

# The Economist

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Britain's equilibrium of incompetence

Idlib: the next Syrian slaughter

Facebook and YouTube, censors-in-chief

Brazil's incinerated treasures

## Has finance been fixed?

TEN YEARS AFTER LEHMAN



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### Politics this week

Print edition | The world this week Sep 6th 2018

The Senate Judiciary Committee began its hearing into **Brett Kavanaugh's** nomination to the Supreme Court. Calls by the Democrats for the White House to release more documents relating to Mr Kavanaugh's work for George W. Bush fell on deaf ears (over 1m pages have already been released, more than for any previous Supreme Court nominee). Democratic senators griped about the vetting process and activists disrupted the hearing, but Mr Kavanaugh is likely to be confirmed. See [article](#).

Rahm Emanuel, a fiscally sober Democrat, said he would not seek a third term as mayor of **Chicago** next year. He had been expected to run again, but despite an impressive economic record has grown unpopular because of rampant gun crime and the police's reaction to it. See [article](#).

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There was another upset in a **Democratic primary**, this time in Boston, where Ayanna Pressley defeated Michael Capuano, who has held his seat for 20 years and had the support of the city's political establishment. Ms Pressley is likely to win at November's mid-terms, which would make her the first black woman from Massachusetts to sit in the House of Representatives.

Donald Trump threatened that "Canada will be out" of the **North American Free Trade Agreement** if it does not agree to a "fair deal" for the United States. The president also told Congress not to interfere with his dealmaking. Some Republicans have said they will not countenance a new NAFTA pact that excludes Canada. Talks resumed between the two countries. See [article](#).

#### Nigeria's scourge

Guerrillas aligned to Boko Haram, a jihadist group that opposes secular education, killed dozens of **Nigerian** soldiers in an attack on a base in Zari, near the border with Niger. Boko Haram has intensified its attacks on the army in the past few months.

**Syrian** government troops massed near Idlib province, the last major rebel stronghold. They are expected to attack it within days. Massacres are expected, and civilians have no obvious place to flee. See [article](#).

**South Africa's** economy fell into recession after contracting for a second consecutive quarter in the three months to June. The weak economy may hinder reform efforts by Cyril Ramaphosa, who took over as president in February, after years of mismanagement and corruption under his predecessor, Jacob Zuma. See [article](#).

Fighting between rival militias in Tripoli, the capital of **Libya**, left dozens of people dead. The clashes for turf are between armed groups that ostensibly support the UN-backed government.

#### Lost treasures

A huge fire consumed **Brazil's** National Museum in Rio de Janeiro. No one was hurt, but the fire destroyed most of the 20m treasures inside, including dinosaur bones and the oldest human fossil found in the Americas. What caused it is unknown, but shoddy maintenance, a minuscule budget and years of neglect have taken their toll. It was the third major blaze at a Brazilian cultural institution in eight years. See [article](#).

Jimmy Morales, **Guatemala's** president, revoked the mandate of the UN-sponsored International Commission Against Impunity in Guatemala, known as CICIG. The body has helped Guatemala crack down on drug cartels and investigated high-profile corruption, leading to the prosecution of a former president. Mr Morales is himself under investigation and had tried to oust the commission's head.

#### The evidence is in

Theresa May, Britain's prime minister, accused **Russia's** military intelligence service (GRU) of being responsible for the poisoning of a former Russian spy and his daughter in a quiet English cathedral town in March. Describing in detail the police investigation, she named the two would-be assassins, and noted that the operation was "almost certainly also approved outside the GRU at a senior level of the Russian state". She pledged to bring the two agents before British courts if they are ever caught outside Russia. See [article](#).

A second weekend of anti-migrant demonstrations took place in Chemnitz, in the **German** state of Saxony, in response to the stabbing of a German man. See [article](#).

**Catalonia's** leader, Quim Torra, called on the government in Madrid to allow a referendum on independence, rejecting an offer from Spain's prime minister for a vote on greater autonomy.

#### A day to remember

**India's** Supreme Court legalised homosexuality, a historic decision that brings an end to fraught and lengthy legal battles that started in the 1990s. The ruling overturns a verdict in 2013 that upheld a law from the days of the British Raj criminalising gay sex. See [article](#).

Xi Jinping announced another \$60bn in investment and aid to Africa at the triennial meeting of the Forum on China-Africa Co-operation in Beijing. Delegations from 53 **African countries** attended. Since the first summit in 2000, China has become Africa's most important trading partner.

The UN held an emergency meeting to discuss an outbreak of **swine fever** in China. The highly contagious virus is not dangerous to humans but can wipe out pig populations, which could do great damage to China's vast pork industry. And the virus could easily spread to other countries. See [article](#) .

In **Myanmar**, two journalists working for Reuters, a news agency, were sentenced to seven years in prison, after reporting on the genocide against Rohingya Muslims. They were convicted of illegal possession of official secrets, though the documents in question were in fact public, and had been given to them by police. Aung San Suu Kyi, Myanmar's Nobel peace-prize-winning leader, did not condemn the stitch-up. See [article](#) .

Japan's most powerful storm in 25 years, **Typhoon Jebi**, left a trail of destruction, killing 11 people and shutting Osaka's international airport. At least 400,000 homes lost power.

The International Olympic Committee dashed the hopes of video-gamers when its president, Thomas Bach, said that **electronic sports** promote violence and contradict Olympic values. E-sport events were held at the recent Asian Games. But although the noble art of karate is being added to the 2020 Olympic games in Tokyo, which will also include boxing, judo, shooting and wrestling, e-sports have now been given the chop.

## **KAL's cartoon**

**Print edition | The world this week** Sep 6th 2018

## Business this week

Print edition | The world this week Sep 6th 2018

The government of **Argentina** introduced a package of emergency measures to try to shore up the plummeting peso, which has lost more than 50% of its value against the dollar this year. Mauricio Macri, the president, announced an austerity plan and new taxes on exports as he pledged to reduce the budget deficit. The moves came after the central bank raised its main interest rate to 60% from 45%. The measures are designed in part to speed up disbursements from a \$50bn credit deal that has been agreed with the IMF. See [article](#).

### In a flap

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**Turkey's** central bank said that its monetary stance would be "adjusted" at its meeting this month, a hint that it will raise interest rates despite intense political opposition. Turkey's annual inflation rate soared to 17.9% in August, far above the bank's official target of 5%. In an effort to halt the slide of the lira, the government reduced taxes on lira deposits and increased them on foreign-currency holdings. See [article](#).

The spread on **Italy's** ten-year government-bond yield over its German equivalent hit a level last seen during the euro crisis. Fitch, a ratings agency, changed its outlook on Italy to negative from stable. Investors are nervous that Italy's forthcoming budget will breach European Union rules that set deficit ceilings at 3% of GDP. Responding to those concerns Matteo Salvini, Italy's populist deputy prime minister, backed away from previous comments and reassured markets that Italy would respect those deficit limits.

**Mark Carney** said that he was prepared to stay on as governor of the Bank of England beyond his scheduled end-date of June 2019 in order to "promote a smooth Brexit and an effective transition" at the central bank. Britain will leave the EU in March next year. Speculation had mounted in recent weeks that the government would ask Mr Carney to stay on for another year.

**Wonga**, Britain's biggest payday lender, went into administration following a surge in compensation claims from disgruntled customers. The firm had struggled after tougher payday-lending rules were introduced in 2015, including a cap on the interest charged. Liquidators were appointed to wind down Wonga's British business (existing customers will still have to repay loans). Its overseas operations will continue.

### Things go better with Coke

Whitbread, a British hotels-and-restaurants group, announced the sale of its **Costa Coffee** chain to **Coca-Cola** for £3.9bn (\$5bn). Whitbread acquired Costa in 1995 for £19m when it had only 39 shops. It now has over 3,800 in 31 countries and operates thousands of vending machines.

Jack Dorsey, the chief executive of **Twitter**, and Sheryl Sandberg, the chief operating officer of **Facebook**, faced a grilling on Capitol Hill (Alphabet's boss was also asked to appear but did not attend). Both reiterated that their social-media platforms have taken significant steps to curb fake news and thwart foreign groups trying to interfere in elections. But Jeff Sessions, America's attorney-general, said he was considering investigating big tech companies over antitrust issues and an alleged bias against conservative views on their platforms. See [article](#).

**Amazon's** market capitalisation briefly rose above \$1trn, making it the second American company to achieve that milestone, after Apple.

**Tencent's** share price fell sharply after the Chinese government proposed limiting the use of video games. The edict said that the popularity of gaming among the young was storing up problems and suggested the number of new games and the amount of time that children can play them would both be restricted. Games account for a large chunk of Tencent's sales. See [article](#).

Three years of losses, which have caused its share price to slump and market capitalisation to shrink, will see **Deutsche Bank** removed from the Euro Stoxx 50, according to reports. The Euro Stoxx 50 is Europe's leading blue-chip index. It is tracked by many passive-investment funds, which would have to ditch Deutsche's shares.

**Funding Circle**, a peer-to-peer lender based in London, launched an IPO to raise £300m (\$390m), which would value it at more than £1.5bn. The firm has arranged loans to 50,000 small companies in Britain, America, Germany and the Netherlands and is at the forefront of London's growing fintech industry. See [article](#).

### New York loses its Voice

The *Village Voice* ceased publication, 63 years after it was founded as a newspaper for New York's artistic community. The *Voice* stopped publishing in print last year, running an online-only version. But that was not enough to make up for the loss of revenue from classified ads. At its peak it had a weekly circulation of 250,000 copies.



### Ten years after Lehman Has finance been fixed?

Has finance been fixed?

## The world has not learned the lessons of the financial crisis

*Banks are safer, but too much of what has gone wrong since 2008 could happen again*

Print edition | Leaders Sep 6th 2018

WHEN historians gaze back at the early 21st century, they will identify two seismic shocks. The first was the terrorist attacks of September 11th 2001, the second the global financial crisis, which boiled over ten years ago this month with the collapse of Lehman Brothers. September 11th led to wars, Lehman's bankruptcy to an economic and political reckoning. Just as the fighting continues, so the reckoning is far from over.

Lehman failed after losing money on toxic loans and securities linked to America's property market. Its bankruptcy unleashed chaos. Trade fell in every country on which the World Trade Organisation reports. Credit supplied to the real economy fell, by perhaps \$2trn in America alone. To limit their indebtedness, governments resorted to austerity. Having exhausted the scope to cut interest rates, central bankers turned to quantitative easing (creating money to buy bonds).

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Just as the causes of the financial crisis were many and varied, so were its consequences. It turbocharged today's populist surge, raising questions about income inequality, job insecurity and globalisation. But it also changed the financial system (see [Briefing](#)). The question is: did it change it enough?

### To splurge is human

One way—the wrong way—to judge progress would be to expect an end to financial crises. Systemic banking meltdowns are a feature of human history. The IMF has counted 124 of them between 1970 and 2007. There is no question that they will occur again, if only because good times breed complacency. Consider that the Trump administration is deregulating finance during an economic boom and that the Federal Reserve has not yet raised counter-cyclical capital requirements. Even when prudence prevails, no regulator is a perfect judge of risk.

A better test is whether the likelihood and size of crises can be reduced. On that, the news is both good and bad.

