), it has more force. As a metaphor for Brexit, it was always a bit of a joke.

Some metaphors are more persuasive—and more dangerous. Take the metaphor of a “deal”. Typically, if a deal is rejected, the *status quo ante* obtains, notes Anand Menon of King’s College London. Brexiteers believe that, to get a better “deal”, Britain should just stay cool and be willing to walk away. “No deal is better than a bad deal,” some claim.

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That would be true if Brexit were like buying a second-hand car. You size up the vehicle, hoping not to spend all of the £5,000 in your pocket. But the dealer wants the lot. You walk away; he still has his car, you still have your £5,000. But this is not the case with a no-deal Brexit. Supply lines, trade links and more would be disturbed. You don’t keep the £5,000. You end up with less—and no car.

Metaphors are vital mental shorthand. Contemplating abstract things is easier with the use of concrete and familiar mental images. Time is a horizontal line; life is a journey. Note that they are consonant with each other. If time were instead routinely thought of as a ladder, the notion of life as a journey down a road would clash with it. In a classic book, “Metaphors We Live By”, George Lakoff and Mark Johnson, two linguists, use the fact that metaphors like this chime with each other as evidence that they are deeply rooted and so strongly influence people’s thinking.

Metaphors need several elements to work. One is simplicity. If you compared Brexit to a complex contract, with a “break clause” corresponding to the current imbroglio, you would have a more precise metaphor—but this would confuse a lot of people not familiar with such documents.

With simple metaphors, some of the details won’t fit; life may be a journey, but you don’t need a passport. But their central elements should illustrate central elements of the phenomenon they describe. If they don’t, the metaphor will mislead (which, for politicians, is sometimes the point). Consider “war”, another popular trope. Wars on poverty, drugs and terrorism have all failed. Why? Politicians aim to summon one element of the “war” metaphor when they use it: an intense national struggle. But there is another crucial part of war, namely the adversary.

In a real war, they fight back and might win. When your side prevails, the foe might be persuaded to formally surrender on the deck of the battleship *Missouri*. Drugs or poverty or terrorism don’t do that, leaving the public that had been roused by the talk of “war” frustrated. The metaphor backfires. You don’t need to be Sun Tzu to know that you shouldn’t declare a war that cannot be won.

Or take a similar tempting metaphor, one deployed by America’s president. Donald Trump cannot stop talking about “winning”. Someone can win a sporting contest (or a war); such encounters generally have clear losers, too. Sometimes there are “win-win” situations, but that name is a kind of intentional paradox, like the eaten but extant cake; the core meaning of “to win” is to triumph against an opponent. And sure enough, Mr Trump seems to think any transaction from which the other party emerges satisfied must not have been a “win”.

Real as it is, the influence of bad metaphors is limited, as is the benefit of replacing them. A study at Stanford University found that switching from describing crime as a “beast” to describing it as a “virus” led participants to propose different solutions. They thought the “beast” should be fought with law and order. As a “virus”, they were more likely to recommend public-health-style policies. But the law-and-order approach still commanded a majority, merely a smaller one. So changing metaphors is not magic.

All the same, it is important to combat misleading examples with better ones. This is hard, since people are attached to their old frames of reference, but possible. The new metaphor must be stark and compelling. For instance, Brexit is far more like a divorce than a financial deal. Separating will be painful, doing so acrimoniously even costlier, with assets wasted in the squabble and the children embittered. This metaphor may be more accurate, but it is also less cheerful. So it runs up against another deeply rooted feature of human cognition: the desire not to think about anything unpleasant.

This article appeared in the Books and arts section of the print edition under the headline “Too much winning”

Graphic detail

The American electorate

All politics is identity politics

All politics is identity politics

How to forecast an American's vote

Religion, not race, is the best single predictor of voting preferences

Print edition | Graphic detail Nov 3rd 2018

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AMERICA'S FOUNDING FATHERS envisioned a republic in which free-thinking voters would carefully consider the proposals of office-seekers. Today, however, demography seems to govern voters' choices. Since April 2017 *The Economist* and YouGov, a pollster, have surveyed 1,500 Americans each week. We have built a statistical model to estimate the odds of how each respondent will vote in next week's mid-term elections.

Polling of voting sub-groups can be misleading. City-dwellers are usually liberal. Is that because of where they live, or because they tend to be better educated and are less likely to be white than countryfolk? Our model measures each variable in isolation. Even among people of the same race and schooling, urbanites are more Democratic-leaning. It also considers how variables affect each other. For example, single women are more liberal than married ones, whereas this gap is negligible among men. Of the 12 factors in the model, the most important is religion. Atheists are even more likely to be Democrats than evangelical Protestants are to be Republicans.

Our model adds up the impact of each variable, like a set of building blocks. As a result, a group of weak predictors that point in the same direction can cancel out a single strong one. In theory, the model could identify a black voter as a Republican leaner, or a white evangelical as a probable Democrat—though it would require quite an unusual profile.