First, the good. Banks must now fund themselves with more equity and less debt. They depend less on trading to make money and on short-term wholesale borrowing to finance their activities. Even in Europe, where few banks make large profits, the system as a whole is stronger than it was. Regulators have beefed up their oversight, especially of the largest institutions that are too big to fail. On both sides of the Atlantic banks are subject to regular stress tests and must submit plans for their own orderly demise. Derivatives markets of the type that felled AIG, an insurer, are smaller and safer. Revamped pay policies should prevent a repeat of the injustice of bankers taking public money while pocketing huge pay-packets—in 2009 staff at the five biggest banks trousered \$114bn.

Yet many lessons have gone unlearned. Take, for example, policymakers' mistakes in the aftermath of the crisis. The state had no choice but to stand behind failing banks, but it took the ill-judged decision to all but abandon insolvent households. Perhaps 9m Americans lost their homes in the recession; unemployment rose by over 8m. While households paid down debt, consumer spending was ravaged.

It has taken fully ten years for the countervailing economic stimulus to restore America's economy to health. Many of Europe's economies still suffer from weak aggregate demand. Fiscal and monetary policy could have done more, sooner, to bring about recovery. They were held back by mostly misplaced concerns about government debt and inflation. The fact that this failing is not more widely acknowledged augurs badly for the policy response next time (see [Free exchange](#)).

Stagnation has, inevitably, fed populism. And, by looking for scapegoats and simplistic solutions that punish them, populism has made it harder to confront the real long-term problems that the crisis exposed. Three stand out: housing, offshore dollar finance and the euro.

### To share divine

The precise shape of the next financial crisis is unclear—otherwise it would surely be avoided. But, in one way or another, it is likely to involve property. Rich-world governments have never properly reconciled a desire to boost home ownership with the need to avoid dangerous booms in household credit, as in the mid-2000s. In America the reluctance to confront this means that the taxpayer underwrites 70% of all new mortgage lending. Everywhere, regulations encourage banks to lend against property rather than make loans to businesses. The risk will be mitigated only when politicians embrace fundamental reforms, such as reducing household borrowing, with risk-sharing mortgages or permanent constraints on loan-to-value ratios. In America



taxpayers should get out of the rotten business of guaranteeing mortgage debt. Sadly, populists are hardly likely to take on homeowners.

Next, the greenback. The crisis spread across borders because European banks ran out of the dollars they needed to pay back their dollar-denominated borrowing. The Fed acted as lender of last resort to the world, offering foreigners \$1trn of liquidity. Since then, offshore dollar debts have roughly doubled. In the next crisis, America's political system is unlikely to let the Fed act as the backstop to this vast system, even after Donald Trump leaves the White House. Finding ways to make offshore dollar finance safe, such as pooling dollar reserves among emerging-market countries, relies on international co-operation of the type that is fast falling out of fashion.

The rise of nationalism also hinders Europe from solving the euro's structural problems. The crisis showed how a country's banks and its government are intertwined: the state struggles to borrow enough to support the banks, which are dragged down by the falling value of government debt. This "doom loop" remains mostly intact. Until Europe shares more risks across national borders—whether through financial markets, deposit guarantees or fiscal policy—the future of the single currency will remain in doubt. A chaotic collapse of the euro would make the crisis of 2008 look like a picnic.

Policymakers have made the economy safer, but they still have plenty of lessons to learn. And fracturing geopolitics make globalised finance even harder to deal with. A decade after Lehman failed, finance has a worrying amount to fix.

*This article appeared in the Leaders section of the print edition under the headline "Has finance been fixed?"*

**Geopolitics****Why Russia and China's joint military exercises should worry the West**

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*They hold a mirror to Donald Trump's undermining of America's allies***Print edition | Leaders** Sep 6th 2018

RUSSIA has long feared a Chinese invasion of its sprawling far east. Large Russian armies regularly drill in southern Siberia. This year the exercises are the largest since the cold war. But what is striking is not just the scale of "Vostok-2018" (see [article](#)), but the fact that thousands of Chinese soldiers will take part in them as honoured guests.

To some this looks like the reversal of Richard Nixon's visit to China in 1972. Back then, America split the big communist powers. Now China and Russia are binding closer to challenge the American order. The parallel with the cold war is imperfect. But the West should worry nonetheless, not least because the exercises hold a mirror to America's weakened alliances.

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**The art of war games**

Exercises matter both militarily and politically. They help keep armed forces on their toes, and hone new weapons and tactics under realistic conditions. This is especially important for China. It is spending heavily on its armed forces, which have become more assertive, but is alone among the big powers in having had no combat experience in almost four decades. China's forces have imported Russia's most advanced missiles and aircraft. They can now absorb the battlefield lessons from Russia's wars in Georgia, Ukraine and Syria.

Politically, there are limits to the rapprochement. China is the rising superpower; Russia is struggling to arrest its own decline. China's vast infrastructure investments in Central Asia, part of the Belt and Road Initiative, are displacing Russia in its own backyard. Moreover, Russia's brash flouting of international norms, including its annexation of Crimea and support for separatists in eastern Ukraine, sits uneasily with China. Russia has all but dropped any pretence of civility with America and Europe; China sticks to the notion of "win-win" relations. Russia arms the Taliban to frustrate America; China seeks to promote a peace deal in Afghanistan.

Nevertheless, Russia and China increasingly share a view of how the world ought to be reordered. They want to reassert the role of states over individuals and civil society, break American alliances and establish "harmonious" (ie, servile) arrangements with countries in their orbits. Both have blocked international action against genocidal and despotic regimes, such as those of Syria and Sudan.

Although Russia and China may never be firm allies, their partnership is bad news for liberal democracies everywhere. How to respond? The temptation is to try to play one off against the other. Chinese analysts, who love a conspiracy, devoured reports, later denied, that Henry Kissinger told President Donald Trump to use Russia to contain China. Others think partnership with China is more important. This is the wrong way to see the problem. America has many friends, mostly democracies, which can help it stand up to both Russia and China. Alas, Mr Trump is treating America's friends badly.

Compare President Vladimir Putin's deft military diplomacy in Vostok-2018 with Mr Trump's capricious cancellation of joint exercises with South Korea—to the dismay of his generals. Japan frets that its military ties with America will become a bargaining chip in trade disputes (see [article](#)). And although Europeans are relieved that last summer's NATO summit passed without a crisis, Mr Trump's disparagement of allies, whether big countries like Germany or small ones like Montenegro, has frayed transatlantic bonds.

The world's democracies, led by America, should be mounting a collective defence of liberal values. Instead Mr Trump is busy wrecking them. He should learn one lesson from Mr Putin: friends are an asset, not a burden.

*This article appeared in the Leaders section of the print edition under the headline "Trouble in the east"*

Truth and power

## Should the tech giants be liable for content?

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*Tech platforms are not neutral. Turning them into censors does not solve that problem*

Print edition | Leaders Sep 8th 2018

GOOGLE marked its 20th birthday this week. It celebrated in fitting style—being lambasted by politicians in Washington. Its failure to send a senior executive to a congressional hearing, over Russian use of tech platforms to meddle in the presidential election in 2016, was tone-deaf. Like Facebook and Twitter, whose top brass did show up, Google wields too much influence to avoid public scrutiny. A vital debate is under way over whether and how tech platforms should be held responsible for the content they carry. Angering legislators increases the chance of a bad outcome.

Back when Google, Facebook, Twitter and others were babies, the answer that politicians gave on the question of content liability was clear. Laws such as America's Communications Decency Act (CDA), passed in 1996, largely shielded online firms from responsibility for their users' actions. Lawmakers reasoned that the fledgling online industry needed to be protected from costly lawsuits. They were to be thought of more as telecoms providers, neutral venues on which customers could communicate with each other.

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That position is hard to maintain today. Online giants no longer need protection: they are among the world's most successful and influential firms. Nearly half of American adults get some of their news on Facebook; YouTube, Google's video-streaming service, has 1.9bn monthly logged-on users, who watch around 1bn hours of video every day. To complaints about trolling, fake news and extremist videos, the old defence of neutrality rings hollow. The platforms' algorithms curate the flow of content; they help decide what users see.

The pendulum is thus swinging the other way. Lawmakers are eroding the idea that the platforms have no responsibility for content. Earlier this year America passed the SESTA act, which has the worthy aim of cracking down on sex trafficking; the Department of Justice this week said it would look into the platforms' impact on free speech. In Germany the platforms have strict deadlines to take down hate speech. The tech giants themselves increasingly accept responsibility for what appears on their pages, hiring armies of moderators to remove offending content (see [article](#)).

This new interventionism carries two big dangers. One is that it will entrench the dominance of the giants, because startups will not be able to afford the burden of policing their platforms or to shoulder the risk of lawsuits. The other is that the tech titans become "ministries of truth", acting as arbiters of what billions of people around the world see—and what they do not. This is no idle worry. Facebook and YouTube have banned Alex Jones, a notorious peddler of conspiracy theories. Loathsome as Mr Jones's ideas are, defenders of free speech ought to squirm at the notion that a small set of like-minded executives in Silicon Valley are deciding what is seen by an audience of billions.

The weight given to free speech and the responsibilities of the platforms vary between countries. But three principles ought to guide the actions of legislators and the platforms themselves. The first is that free speech comes in many flavours. The debate over the platforms is a melange of concerns, from online bullying to political misinformation. These worries demand different responses. The case for holding the tech firms directly responsible for what they carry is clear for illegal content. Content that may be deemed political is far harder to deal with—the risk is both that platforms host material that is beyond the pale and take down material that should be aired.

The second is that it is wrong to try to engineer a particular outcome for content. Trying to achieve a balanced news feed, say, is not simply antithetical to the giants' business model, which promises personalised content. It is also a definitional quagmire, in which honest differences of political view must be categorised. Tech firms would be forced to act as censors. It would be better to make platforms accountable for their procedures: clarify the criteria applied to restrict content; recruit advisory bodies and user representatives to help ensure that these criteria are applied; give users scope to appeal against decisions. They also need to open their algorithms and data to independent scrutiny, under controlled conditions. Only then can society evaluate whether a platform is discriminating against content or whether material causes harm.

### Arbiters and arbitrariness

The third principle is that small firms should be treated differently from large ones. The original rationale of the CDA made sense, but the firms that need protection now are those that seek to challenge the big tech platforms. If rules are drawn up to impose liability on online firms, they ought to contain exemptions for those below a certain size and reach. Google and its confrères have achieved extraordinary things in their short lives. But their bosses would be getting a lot less heat from Capitol Hill if they had more competition.

*This article appeared in the Leaders section of the print edition under the headline "Truth and power"*

**Syria's last battle**

**No one can stop the coming bloodbath in Idlib**

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*The Syrian army is massing to take the last rebel stronghold. The West cannot do much to curb the carnage*

**Print edition | Leaders** Sep 6th 2018

WHEN the Syrian army crushed the rebel enclave of eastern Aleppo in 2016, thousands of civilians and fighters were evacuated to Idlib province. When the Syrians bombarded eastern Ghouta, thousands more were bused there. Now the Syrians are massing to take Idlib itself. But this time there may be nowhere in Syria for civilians to flee to.

In a country that has suffered many horrors, not least the Syrian regime's use of chemical weapons, the UN is warning of "the most horrific battle of the seven-year Syria war". About 3m people live in Idlib, the last big rebel pocket, roughly half of them displaced from other parts of Syria. Idlib has thus absorbed the most irreconcilable anti-regime rebels, among them jihadists linked to al-Qaeda, who know they face a fight to the death. So there is every reason to fear that the Syrian army will act even more savagely in Idlib than elsewhere.

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The leaders of Russia, Iran and Turkey were due to hold talks in Tehran about the fate of Idlib on September 7th, after *The Economist* went to press. But the omens are not good. Syria says military action is more likely than a diplomatic solution. Russia this week bombed rebel positions in Idlib.

The looming assault is an indictment of the world's countless failures in Syria. Perhaps the worst is that no outside power is either willing or able to stop the carnage.

**The making of a tragedy**

About half a million people have died in Syria since 2011; some 12m have fled their homes. This tragedy has many causes: the brutality of Bashar al-Assad, whose crushing of peaceful protests led to civil war; the cynicism of Russia and Iran in lending him military support; and the timidity of the West, which demanded his removal but was unwilling to bring it about. Unlike Barack Obama, President Donald Trump has at least taken limited military action in response to Mr Assad's use of poison gas. A new book on Mr Trump recounts that last year he advocated assassinating Mr Assad—a claim he denies—but the idea was set aside by his defence secretary, Jim Mattis. By then a major Western intervention would have been too late, and too risky. Besides, Mr Trump sees even less reason to get entangled in Syria than Mr Obama did, beyond fighting Islamic State in the east of the country.

Apart from the moral obligation to end the suffering of Syrians and relieve the world's worst refugee crisis, the West still has security interests in Syria. Refugees fleeing Idlib may destabilise neighbouring countries; if they move on to Europe, as they did in 2015, anti-immigrant populists will be strengthened from Sweden to Italy. Hardened jihadists are likely to join the stream of civilians, creating a direct security threat. And there is a danger that Turkey will be drawn into the fight. It has set up a dozen military outposts between regime and rebel lines to support a "de-escalation zone" in Idlib—the last of four such havens to survive. But Russia and Syria say that Turkey has failed to halt attacks by extremists.

Western countries, having refused to intervene in the war's early stages when they had a chance to halt the carnage, can now hope only to mitigate the horror. America is right to warn Mr Assad that he will face retribution if he uses chemical weapons. Beyond that, the West should press Russia and Syria to open humanitarian corridors to let civilians flee into government-controlled territories, or into a Turkish-controlled buffer zone. It can also monitor the conduct of the regime and its allies to collect evidence of war crimes; guilty commanders, including Russian ones, could then be subjected to sanctions.

The West should also warn President Vladimir Putin and Mr Assad that a military victory in Idlib, if secured by wanton means, will come at a political cost. Russia will be denied legitimacy for the political accord it seeks to foster to end the war on its terms; and Mr Assad will not get the reconstruction money he needs to rebuild cities he has turned to rubble. Both should be reminded that, without a deal granting a bit more dignity and a share of power to dispossessed Sunni Arabs, the majority of Syria's population, violent extremism will fester.

Such Western diplomatic action would be a palliative at best. It might push the actors to seek partial deals. But nobody should doubt the fundamental fact about Syria's agony: Mr Assad has won. He is determined to reconquer as much as he can of the country that he nearly lost. Mr Putin is probably right to reckon that the world will come to terms with the fall of Idlib, just as it acquiesced in the fall of Aleppo. The real questions are how long it takes, how many lives will be wasted and how much hatred it sows.

*This article appeared in the Leaders section of the print edition under the headline "Idlib is falling"*

The bonfire of the antiquities

## Lessons from the destruction of the National Museum of Brazil

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*Rich museums should help poor ones conserve their treasures*

Print edition | Leaders Sep 8th 2018

ON THE night of September 2nd a fire consumed the National Museum of Brazil in Rio de Janeiro, destroying most of its 20m or so artefacts. Among the treasures incinerated were Egyptian mummies, frescoes from Pompeii, the 11,500-year-old skeleton of “Luzia” (the oldest human remains in the Americas) and a vast South American collection from the pre-Columbian era to the present day. Brazil’s president, Michel Temer, called the loss “incalculable”. But it was not unpredictable (see [article](#) ).

More than a decade ago, inspectors had pointed to the museum’s ropy electrical wiring. Its director had complained of termites and closed a third of the exhibition rooms. It was running on an annual budget more suitable for a parish church: less than \$0.01 per artefact, only some of which was ever disbursed. Despite the risk of keeping a collection of irreplaceable objects in what those inspectors called a firetrap, officials and politicians rebuffed generous offers of financial help. The World Bank discussed a possible loan, reportedly on condition that the Federal University of Rio de Janeiro gave up control of the museum. (The World Bank denies that any conditions were specified.)

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Brazilians are furious, and full of promises to do better. That should be the world’s reaction, too. The loss of a great national museum is a global tragedy. It erases a chunk of the past, depriving future generations of the chance to study, appreciate and learn from it. The fire in Rio should spark a debate about how the world can protect its treasures.

There are plenty of museums, especially in developing countries, that are cash-strapped, badly run or vulnerable for other reasons. Syria’s antiquities have been devastated by its civil war. Cairo’s Egyptian Museum, stuffed with Pharaonic relics, can barely keep track of its inventory and was looted during the Arab spring. In many places the budget for preserving the past is meagre to begin with, and cut ferociously when times are hard. Outsiders should help.

This is exactly the sort of thing that the United Nations Educational, Scientific and Cultural Organisation (UNESCO) ought to be doing. Alas, the agency is notoriously ineffectual. Until the UN gets its act together, the task of preventing future bonfires of history will fall largely to private philanthropists, who can stump up cash, and to museums in the rich world. The biggest and oldest of these, such as the British Museum and the Louvre in Paris, have often been excoriated for keeping treasures stolen from former colonial subjects. Before considering that (France’s president, Emmanuel Macron, has promised to return some artefacts), such museums should offer to share more of their expertise.

### Learn history, don’t burn it

First, they should offer advice about strengthening museum governance. The most successful institutions have independent boards of trustees who raise private money and insist on high standards—the museum in Rio had neither. Second, they can help museums digitise their collections. This is partly a safeguard: objects that have been recorded digitally can be virtually resurrected even if they are physically destroyed. It also allows museums to display objects free online, as the Rijksmuseum in Amsterdam has done. This is hugely appealing to visitors who cannot visit in person. Third, they can help train curators and conservators in state-of-the-art methods. A good start would be to help the curators in Rio crowdsource images of the collection to create a virtual-reality museum, as happened with Mosul Museum in Iraq, whose treasures were smashed by Islamic State in 2015. Great museums are for everyone; it is in everyone’s interest to look after them.

**Clarification (September 19th, 2018):** This piece has been amended to include a statement from the World Bank about its discussions regarding support for the museum, and to remove a reference to the amount discussed, which the bank says was not specified.

*This article appeared in the Leaders section of the print edition under the headline “The bonfire of the antiquities”*

## On China, Donald Trump, investing, Bermuda, rich men

Letters to the editor

### Letters

## Letters to the editor

*On China, Donald Trump, investing, Bermuda, rich men*

Print edition | Letters Sep 6th 2018

Letters are welcome and should be addressed to the Editor at [letters@economist.com](mailto:letters@economist.com)

### King and country

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The concerns voiced about Donald Trump in "[Is he above the law?](#)" (August 25th) have dogged the constitution since America's founding era. The possibility of a president becoming an elective monarch caused considerable alarm among those in 1787-88 who debated the pros and cons of the proposed constitution. In a series of articles, "An Old Whig" worried that the president might in reality become a king "of the worst kind—an elective king." Protecting the presidency from "venality and corruption" was paramount for the vast majority of Americans, including Benjamin Gale of Connecticut, who warned that, "an elective king...will eternally embroil the state by schemers for the outs and ins and by the foundation of clamours, broils, and contentions that will end in blood."

The Founders' reliance on Congress to act honourably seems disingenuously naive these days. And saying that it is up to the voters, who must wait until the next presidential election to set things right, also begs the question. When balancing the scales of justice between the law and convention, the law must prevail.

KATHLEEN BARTOLONI-TUAZON

*Vienna, Virginia*

### Religion in China

The comment about China's ethnic and religion policies in "[And hell is just a sauna](#)" (August 18th) is inconsistent with the facts. China has many ethnic groups and religions; harmony and inclusiveness are deeply rooted in the Chinese culture. We oppose ethnic discrimination of all forms against any group, and fully respect and protect all citizens' freedom of religious belief in accordance with the law.

The number of Chinese Christians has risen from 700,000 in 1949 to more than 23m today. There are more mosques per person in Xinjiang and Ningxia than in many other parts of the world. China practises the rule of law and protects normal religious activities. But China will also defend itself against religious extremism and terrorism, from which Xinjiang and some other Chinese regions have suffered deeply.

Religious extremism is the breeding ground for terrorism; it incites hatred towards believers of other faiths, or pagans. The education and training measures taken by the local government of Xinjiang have not only prevented the infiltration of religious extremism and helped those lost in extremist ideas to find their way back, but also provided them with employment training in order to build a better life. Thanks to such policies, Xinjiang, Ningxia and other ethnic-minority areas in China have achieved rapid development in recent years and local people of all ethnic groups are living and working in harmony and enjoying stability. The growth rate of Xinjiang's economic output ranked the fourth among all Chinese provinces in 2014. Southern Xinjiang is the first region to roll out a 14-year free education scheme. Ningxia became the first province in China to reverse desertification. The incidence of poverty there fell from 26% in 2011 to 6% in 2017. These notable achievements are clear evidence of the success of China's ethnic and religion policies.

ZENG RONG

Spokesperson of the Chinese embassy

*London*

### Smart-beta investments

It is not ignorance that limits the rate of adoption of fixed-income factor investing ("[Fama and fortune](#)", August 11th). Rather it is concerns about the reliability of the evidence and implementation. Only a very brave investor would depend on five years of returns to build an investment strategy that may have to endure multiple economic cycles. With more than 13,000 individual bonds in some indices it is unfeasible for a fund to own all the constituents in the appropriate weights. Fixed-income smart-beta providers are faced with a choice: reduce the sample size to the most liquid bonds and suffer the criticism that the product is not representative, or use all the bonds in the index and suffer the criticism that the product is not investible. Smart



beta offers a route to better risk management and lower cost than traditional investment approaches, but until fixed-income providers address these criticisms, early adopters may find that striving for fame and fortune results in a diet of French toast.

JOHN ST HILL

Deputy chief investment officer  
National Employment Savings Trust  
*London*

### **A view from the islands**

You casually described Bermuda, the British Virgin Islands and the Cayman Islands as “notoriously shady tax havens” (“*Beaches and borders*”, August 11th). We in such places are weary from defending our reputations. We have been pressured by the international community into leading the world in financial transparency, a fact that few care to acknowledge. More important, the culture of our islands does not approve of hiding dirty money with a wink and a nudge while we take a large cut.

We constantly endure twin admonishments from those onshore. One is that we are money-launderers or facilitators of tax evasion, which is not true. The second is that capital flows here, as it is permitted to, when it ought rightfully to be sitting in a larger country’s treasury. We are well within our rights to set tax policy as we see fit. Undercutting the competition provides much-needed economic activity to tiny islands, with few natural resources. Would you have us return to whaling?

JOHN GIBBONS

*Hamilton, Bermuda*

Britain’s overseas territories are in a race against time to defend their interests against a hard Brexit. Presently the EU provides significant direct support, including aid to territories that are not in receipt of British development assistance, for instance the British Virgin Islands, but which remain extremely vulnerable to natural disasters and economic shocks. EU help is also important in encouraging regional co-operation between the British territories and their neighbours on issues such as mitigating climate change.