Sources: YouGov; *The Economist*

This article appeared in the Graphic detail section of the print edition under the headline "All politics is identity politics"

Anthea Bell

Through a glass, brightly

Through a glass, brightly

Obituary: Anthea Bell died on October 18th

The doyenne of English literary translators was 82

Print edition | Obituary Nov 3rd 2018

THE FIERCEST dispute in the world of literary translation, where knuckles may be bared over the precise nuance of *solitaire* or *Gestalt*, concerns whether the translator should be visible or not. Anthea Bell, one of the most acclaimed, knew exactly where she stood. She wished to be glass. The glass, for example, through which the narrator of W.G. Sebald's "Austerlitz" observed a raccoon in the artificial dusk of the Nocturama at Antwerp Zoo, "washing the same piece of apple over and over again, as if it hoped that all this washing, which went far beyond any reasonable thoroughness, would help it to escape the unreal world in which it had arrived, so to speak, through no fault of its own." Or the "window panes covered by frost-flowers" of the little houses through which Franz Kafka's K. struggled on his way to the Castle, "pulling his feet out of [the snow] as they kept sinking in again", hearing the great bell ring "with a lively, cheerful note, although the sound was painful too, and made his heart quail momentarily as if threatened with getting what it vaguely desired."

At the desk where she worked in her small house in Cambridge, she looked out at the garden through two panes. One was modern, perfectly transparent; the other old, with small distorting flaws. She felt she was the second, interpreting freely rather than literally. What mattered was to spin the illusion that the books she translated—chiefly from French and German, though she had learned Danish, over a single Christmas, for Hans Christian Andersen's fairy tales—had originally been written, even thought, in English. Her last act was always to put the original aside and read through in English only. Readers would be sure to pounce on anything clumsy. At the same time she did not want to lose the foreign feel of a book entirely, and indeed could not start until she had found the writer's voice. She was ever aware of that tension, proceeding obliquely and open-eyed, like the soft-pawed Birman cats who really ruled her house. One of her favourite projects was E.T.A. Hoffmann's "The Life and Opinions of the Tomcat Murr" (1819-21), in which Murr's scribbles on scraps emerged as the work of a true genius, "possessed of intellect, understanding, and sharp claws".

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Wit and melancholy often shared her desk, with several projects on the go at once. She would try anything except poetry, which she felt should not be touched unless it was deliberately bad. The wild novellas of Stefan Zweig, a neglected Austrian writer, or the teenage fantasy of the Inkheart series, or the cliché-ridden memoirs of Hitler's last secretary, were balanced by the anarchic fun of the Asterix comics, her main work for years. Invisibly, as before, she presented the cascading jokes and puns of the indomitable Gaulish villagers as if they had been minted in English; many readers, to her delight, supposed they had been. Thus Idéfix (Asterix's dog) became Dogmatix, Assurancetourix (the bard) Cacophonix, and Panoramix (the druid) Getafix—not, she stressed, because he was on drugs (would she dream of such a thing?) but because he got a fix on the stars. Two Roman soldiers became Sendervictorius and Appiangelorous; a British-Irish chieftain was O'veroptimistix. She was determined to "carry across" as many jokes, and learned digs, as she could. One swordfight, originally in the literary style of Cyrano de Bergerac, she made Shakespearean, Laertes fighting Hamlet. The cry of one shipwrecked pirate on a raft, "Je suis médusé!" (an allusion to Géricault's "Raft of the Medusa", which also meant "I'm dumbstruck"), became "We've been framed, by Jericho!"

She had never expected to have such fun translating, but then the whole thing was unplanned. A childhood spent with Loeb classics, those tempting little red and green volumes of parallel texts, gave her a love of languages that she took to Oxford, but she swapped all that "like a good girl", as she said, for a secretarial course when she got married. Her first translation, which fell to her simply because she had German, was done with her first baby in a carry-cot beside her. Appropriately it was Otfried Preussler's "The Little Water Sprite", a children's story, observed through the window of a house beneath a mill-pond.

Every part of her career pleased her. To work with living authors was a privilege, especially when they could wrestle English almost as well as she could. Sebald, "Max" to her, sent back her drafts by post, eschewing email; she treasured the way his central European melancholy and wandering sub-clauses touched the scenes of her native East Anglia. René Goscinny, of Asterix, loved her puns round "old fruit" in "Asterix in Britain", wishing he had thought them up himself. Rough-drafting, polishing and tweaking were equally satisfying. She revelled in the encyclopedic knowledge needed to capture the exact shading of phrases, and blessed the internet for allowing her to track down, through their Latin names, obscure plants and birds. There were nice surprises: that Freud, like her, got such mileage from wordplay (though they were called slips, with him), and that Kafka was funny. Best of all, she was bringing great authors forward to seduce new eyes and minds.

Watching at the feast

As the pages of their works were turned, there was no trace of the translator. After the title page, she disappeared. And yet she inhabited the works so completely that she was surely somewhere in the scene. Perhaps she was in Sebald's *Salle des pas perdus* in Antwerp Central Station, where "the railway passengers seemed to me somehow miniaturised, whether by the unusual height of the ceiling or because of the gathering dusk, and it was this, I suppose, which prompted the passing thought, nonsensical in itself, that they were the last members of a diminutive race which had perished or been expelled from its homeland, and that because they alone survived they wore the same sorrowful expression as the creatures in the zoo." Or perhaps she was giggling behind the tree where Cacophonix sat gagged and fuming, at the end of most Asterix adventures, while beer-horns were raised at a great village feast and wild boar rapturously devoured, in French ("Scrotch! Scrotch!") or English ("Scrunch!").

This article appeared in the Obituary section of the print edition under the headline "Through a glass, brightly"

Economic data, markets and commodities

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