The territories have a strong voice in Brussels, which has brought real benefits. Unfortunately, the Brexiteers, who have stood four-square behind the territories, are now casting them adrift.

PETER CLEGG

Associate professor of politics  
University of the West of England, Bristol

### **If I were a wealthy man**

The Russian phrase, “if you are so smart, why are you poor?” is really another way of saying “why aren’t you rich?” ([Letters](#), August 18th). More relevant to life today are these lines from “If I Were a Rich Man”, which may explain the rise of fake news and alternative truths:

“The most important men in town will come to fawn on me...Posing problems that would cross a rabbi’s eyesAnd it won’t make any difference if I answer right or wrong. When you’re rich they think you really know.”

BERTRAND HORWITZ

*Asheville, North Carolina*



### The financial crisis

Unresolved

The coffee cart's view

## Lehman ten years on: more has changed than meets the eye

*But is the restructured financial sector safe?*

Print edition | Briefing Sep 6th 2018

MASOOD, who uses no other name, is the proprietor of the Express Café coffee cart that sits outside 745 Seventh Avenue in midtown Manhattan. He thus had a front-row seat for the global financial crisis. In 1998 he was selling his wares to the workers at the building site where a new 32-floor building for Morgan Stanley was going up. In 2001 he greeted the employees of Lehman Brothers, whose downtown headquarters had been damaged and polluted by the attacks of September 11th; having been working shifts in a nearby hotel, they were delighted to move into the building Morgan Stanley had ceded to them. He was there on September 15th 2008 when Lehman's employees filed out with soon-to-be-iconic cardboard boxes. And he was there in the days that followed, when many of them came back, some with the same boxes, to work on cleaning up the mess under the auspices of Barclays.

The fall of Lehman was not the beginning of the global financial crisis, nor the moment when risks were highest: that came in the days and weeks that followed, as more and more institutions started to teeter. But it was the point at which the previously unthinkable became real. A big bank with a portfolio of dodgy securities that dwarfed its capital could no longer fund itself—and it was allowed to fail. The world's credit markets froze with fear. A complete collapse of the financial system seemed plausible, and with it a global depression much deeper than the parlous recession which actually followed.

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But in many ways the past ten years have seen little change at 745—though Masood points out that the strangely glitzy zipper of display screens that runs across the building's façade has gone from Lehman green to Barclays blue. The sky did not fall in. Nor has the sustained rebound in prices which is now setting record stockmarket highs produced the sort of investment-banking buzz that it would have in decades past. The excitement has shifted elsewhere: in finance, from banks like Lehman to private-equity firms, algorithmic traders and cheap, automated exchange-traded funds; in business, from finance to technology. Masood misses the animal spirits. "Lehman", Masood recalls wistfully, "was good days. They didn't care about spending—they bought what they want."

Banking may have lost its buzz, but much looks the same as it ever did (see chart 1). Back in 2007, the five leading institutions in terms of global investment-banking revenue received 32.6% of all revenues in the sector, according to Dealogic, which tracks such matters. That is precisely the same share they get today, though one of the old big five, UBS of Switzerland, has been replaced by Bank of America Merrill Lynch.

In commercial banking, the five largest participants in America are the same today as they were 11 years ago. There were more casualties in the industry's lower tiers: in America, Bear Stearns, Washington Mutual, Wachovia and Countrywide. In Europe, Britain's HBOS and Germany's Dresdner were absorbed, respectively, by Lloyds and Commerzbank.

Many more large institutions were kept going through bail-outs—most notably the vast recapitalisation authorised by the Troubled Asset Relief Programme in America—or, in the case of RBS and AIG, outright nationalisations. Lots of small banks were consolidated. In Spain 55 of them have been clumped together into just a dozen or so. As a result the biggest banks have got bigger; in both Europe and America the percentage of assets held by the biggest five has increased.

Relatively, the banks have not done so well; the banks' share of S&P 500 market capitalisation has declined from 10% to 6%. But a notable aspect of the decennial anniversary is that the clouds may, finally, be lifting. Genuinely strong results from resurgent American banks, especially Morgan Stanley, suggest decent returns have become feasible. Jamie Dimon, chief executive of JPMorgan Chase, has gone so far as to say that a "golden age" of banking beckons. Profits are beginning to improve, economies are expanding, credit quality is good, regulation is ebbing.

Even Europe's banks, so slow to put the crisis behind them, are finally looking to the future. In August Jes Staley, the boss of Barclays, reported one of the bank's "first clean quarters" in years, free of write-downs and fines. The salaries for high-ups remain phenomenal. In 2017, AIG's new boss, Brian Duperreault, was paid \$43m, Mr Dimon \$29.5m, Goldman Sachs's Lloyd Blankfein \$24m and Bank of America's Brian Moynihan \$23m.

In other parts of finance the sense of stasis is yet more striking. Credit-rating agencies provided sweeping and unfounded endorsements of the mortgage-related securities that turned out to be toxically risky, thus allowing fuel for the great conflagration to build up unheeded. This led to calls for heads to roll, more competition and a new regulatory structure. The most recent update from the Securities & Exchange Commission, though, published in December 2017, shows that the industry's three main firms, Moody's, Standard & Poor's and Fitch, still accounted for 96.4% of all ratings.

Perhaps the most remarkable non-change is in the market where the crisis was centred: American mortgages. In the years leading up to the crisis, fed by unsupportable credit, home ownership rose sharply, from 64% to 69% of households. Prices shot up, too. This suited the people selling the mortgages, the people buying them, the people hiding the risks in securities and the politicians who wanted people who could not really afford houses to be able to buy them anyway.

### **Automatic for the people**

Once the crisis hit, according to an estimate by the St Louis Fed, 9m homeowners in America were forced from their homes, about 10% to 15% of the total. The impact on housing markets was particularly vivid in southern Florida, with Las Vegas and southern California having some claim to a similar experience. Between 2008 and 2011 the price of an apartment in Miami fell almost by half, from \$3,720 a square metre (\$346 a square foot) to \$1,830.

The tide eventually turned. Of the 55 banks operating in Miami-Dade county in 2008, only 28 are still standing. But on the land behind Grove Bank and Trust, the oldest of them, there are two brand-new luxury towers designed by Rem Koolhaas, a famous architect. Flats in the towers sell for more per square metre than anyone in Miami paid before 2008. If many of those who lost their homes have not been able to buy new ones, nationwide the amount of equity in homes has recovered.

The worst excesses of that market—"no-doc" mortgages, fraud, flipping and credit stuffed down the throats of any borrower with a pulse—have largely disappeared. But the "government-sponsored enterprises", Fannie Mae and Freddie Mac, which operate as conduits between mortgage firms and the capital markets, are still very much in evidence. Both were nationalised the week before the fall of Lehman, their capital far too low to cover the risky assets on their balance-sheets. There had been talk of unwinding them, or privatising them, or dissolving them. Instead, the allegedly temporary "conservatorship" that began in September 2008 continues, with no end in sight.

If the landscape looks similar, and the prospects brighter, the changes to the financial system have been wrenching, nonetheless. Two areas stand out: the balance-sheets, funding and business models of the banks themselves; and the increased clout of the regulators.

Core tier-one capital, a gauge of the equity that banks use to fund themselves, has gone up a lot. Measured as a percentage of risk-weighted assets, it has risen by roughly two-thirds in the euro zone (from 8.8% to 14.7%) and by roughly a third in America, from 9.8% to 12.9%. As a result, returns on equity have fallen, and thus profitability.

How banks fund themselves, a process that is good when dull and deadly when interesting, was utterly fascinating during the crisis. Credit markets ground to a halt. A decade later things are reassuringly dull. Banks in Europe and America tracked by the Bank for International Settlements (BIS) have substantially increased their deposits, a particularly stable funding option (see chart 2). They have sufficient amounts on hand, unlike a decade ago, to fully cover lending. Europe's banks, which binged on dollar funding in the run-up to the crisis and quickly came to regret it, have retrenched. Overseas claims held by the continent's banks fell by 40% between 2007 and 2016, according to the BIS. European investment banks, in particular, have lost a lot of ground compared with their American competitors.

When capital is a constraint and funding is more expensive, bank bosses behave differently. Highly leveraged and volatile businesses, notably trading, have declined by a lot—and in many institutions they have not been replaced. Areas that have been encouraged, such as wealth management, require little capital and produce adequate returns. That suits the new era. But it cannot approach the pre-crisis peaks of profitability. In 2005-06 euro-area banks were delivering returns on investment of 10.7%; in 2015-16 they were just 4.4%.

As a result, banks have become more cost-conscious. There have been cuts in staff across the board (see chart 3); at Bank of America by a third, at Citigroup by 44%, and at Barclays by half. If you want in-house baristas, go to the Bay Area tech giants; JPMorgan Chase provides its staff with access to coffee by leasing space to Starbucks.

More quietly, the chastened banks have been outsourcing large parts of their operations. Not all that long ago, a common refrain by clever consultants was that banking would endure but banks would not, says Douglas Merrill, head of Zest Finance, a credit-evaluation startup. The industry, it was confidently predicted, would be upended by smart, agile "fintech" operators. The sole company to use technology to gain leadership in a banking business, though, was Quicken Loans, which has become America's largest home lender. This had as much to do with its superb pre-existing customer-service operation as with the deft technology built around it.

Some startups have changed their business models from competing with banks to supplying them. Zest, for example, initially intended to use its software to build a loan portfolio. Now it licenses its credit-analytics to financial institutions. Three companies with no public name recognition, Jack Henry & Associates, Fiserv and FIS, handle data processing and mobile-banking software for thousands of financial institutions. Banking operations have consolidated a good bit more than the banks themselves have.

Cultures have changed, too. Lehman was driven, in the end fatally so, by employees who were encouraged to take initiative and create opportunities—an approach that worked well in equities but failed disastrously in the fixed-income business, which collapsed under the weight of bad property-related debt. The new managerial order for every bank is less free-spirited, with tight controls and, too often, dispiriting bureaucracy.

As the banks have pulled back, more credit has been coming from outside the banking system. That carries its own risk, but may be more resilient to runs. Issuance of long-term corporate bonds has been consistently strong since the crisis. Private-equity firms have entered the lending business, with assets under management up from nothing in 2006 to \$200bn, according to Preqin, a research firm. That is less than 1% of banking assets, but in the markets most targeted, notably smaller and heavily leveraged businesses, it probably represents a lot more.

What the banks have lost in swagger since 2008, the regulators, particularly in America, have gained. This is the second big change: a new and intrusive regulatory structure. The Federal Reserve is the one institution that emerged from the crisis with

more authority and little damage; its power as a single and powerful regulator is one of the reasons that American banks did better quicker than European ones—especially in recapitalising.

The Fed has increased the number of people in supervision and regulation from 3,000 to 4,800, the tip of a massive expansion in oversight. It is often claimed that the financial system itself is made safer by the Fed's annual "stress tests", which are meant to assess banks' resilience to shocks and which provide gainful employment to battalions of mathematical modellers at the central bank. It is also said that a new philosophy of "forward-looking" supervision can take into account what might unfold, rather than merely providing a static measure of a bank's position based on data that, by the time it is reported, are already out of date.

Not everyone is reassured. John Allison, a former chief executive of BB&T, a large regional bank, and a board member at the Cato Institute, a libertarian think-tank, says the sorts of models the Fed uses have four problems: their methods miss outlying risks; they rely on historical data and thus often miss changes (an example being pre-crisis changes to bank-capital requirements by regulators favouring the kind of home loans that soured); they force different institutions to take similar positions, aggravating overall risk; and they do not work well with small, idiosyncratic kinds of loans—meaning those for small businesses, a clientele that matters.

In general, the regulatory system that has been assembled in America is complex and opaque. Keefe Bruyette & Woods, a research firm, reckons that over the past decade the 67 large institutions that it monitors paid out \$243bn in 219 different fines and settlements—on average 12% of tier-one capital for the 31 American banks and 6% for 36 international ones (see chart 4). This does not include all of the penalties: Keefe does not track fines under \$100m. Such numbers now seem so small in these contexts they often fail the relevance tests requiring inclusion in corporate accounts, and are thus invisible to the outside world.

But though the legal environment has been rich in claims it has been poor when it comes to facts. Cases have invariably been settled rather than going to trial. Why fines have been the size they have been, and what exactly each is a penalty for, has often been left unclear. Banks defended settling by saying they had no choice—merely going to court would lose them their licences to operate. Individuals justified the opposite approach with a similar logic—anything short of total exoneration would end their careers. With rare exceptions, when defendants fought back, prosecutors either backed down or lost.

The new dispensation also puts ever-greater authority in the hands of the political appointees in charge of regulatory agencies. This means the institutions will inevitably be more politicised—an outcome many who initially supported these innovations have come to regret since the change in administration.

Nowhere is this more true than in housing finance. Fannie and Freddie have been granted the right to issue loans on the basis of down-payments as low as 3% and debt-to-income ratios of up to 50%. The sharpest increases in recent housing prices have been in low-cost homes, 84% of which are guaranteed by those two institutions and the Federal Housing Administration, which provides insurance.

"That", says Peter Wallison of the American Enterprise Institute, a think-tank, "is a time bomb"—the resurrection of a system of poorly supported mortgages that could prompt another crunch, though not as severe as the one in 2008.

Even for those who believe that the regulatory expansion has worked well, there is the risk that market participants now believe that if conditions sour, another successful bail-out will be forthcoming, thus producing tolerance, if only quietly, for excessive risks. Provisions included in the new rules that prohibit the bail-out of individual institutions were designed to blunt just this sort of expectation. But this limitation, among others, is under attack by many of the individuals who were involved in Lehman's demise a decade ago on the ground that, in an emergency, all tools should be available.

Such concerns may be excessive. What the crisis showed is that, in a pinch, authority can expand. More difficult is taking the heat out of problems before they boil over. If it is time to believe the crisis that began in 2008 has really ended, it is past time to wonder how the new conditions which have come about in its wake could contribute to the one that comes next.

Until then, Masood will continue to caffeinate the remaining bankers of 745. They are, he says, better than the construction workers who put up the building in the first place, and tended to bring their own food to work. But nothing could replace the glory years before 2008. Masood got great tips—including, once, a cheque for \$10,000, to take his family on holiday. He returned it, saying he could not accept so much that he had not earned; his would-be benefactor said he understood the sentiment. If such understanding ever spreads, it would be no bad thing.

*This article appeared in the Briefing section of the print edition under the headline "Unresolved"*

**Brett Kavanaugh**

Hard of hearing

Hard of hearing

### Donald Trump casts a shadow over Brett Kavanaugh's confirmation hearings

*Under another president, Mr Kavanaugh would be getting a far easier ride*

Print edition | United States Sep 8th 2018

WITH a different Republican president at the helm, Brett Kavanaugh's path to the Supreme Court bench would be a rather quick and easy jaunt. His 12 years of careful, conservative rulings on the District of Columbia Circuit Court of Appeals, his two stints as a political animal in the George W. Bush administration, his popularity among inside-the-Beltway elites and, at 53, his youth, make Mr Kavanaugh an obvious choice for a justice who would cement a right-leaning high-court majority for a generation.

But the Senate confirmation hearings Mr Kavanaugh faced this week have been fraught in ways his predecessors' vettings were not. Some of the drama has to do with the man Mr Kavanaugh would replace: Anthony Kennedy, who in three decades in robes was the court's centre of gravity on the most controversial questions in American politics. Mr Kennedy was conservative—in his final term he voted with his four colleagues on the right in every 5-4 decision—but over the years he sided with liberals on abortion rights, on affirmative action and on some other matters of racial equality. He voted to bar capital punishment for minors and for people with mental disabilities. He was also the gay-rights justice, author of four landmark opinions, including opening marriage laws to gay Americans in 2015.

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Liberals would fret no matter who nominated Mr Kavanaugh, as he is much more conservative than Mr Kennedy was. But the fact that the man whose charges on his daughter's basketball team call him Coach K was tapped by this president gives his nomination a different valence. In addition to worrying about how Mr Kavanaugh might rule on social and economic issues, senators of both parties have reason to wonder how his apparently expansive view of presidential power would inform his judgment if the Supreme Court is called upon to keep an eye on investigations that encircle the White House.

Lacking a realistic chance of scuttling the nomination, Democrats orchestrated a bit of theatre for the opening of the hearing. The torpor of the typical proceeding was broken moments after Senator Chuck Grassley, chair of the Judiciary Committee, used his gavel. Senator Kamala Harris implored Mr Grassley "to be recognised for a question before we proceed". Senators "received just last night, less than 15 hours ago, 42,000 pages of documents that we have not had an opportunity to review or read or analyse", she said. Senator Richard Blumenthal then moved to adjourn the proceedings, calling them a "charade and a mockery of our norms". Cory Booker, another Democrat, asked "What is the rush? What are we trying to hide by not having the documents out front?"

Mr Kavanaugh looked on quietly, if a little dyspeptically, as this unfolded. "I do not decide cases based on personal or policy preferences", he insisted, when he was finally permitted to speak. "I am not a pro-plaintiff or pro-defendant judge....I am a pro-law judge". The platitudes—including an analogy borrowed from Chief Justice John Roberts, who in 2005 said a judge's role is simply to "call balls and strikes"—gave way to more substance later, when the 21 members of the Judiciary Committee took turns lobbing softballs and curve balls at Mr Trump's pick. Mr Kavanaugh fielded the queries less haughtily than did Neil Gorsuch a year ago, but he was just as evasive when asked about the issues everyone is most curious about.

One of progressives' deepest worries is that Mr Kavanaugh will forge a majority to dispatch of the right to abortion access that *Roe v Wade* established in 1973 and that a 1992 case, *Planned Parenthood v Casey*, reaffirmed. Given Donald Trump's promise in 2016 that his picks for the Supreme Court would "automatically" overrule *Roe*, the long-dreaded rollback is no idle concern. It has been the primary goal of the evangelical movement for decades. In response to several Democratic senators' questions, Mr Kavanaugh refused to say clearly whether he would retain *Roe* or *Casey*.

Democratic senators criticised Mr Kavanaugh's dissent from a ruling which permitted a young illegal immigrant in custody to have an abortion. Mr Kavanaugh would have delayed her request, to give the authorities a chance to place her with a sponsor. Didn't forcing her to wait constitute an "undue burden", the test established in *Casey*? In one of the only queries that stopped Mr Kavanaugh in his tracks, Senator Harris asked whether he was aware of any laws "that give the government the power to make decisions about the male body". A few seconds of silence followed before the reply: "I'm not thinking of any right now, Senator".

Mr Kavanaugh faced strong opposition to his view of the Second Amendment, too, telling Senator Dianne Feinstein that because so many Americans own semi-automatic rifles, they qualify as weapons in "common use" and fall under the umbrella of the constitutional right to bear arms. What about the raft of school shootings during which these weapons have killed hundreds of Americans? That's detestable, Mr Kavanaugh replied, but it's his job to follow Supreme Court precedent.

Drawing attention to Mr Kavanaugh's statements laying out a sweeping view of executive power, including a comment from 1998 that presidents can fire independent counsels at will, Senator Chris Coons asked whether a president could sack "a prosecutor who is criminally investigating him". Mr Kavanaugh hemmed and hawed through an answer, finally ducking the question completely. "I think all I can say", he said, "is that was my view in 1998".

### **Brett, the hit man**

Similar evasion came in response to whether Mr Kavanaugh would recuse himself from cases involving prosecution of the president who nominated him, and whether there might be any problem with a president using his constitutional power to pardon himself in the event he is charged with a crime. "I'm not going to answer hypothetical questions of that sort", he said, on the off-chance they come before him as a justice. He was also oddly hesitant to answer a question from Ms Harris over whether he had discussed Robert Mueller's investigation with anyone at the law firm of Mr Trump's personal lawyer, Marc Kasowitz. "I think you're thinking of someone" at the firm, she told Mr Kavanaugh after he dithered for a few minutes, "and you don't want to tell us".

Democrats' chances of denying a seat to Mr Kavanaugh are tiny, and the minority party knows it. Facing a 51-49 Republican majority, they need a unanimous caucus and at least two Republican defectors. Neither of the pro-choice Republicans, Lisa Murkowski of Alaska or Susan Collins of Maine, appears worried that Mr Kavanaugh would abandon *Roe v Wade*. After meeting with the nominee, Ms Collins seemed reassured by his comment that *Roe* is "settled law", though Supreme Court justices are entitled to, and do, shake up precedents when they think they are wrong.

Several Democrats up for re-election in states which Mr Trump carried may opt to vote for Mr Kavanaugh, probably leading to something like the 54-45 vote Mr Gorsuch received in 2017. According to Stephen Vladeck of the University of Texas School of Law, only an extraordinary "external event between now and when the Senate votes"—formal charges filed by Mr Mueller against Mr Trump, for example—"might give a couple of Republicans pause".

*This article appeared in the United States section of the print edition under the headline "Hard of hearing"*

#TREASON?

## One of Donald Trump's aides portrays him as unfit to be president, anonymously

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*Other staff who share this view should say so, publicly*

Print edition | United States Sep 8th 2018

EVER since President Donald Trump entered the White House, his courtiers have been scrutinised for clues to their true feelings about the man they serve. John Kelly's furrowed brow, Melania Trump's sartorial slogans—such giveaways, real and imagined, have been pored over by those anxious to know how any right-minded person could work for the tweeter-in-chief. In an astonishing column published in the *New York Times* on September 5th, a “senior official in the Trump administration” provided an answer. It was not reassuring.

The official, later referred to by the *Times* as a “he”, suggests that Mr Trump is as unfit to be president as his detractors allege. He describes an administration riven by scheming and fearful of calamity. “The root of the problem is the president's amorality,” he writes. “Anyone who works with him knows he is not moored to any discernible first principles that guide his decision-making.” Mr Trump's inability to remember or stick with the decisions he randomly makes may be even worse. “There is literally no telling whether he might change his mind from one minute to the next”. The anonymous writer suggests he, like “many Trump appointees”, is motivated to defend the country by “thwarting Mr Trump's more misguided impulses”.

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While it would be helpful to know Anonymous's identity—which was still under wraps as *The Economist* went to press—there is little doubt about the veracity of his claims. They echo the many credible accounts of the Trump administration published in newspapers and books, including a forthcoming tome by Bob Woodward. This describes an administration suffering a “nervous breakdown” over the president's impulsiveness and ignorance. It also details the drastic steps Mr Trump's aides take to foil him. Mr Woodward claims Gary Cohn, the former chief economic adviser, prevented Mr Trump from withdrawing America from a trade agreement with South Korea by swiping the relevant document from his desk. The president forgot he was due to sign it.

It is easy to see why Trump staffers such as Anonymous want more credit for their escapades. Serving Mr Trump is a thankless task. But it is hard to imagine what he hoped to achieve with his allegations. The president's opponents believed them already—and have little sympathy for those who, by covering for Mr Trump, empower him. The president's supporters will see the article as evidence for his claim to be opposed by a shadowy “deep state”. And saving America from Mr Trump has presumably just got harder. The president is liable to treat the next person who advises him against leaving the WTO or castigating an ally with suspicion. Anonymous should have put his name to his claims, to bolster their credibility, or stayed silent.

Which course would be better? The answer will depend on who is asking the question. Barely 20 months into Mr Trump's term, it is important that his few competent and admirable cabinet members, including James Mattis, the defence secretary, hunker down. Mr Trump cannot be trusted with the levers of America's awesome power untutored and unrestrained. But for the rest of his staff, the onus to speak out is much stronger.

There are three ways to oust a president, and all are daunting. Anonymous says Mr Trump's aides briefly discussed, then dismissed, removing him via the 25th Amendment, which allows a majority of the cabinet to instigate the removal of a leader who is incapacitated. Proving incapacity would be hard: Mr Trump's supporters think he sounds authentic, not lunatic. And the other emergency measure, removal through an impeachment trial by the Senate, looks no easier. Partisanship suggests a two-thirds majority would probably not be forthcoming, almost no matter what Robert Mueller, the special counsel, may unearth. Yet the unlikelihood of removing Mr Trump by such means makes it no less important that the truth of his administration should be heard.

The only plausible way to remove Mr Trump is through an election, and partisanship will also make that hard. Outside carping against Mr Trump will not diminish his tribal support. But accounts of his administration from the conservatives who have worked inside it might have some effect. Anonymous and others should step forward and speak out.

*This article appeared in the United States section of the print edition under the headline “#Treason?”*



(Hundreds of) billions

## Who pays for tariffs?

*Americans, probably***Print edition | United States** Sep 8th 2018

PRESIDENT Donald Trump reckons foreigners will pay the cost of the \$200bn in tariffs he plans on Chinese goods. Others disagree, claiming that tariffs will bite into budgets at home. Duties are payable by importers, but the question of who bears their burden is more complicated.

Foreigners can end up paying for tariffs if the prices they charge slump in response. For example, Douglas Irwin of Dartmouth College found that in 1897 foreign exporters absorbed at least 60% of an increase in sugar tariffs, as they dropped their prices to maintain access to the mighty American market. (That tale may sound familiar to soyabean farmers hit by Chinese duties.)

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Consumers might also avoid part of the bill if the yuan depreciates against the dollar; it has done so by 8% since tariffs were formally announced in March. Although almost all imports from China are priced in dollars and contracts can be slow to adjust, Gita Gopinath of Harvard University suggests that firms may use the tariffs as an excuse to renegotiate.

So far, though, it is hard to see clear signs that prices are falling much, either in response to the tariffs or the yuan depreciation. Perhaps that is no surprise. Ms Gopinath points out that only around 30% of exchange-rate movements get passed through to prices. Chinese exporters use inputs priced in dollars that become more expensive when the yuan depreciates.

If prices do not fall, Americans can still sidestep the tariffs by switching to alternative suppliers. At first, the Trump administration seemed to be encouraging this approach, singling out products for which there were plenty of available alternatives. If alternatives comparable in price and quality were available, though, companies would presumably already be buying them. And so, as well as the hassle of switching suppliers, buyers will almost certainly face some sort of extra cost. As the tariffs turn from a chiselled list into one bludgeoning all imports from China, that sort of adjustment will be harder to make.

For many companies, switching may be easier said than done. Around half of the products threatened with tariffs are intermediate goods, used by companies to make other stuff. Mary Lovely of Syracuse University points out that the early tariff lists may have been designed this way to protect consumers. Yet given how customised intermediate goods can be, importers may struggle to find a ready alternative.

Supply chains can be complex beasts, requiring each component to be checked and tested. According to the Census Bureau, around a quarter of American imports from China come from a "related party", which could include an affiliate, a subsidiary or a parent company. Where two companies are embedded in a supply chain or part of the same company, dodging duties may require moving premises.

If the tariffs stick around, then in time trade will adjust. Reports are emerging of companies considering moves to Vietnam. In response to the proposed tariffs on \$200bn of Chinese imports, Greg Kirkpatrick, who works for a company making fancy shopping bags, said he was in favour overall. But as orders for the Christmas shopping season have long since been placed, he cannot renegotiate with his Chinese suppliers and is having to tell his customers that their prices will be anywhere from 10% to 25% higher. For now, at least, it seems Americans like him will pay.

*This article appeared in the United States section of the print edition under the headline "Who pays?"*



White flight

## Donald Trump's approval ratings are pulled down by college-educated whites

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*His current numbers are only just above the low point of December 2017*

Print edition | United States Sep 6th 2018

ANYONE wondering how long it takes Americans to digest the news that their president has been implicated in a conspiracy to commit federal campaign-finance violations now has an answer: about two weeks. In late August Michael Cohen, Mr Trump's longtime fixer, pleaded guilty to eight criminal charges, directly implicating the president in several. Since Mr Cohen filed his guilty plea and Paul Manafort, Mr Trump's former campaign chairman, was convicted on eight counts of tax and bank fraud, Mr Trump's approval rating has sunk to its lowest level since April 2018. Mr Trump's handling of Senator John McCain's death may also be contributing to the slump in support; the president played golf last weekend while the nation mourned the loss of Mr McCain. Though it is hard to be sure, this looks like a case of the (not-fake) news cycle doing its work.

According to *The Economist's* weekly survey of 1,500 Americans by YouGov, a polling firm, 53% of voters disapprove of the president's job performance while 38% approve, just two points above his all-time low in December. Other pollsters have found similar numbers: a survey released by Emerson College pegs the president's support at 38%, while polls from ABC News and *Investors Business Daily* both find a modestly lower 36%. What is more, the share of voters who say they "strongly disapprove" of Mr Trump has increased by five points, from 37% to 42%, over the past few weeks. These numbers approach an all-time low for Mr Trump, when he polled consistently around 36% in our survey.

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The decline in the president's numbers stems largely from a change among college-educated whites (see chart). These voters will have a disproportionate weight in the upcoming midterm elections to the House of Representatives, both because they show up at polling booths and because so many of them live in marginal congressional districts. In the same poll, 49% of college-educated whites support Democratic candidates for the House (the generic ballot), while 40% support the Republicans. These are awful numbers for Republicans: the president is contagious. Those who are sceptical that Mr Trump's base of stalwart supporters—the 20-30% of Americans who "strongly approve" of the job he is doing—will ever leave his side are missing the forest for the trees.

*This article appeared in the United States section of the print edition under the headline "White flight"*

A widening schism

## The Catholic church in America is as politically divided as the country

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*Conservatives and liberal cardinals within the church are having their very own impeachment debate*

Print edition | United States Sep 6th 2018

AMERICA'S conservative Catholic bishops have had a testing couple of years. Pope Francis has strived to end the church's single-minded focus on the issues of personal morality, mainly abortion and gay marriage, with which they are preoccupied. So when Archbishop Carlo Maria Viganò, a former papal nuncio to the United States, accused the pope of covering up the predations of a once-powerful American cardinal and called for the pontiff to resign, some conservative bishops saw an opportunity to strike back.

Although most bishops around the world have spoken up in defence of Francis, a group of American bishops joined Archbishop Viganò's attack. They have for the most part done so carefully, describing the archbishop as a man of integrity, while pointedly applying no such epithets to the pope. Bishop Robert Morlino of Madison, Wisconsin, said he was convinced of the archbishop's "honesty, loyalty to and love for the Church" and called for an investigation into his claims. Such rebukes, though carefully measured, have exposed the deep schism between the American church's aggrieved conservative majority and its Francis-backing minority.

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Archbishop Viganò's chief claim, set out in an 11-page letter, is that early in his papacy Francis lifted sanctions placed by his predecessor, Pope Benedict, on Theodore McCarrick, a former archbishop of Washington, DC. In July Father McCarrick quit the College of Cardinals after it was revealed that he had preyed on seminarians and an altar boy in the 1970s. Contrary to the archbishop's claims, it has emerged that no official sanctions were placed on Father McCarrick. For his part, the pope has refused to say "one word" about Archbishop Viganò's accusations, while encouraging journalists to investigate them.

Like the rest of the country, the Catholic church in America has become polarised. A slew of conservative appointments by Francis's two predecessors turned the American church sharply to the right. This led, in the 1990s, to an alliance between conservative Catholics and evangelical Protestants that took the church even further from the traditions of social justice that Pope Francis is trying to restore. It also made the church more straightforwardly political. Though the United States Conference of Catholic Bishops (USCCB) is not allowed to endorse political candidates, it has often exhorted the faithful to defend unborn life ahead of elections.

This has created an impression that the church favours conservative politicians. Yet a combination of more liberal appointments under Francis and the Trump administration's actions has upset that quiet collusion. Encouraged by Pope Francis, some American bishops are trying to make the church more welcoming to divorced Catholics and gays. The president's cruel border policies have also had an impact. The USCCB recently issued a statement in which it described immigration as a "right to life" issue. By eliding immigration policy with abortion, the bishops signalled an important shift in their thinking.

Whatever new scandals may emerge from the Vatican, Archbishop Viganò is unlikely to force Pope Francis to resign. When Benedict stepped down in 2013 he was the first pontiff in 600 years to do so. But the pope's conservative enemies are unlikely to back down. At a speech on papal authority earlier this year, Raymond Burke, an American cardinal in Rome, said it was legitimate to reject a misguided pontiff. If the pope failed to act in conformity with church teaching, he said, his actions "must be rejected by the faithful".

*This article appeared in the United States section of the print edition under the headline "A widening schism"*

## Double vision

**America's foreign-aid budget has proved surprisingly resilient***Just don't tell the president*

Print edition | United States Sep 6th 2018

THE foreign-aid budget for 2018, passed by Congress in March, looked very different from the one the White House asked for. Last year the administration proposed slashing it by a third. Funding for global health would be cut by a quarter and food aid by more than half. America is the world's largest donor by far, so the aid world braced itself for an apocalypse. Then the Republican-controlled Congress maintained foreign aid at \$35bn, as in 2017, with funding for health and food largely unchanged. The \$600m family-planning budget, which the administration wanted to eliminate, survived unscathed. Some areas even saw a small increase: maternal health and tuberculosis got an extra \$15m and \$20m respectively.

Democrats often champion overseas aid, but this item in the federal budget is surprisingly popular among Republican politicians too. A non-Trumpian attachment to American global leadership, a feeling of moral duty and a belief that foreign aid is in America's national interest all help to explain why. Foreign aid more than doubled under George W. Bush. Jeremy Konyndyk, who ran USAID's disaster-relief programme under Barack Obama, believes that support for aid has solidified even more among Republicans since then. The current crop of politicians, he argues, learned from Iraq and Afghanistan that "military power alone does not work." America's AIDS relief programme, PEPFAR, helps 14m people to get life-saving medicines, and its funding for anti-malaria efforts is estimated to have saved 6m lives.

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The administration is still trying to cut foreign aid, but it has been consistently thwarted. Reports emerged last month that Mick Mulvaney, head of the Office for Management and Budget, was considering a rescission bill, an arcane and rarely used procedure to claw back money already allocated on the budget, for \$3bn of overseas aid. But after opposition from Democrats and Republicans in Congress the plan was dropped.

Negotiations over the 2019 budget are likely to mirror those of last year. The administration has again asked to axe a third of the foreign-aid budget; the House and Senate Appropriations Committees want to keep it at current levels. Congress is likely to prevail again. Prevented from ripping the aid budget apart, the White House has found other ways to leave its mark. It recently announced it was stopping aid to UNRWA, the UN agency supporting Palestinian refugees (see [article](#)).

Ted Yoho, a Florida congressman and member of the Freedom Caucus (a congressional group of the most right-wing Republicans), promised to cut foreign aid before assuming office in 2013. But he says he has since learned that "if you get rid of foreign aid, you'll have more conflict in the world", and describes last year's proposed cuts as "political posturing". Senator Lindsey Graham of South Carolina, usually a Trump ally, was even less kind about the proposal, declaring at the time that it was "dead on arrival". Yet the bipartisan consensus in Congress may not be strong enough to survive a barrage of presidential tweets. "Foreign aid so far seems to be under the president's radar," says Mr Konyndyk, "but if it appears on 'Fox and Friends' one morning, all bets are off."

*This article appeared in the United States section of the print edition under the headline "Double vision"*

Lexington

## The trials of Jeff Sessions

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*The attorney-general's resistance to presidential bullying is unexpected and heroic*

Print edition | United States Sep 6th 2018

THE evidence that President Donald Trump has “fulfilled miracles”, as his chief disciple Mike Pence claims, is in one sense incontrovertible. He is able to turn liberal hate-figures into heroes. James Comey, Michael Cohen, Jared Kushner and Don McGahn are among the liberal bogeymen whose efforts to constrain the president have earned them praise on the left. Yet none has experienced such a dramatic reconsideration as Jeff Sessions. The emergence of the attorney-general as a bulwark of the rule of law against Mr Trump, who denounces him on a weekly basis, even as he is quietly applauded across the political divide, is one of the most unlikely and revealing episodes of this presidency.

It is unlikely because Mr Sessions did more than any other member of Mr Trump's cabinet to bring him to power. A longtime senator and darling of the anti-immigrant right, he endorsed Mr Trump at a time when most of his Republican colleagues considered the president a bad smell that the voters would shortly waft away. And Mr Sessions has since served Mr Trump's agenda zealously. He has turned the Justice Department away from protecting poor black communities from predatory policing and towards shielding bad cops from federal intervention. He has directed its civil-liberties unit to worry less about blacks, gays and other traditional victims and more about the demands of conservative evangelicals for freedom from anti-discrimination laws. He has rendered victims of Central American gangs ineligible for asylum. He has championed the separation of migrant children from their parents. He is held in contempt by many in his department, a badge of honour for Trump appointees.

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Mr Sessions's heroism, if it can be called that, relates to two things he has trenchantly not done. First, under pressure from his former colleagues in the Senate, he refused to oversee his department's investigation into Mr Trump's election campaign. That put it in the hands of his deputy, Rod Rosenstein, who sought to protect the investigation from Mr Trump by appointing Robert Mueller as special counsel. Mr Mueller's beefed-up investigation has led to the indictment or conviction of dozens of people, including four Trump aides, and driven the president into a full-time paranoid rage. He blames this on Mr Sessions, whom he has spent much of the past year denigrating, threatening to sack him and ordering him to shut down Mr Mueller. Yet, having put his thumb in the dyke of America's rule of law, wittingly or otherwise, Mr Sessions refuses to withdraw it. He will not resign or, as he declared in a statement last month, be “improperly influenced by political considerations”.

The president's treatment of Mr Sessions encapsulates his unpleasantness. He demands loyalty from his followers but offers none in return. In private, according to Bob Woodward's forthcoming exposé, the president has called his attorney-general “mentally retarded” and a “dumb southerner”. There is also no better illustration of his gangsterish attitude to power. Mr Trump entered the White House believing the Justice Department was not a steward of the law, but the president's own defence team. He pictured his ideal attorney-general, says a former aide, as the mafia lawyer Roy Cohn, his former mentor. That a grown man should unapologetically hold that view is fairly amazing. That Mr Trump has not revised it, after 18 months of patient prompting by his cabinet, Republican colleagues and the courts, is more extraordinary still. This was apparent in his crudest attack on Mr Sessions yet. Mr Trump castigated him on Twitter this week for having failed to protect two “very popular” Republican congressmen who have been charged, on the basis of abundant evidence, with serious crimes. One of them, Representative Duncan Hunter of California, an ardent Trumpist who stands accused of embezzling \$250,000 of campaign funds, is still on the ballot in November. “The Democrats, none of whom voted for Jeff Sessions, must love him now,” the president tweeted.

As so often, the brazenness of Mr Trump's insidious comments helped him get away with them. His opponents were outraged, which delighted his supporters, even as the Republican leadership clung to a self-interested hope that, surely, the president could not have been serious. What sane leader calls for the suspension of criminal justice, for the narrowest possible partisan advantage, on social media?

It is a good question, but not one to answer prematurely. Not until Mr Trump leaves office will it be clear how willing he really is to make good on his daily threats to the rule of law. In the meantime, Republican congressmen ought to take them no less seriously than his erstwhile acolyte, Mr Sessions, does. Yet only a handful of Republican senators dared condemn Mr Trump's tweet. “The United States is not some banana republic with a two-tiered justice system—one for the majority party and one for the minority party,” said one of them, Ben Sasse of Nebraska.

Mr Sessions's trials do not merely symbolise Republican abjectness before Mr Trump, however. They also represent the central lesson of his presidency for both parties. It is to distinguish more clearly between policy disputes, however extreme, and affronts to American democracy, however advantageous they may seem to the party in power.

### Team Magoo

Contrary to what many outraged Democrats claim, Mr Sessions's contemptible work as attorney-general falls into the first category. He is executing what Mr Trump promised on the campaign trail. And if he has behaved unlawfully, on asylum or civil liberties, the courts will correct him. Exaggerating the damage he is doing, as Democrats are prone to, risks detracting

attention from the real dangers of Mr Trump's presidency. The president's campaign against his attorney-general epitomises them. For his improbable resistance to it, Mr Sessions, an objectionable politician, deserves all the support he can get.

## North American trade

Limiting the damage from the Donald

Limiting the damage from the Donald

## The contours of a new NAFTA are emerging

*It is worse than the old one but better than no deal at all*

Print edition | The Americas Sep 8th 2018

"I CAN stop this," Donald Trump's chief economic adviser told an aide as the president prepared to sign a letter withdrawing from the North American Free Trade Agreement (NAFTA) last spring. "I'll just take the paper off his desk." The episode, as recounted in a new book by Bob Woodward, a journalist, is a reminder of just how tenuous is the continued existence of the world's largest free-trade area—"one of the worst deals ever", in Mr Trump's characterisation.

Mr Trump may have been stopped from wrecking the pact, but he has still undermined it. On August 27th Mexico and the United States announced they had agreed to a bilateral accord on trade. Four days of negotiations to bring Canada in followed. No deal was reached. On August 31st Mr Trump notified Congress of his intent "to enter into a trade agreement with Mexico—and with Canada if it is willing, in a timely manner". They have until September 29th to reach a compromise. Chrystia Freeland, Canada's foreign minister, gave a measured response to being shunted aside by her country's largest trading partner, praising American negotiators for their good faith and saying talks would continue.

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The Canadians do not have much choice but to bite their tongues. They have the most to lose. A study by the Bank for International Settlements found that the Canadian economy would contract by 2.2% if NAFTA were to disappear, compared with 1.8% in Mexico and only 0.2% in the United States. Canada's trade is equivalent to almost 65% of its economy. Most of that is with its giant neighbour, which bought 76% of exports last year and supplied just over 51% of imports. Mr Trump has threatened to slap tariffs on Canadian automotive exports, having already imposed them on newsprint (since overturned), steel, aluminium and solar panels.

The three economies have integrated under NAFTA, making all of them more efficient. However, this makes Canada and Mexico vulnerable to American policy changes. Consider carmaking. Most of the Canadian vehicles Mr Trump is threatening with tariffs are produced in Canada by American firms like GM, Ford and Fiat Chrysler, using parts from Mexico and the United States. By one estimate, bits of each car cross a NAFTA border seven times before the product is finished. In 2016 motor vehicles and parts made up a fifth of physical trade between Canada and America (though that includes components going back and forth). Paperwork at customs would increase without NAFTA, says Laura Dawson of the Wilson Centre in Washington, DC. "If you add two minutes for every truck, that would be chaos." Canada reckons that although Mr Trump may be willing to disrupt industries whose supply chains cross the border with Canada, wiser heads will stay his hand. (Inconveniently for the Canadians, the letter-swiping adviser has left the White House.)

When it became clear in early 2017 that Mr Trump was serious about changing the deal, Canada revved up its charm offensive. Politicians from both of its major parties lobbied members of America's Congress and state governors, and courted businesses and unions. They drummed home the message that the United States traded more goods with Canada in 2017 than with any other country bar China (Mexico was third), and that 36 states count Canada as their top export partner. The intense effort seemed to pay off last week, as senators from both American parties argued in favour of a trilateral agreement. Mr Trump reacted by threatening—again—to tear up the deal altogether.

It is unclear what would happen if he did. In theory, Congress could pass legislation blocking his ability to pull out and override his veto. His actions would be challenged in court, amid huge uncertainty for businesses and investors. Even the legality of pushing a bilateral deal through Congress, having promised a trilateral one, is fuzzy.

### Call of duties

"Congress may find its spine when it comes to NAFTA," says Paul Frazer, a Washington-based consultant on government relations. Yet grabbing attention will not be easy in the run-up to mid-term elections, with a spending bill to pass and a Supreme Court nominee to vet, he says. Any uncertainty may only be resolved once the next Congress is seated.

That prolongs the agony for Canada, already suffering an investment chill because of reforms lowering corporate taxes in the United States and doubts about continued access to the North American market. Canadian and foreign firms are hesitating, unsure whether Canada will remain a gateway to the rest of the continent.

For Mexico, however, the uncertainty is nearing its end, to the relief of investors and government alike. Nor do the concessions granted by its negotiators look so bad compared with the outlandish demands with which Mr Trump started. It was this logic that governed the final stage of talks between the United States and Mexico. The president, Enrique Peña Nieto, was



desperate for one last accomplishment in his unhappy tenure. His successor, Andrés Manuel López Obrador, a left-winger, is equally keen to take office, on December 1st, with a clean slate, so that he can implement an ambitious domestic agenda.

Yet Mexico's hurry to get a deal done almost certainly weakened its position at the negotiating table—and contributed to Canada's isolation. Earlier this summer Mexico abandoned its previous aversion to bilateral talks with the United States, and sat down to discuss rules on cars and other issues. It vowed to avoid subjects that mattered deeply to Canada. It did not, and conceded more ground than Canada had ever planned to.

That may have harmed ties between Mexico and Canada, though both say publicly that they kept in contact all the while. But as Mexico's relationship with Mr Trump seems to have improved since Mr López Obrador won a landslide election victory in July, Canada's relations with him have worsened. Mexico, which ships four-fifths of its exports to the United States, may have concluded that it did not want its most important trading relationship to be hostage to Mr Trump's sentiments towards Canada.

Most of what is added to a revised NAFTA will be worse for Mexico than the original version was. Its negotiators agreed to many American demands without extracting clear concessions in return. These include new rules of origin, which decree that the share of a car's components made in North America must rise from 62.5% to 75%. And 40-45% of final assembly will need to be done by workers earning an average of \$16 an hour or more (which may have been suggested by the Canadians). That will discourage further employment in Mexico, where many workers earn little more than \$2 an hour. Nor does Mexico (or indeed Canada) gain anything from a new mechanism to revisit and revise the pact every six years (and to kill it ten years later if no agreement can be found)—though it is not as disastrous as the rolling five-year expiry date the Americans requested. The points on which Mexico claims victory are not improvements but rather the dropping of Mr Trump's most absurd demands.

Canada can live with much of what the United States and Mexico agreed on, including the six-year review and the section on motor vehicles, which Ms Freeland noted required "big changes by Mexico". But much of the deal remains up in the air. No full text yet exists. The Mexicans have left to Canada negotiations on dispute-settlement mechanisms and public procurement. And the weakening of legal protections for investors agreed to by Mexico could play well in Canada, where such provisions are controversial.

The northern dispute that has attracted most of Mr Trump's ire involves Canada's dairy products (see [article](#) ), which accounted for less than 1% of the \$582bn in two-way trade in goods last year. Canadian politicians are loth to touch it because just over half of the farms that ship milk are in the French-speaking province of Quebec. Yet this is not an insurmountable obstacle. Canada slightly propped open its cheese market to secure a trade deal with the EU in 2016, and again to reach a trade agreement with ten other Pacific countries last year. Mr Trudeau has already said Canada is flexible on dairy, a sign that it is willing to do something similar to secure NAFTA. Even Philippe Couillard, the premier of Quebec, has not closed the door to changes, saying only that producers would have to agree.

The bigger problem is Canada's wish to retain something like the existing dispute-settlement mechanism, called Chapter 19, that allows countries to challenge the imposition of duties before a bi-national panel, whose decisions are binding. Canada insisted on this mechanism in the original NAFTA negotiations, walking out to make its point. Justin Trudeau, the prime minister, said on September 4th that "we will not sign a deal that is bad for Canadians, and quite frankly, not having a Chapter 19 to ensure that the rules are followed would be bad for Canadians." Another red line is Canada's protection of its cultural industries. Canada has always tried to stem the flood of American movies, television and radio broadcasts, newspapers and magazines across the border and is unlikely to stop now. Mr Trudeau reiterated that the cultural exemption, which makes it difficult for American companies to buy Canadian media firms, is non-negotiable.

As in talks with Mexico, Mr Trump's idea of compromise with Canada involves giving away nothing. At best, it extends to a grudging willingness not to take away things that were already in NAFTA. Mr Trudeau and Ms Freeland have repeatedly said they are prepared to walk away from a bad deal. This is more than bluster. Mr Trudeau would have trouble getting an unpopular accord through Parliament. Even were it to pass, the opposition would lambast Mr Trudeau's Liberals in an election campaign next year. The cross-party coalition the prime minister stitched together to fight for NAFTA is beginning to fray.

Frank McKenna, a former Canadian ambassador to the United States, observed recently that Mr Trump appears to want a trophy rather than a treaty. The Canadians seem prepared to accommodate his vanity. "They are mindful of the fact that along with the technical details in the deal they have to put a couple of big red bows on it," says Ms Dawson.

The Mexicans, for their part, are just happy that the long saga is nearly over. Mexico's Congress is sure to ratify whatever comes in front of it, so long as the president-elect is happy. And they are on firmer ground than the Canadians are. Luis Videgaray, the foreign secretary, said that if Canada does not join the agreement, "we know that there will still be a deal between Mexico and the United States."

*This article appeared in the The Americas section of the print edition under the headline "Limiting the damage from the Donald"*



My whey or the highway

## The coddling of the Canadian cow farmer

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*Protectionism in the dairy industry earns the ire of Donald Trump*

Print edition | The Americas Sep 6th 2018

DONALD TRUMP is cheesed off. Canada will be left out of a renegotiated North American Free Trade Agreement (NAFTA), he said, unless it does something about its “tremendous trade barriers”, including an eye-catching tariff of “almost 300%” on dairy. Why would a country that embraces free trade erect protectionist walls around this sector?

Canada once had free trade in dairy products, but the market was plagued by boom-and-bust cycles, in which processing firms named their prices and small-scale farmers bore all the risk. Provinces argued about flooding each other’s markets with milk. The milky white flag of peace flew in 1972 when Canada instituted a “supply-management” system, which set prices for dairy products, and later poultry and eggs. Farmers were allocated quotas. Imports were strictly controlled, with high tariffs on imports over a set amount. Government subsidies were modest; consumers paid for the system through extortionate prices.

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Supply management was not unusual when it was created. But countries such as Australia, South Korea and Britain have dismantled similar systems, and Uncle Sam has pressed Canada to follow suit. Canada protests that the United States has a surplus in bilateral dairy trade (about \$418m in 2017) and that it subsidises its farmers. But the real reason the ruling Liberal government does not want to act is that eliminating the system would be politically sensitive and require the approval of the provinces. Of the 10,951 dairy farms that sold milk last year, 5,368 were in Quebec, where all political parties support supply management. Farmers would demand huge handouts if it ended. Many would go bankrupt without their dairy quotas, now worth some C\$32bn (\$24bn).

That might be a price worth paying. A recent poll by the Angus Reid Institute found that without compensating farmers, Canadians support “standing firm” on the system by a 45%-31% margin—even if it means losing NAFTA. With compensation, they would prefer to strike a deal. Support for keeping it is strongest in Quebec and lowest in western provinces, where non-dairy farmers do not have the same protection. Still, the political timing is tricky. The next general election is due in 2019 and the Liberals do not want to alienate Quebec, which accounts for 23% of seats in the House of Commons.

*This article appeared in the The Americas section of the print edition under the headline “My whey or the highway”*

Bello

## Public anger risks producing political amnesia in Brazil

*Frustration with corruption may lead Brazilians to ignore bigger failings*

Print edition | The Americas Sep 6th 2018

LESS than two years ago, Brazil's municipal elections seemed to give a clear message. The vote came barely a month after Dilma Rousseff, the president, was impeached for fiscal misdemeanours, ending more than 13 years of rule by the left-of-centre Workers' Party (PT). Brazilians gave the PT a hammering: the party won only 254 mayoralties out of more than 5,500, down from 638. The centre-right Party of Brazilian Social Democracy (PSDB) did well, winning 803. Everything suggested that the PSDB, which governed Brazil successfully in 1995-2002, would win this year's presidential election.

With just a month to go before the election, the country's politics have been turned upside down. The PSDB's candidate, Geraldo Alckmin, languishes at about 7% in the opinion polls. Luiz Inácio Lula da Silva, the PT's leader and Ms Rousseff's mentor, commands around 37% and a widening lead, despite having begun a jail sentence for receiving a beachside flat from a construction firm that benefited from padded government contracts. The electoral tribunal confirmed on August 31st that he cannot run for office, since his conviction was upheld on appeal. Lula's task now is to persuade his supporters to vote for Fernando Haddad, the PT's vice-presidential nominee and a former mayor of São Paulo.

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Second in the polls, with around 19%, is Jair Bolsonaro, a former army captain of extreme right-wing views. Despite having been a backbench congressman for 27 years, Mr Bolsonaro is a fan of Brazil's military dictatorship of 1964-85; his running mate is a retired general who last year mused that the armed forces might have to step in to settle the country's problems.

Much can change in the next month. But there is a real chance that the inevitable run-off will be between Mr Haddad and Mr Bolsonaro. By rights, neither should have a chance. The PT's policy mistakes led Brazil into a deep and avoidable recession in 2015-16. On its watch, a handful of big companies engaged in wholesale bribery and corruption, exposed in an investigation known as *Lava Jato* ("Car Wash"). As for Mr Bolsonaro, he defends a repressive regime which bequeathed an economic lost decade in the 1980s and a country in which 40% of 7- to 14-year-olds were not at school.

What explains the electorate's apparent amnesia? The starting point is public anger over the combination of the country's worst-ever recession, a concomitant collapse in public services (dramatised by this week's fire at the National Museum) and the widespread corruption revealed by *Lava Jato*, which went far beyond the PT.

Ms Rousseff's impeachment brought to power Michel Temer, her vice-president from a coalition partner which broke with the PT in early 2016. A veteran dealmaker of the amorphous political centre, Mr Temer pushed through unpopular but essential economic reforms, including a cap on public spending. But his credibility was destroyed when he was taped apparently discussing bribes with a businessman. He twice used his support in congress to assert his immunity from prosecution.

It is Mr Temer's performance that has facilitated the revival of Lula and the PT. It has allowed them to rail against "neoliberalism", even though austerity is the result of Ms Rousseff's irresponsibility. Many poorer Brazilians recall rising prosperity and government aid under Lula's presidencies. Writing in the *New York Times*, Lula falsely stated that his jailing "has nothing to do with corruption" and is "for political reasons", but rightly said that "millions of Brazilians" believe this.

The PSDB is tarnished too. It joined Mr Temer's government. It failed to expel Aécio Neves, its presidential candidate in 2014, who faces charges of corruption. The middle class—the core of the PSDB's base—is in an angry mood. That showed up in the street protests calling for Ms Rousseff's impeachment. The PSDB failed to channel the rage or articulate a clear political alternative. Many protesters seem to have turned to Mr Bolsonaro, who campaigns as the PT's nemesis.

An extraordinary campaign may yet hold further twists. Mr Alckmin, though unexciting, has built a broad political alliance that gives him the lion's share of the free television advertising that began this week. A fourth candidate, Marina Silva, an evangelical Protestant (like Mr Bolsonaro) and a former environment minister in Lula's governments, won 21% of the vote in 2014. Having refused to ally with traditional parties, she has few resources, but could yet capture some Lula voters unpersuaded by Mr Haddad. Unless either Mr Alckmin or Ms Silva takes off, Brazilians will have let their justified anger over corruption blind them to other, arguably bigger, failings.

*This article appeared in the The Americas section of the print edition under the headline "Who lost Brazil?"*

## Japan and the United States

Watching him nervously

Watching him nervously

## Japan is worried about its alliance with America

*The problem it sees is Trump*

Print edition | Asia Sep 6th 2018

THE control tower at Iwakuni air base near Hiroshima gives a bird's-eye view of the huge facility shared by American marines and Japan's Maritime Self-defence Force, as the country's navy is euphemistically known. The marines' F-35 fighter jets roar into the sky from a runway below. Hangars nearby house state-of-the-art Japanese seaplanes. In the past decade or so the base has expanded massively. It is now one of the biggest for American military aviation in the Asia-Pacific, with about 5,000 troops working alongside 1,500 Japanese personnel.

Iwakuni has long been a rare example of a base in Japan that is jointly used by both countries. And developments at Iwakuni show how security ties between Japan and America are strengthening, say Colonel Richard Fuerst and Rear-Admiral Yoshikazu Morita, the base's most senior officers from the two countries. They say American marines in Iwakuni train more often with Japanese forces than they did a few years ago. Closer co-operation is also evident at other military facilities in Japan, whether it is fighter pilots conducting more frequent air drills together or desk-warriors training for cyber conflict. Dennis Blair, a former chief of American forces in the Pacific who is now at the Sasakawa Peace Foundation USA, an American think-tank, says the military relationship is closer than ever.

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That is fortunate for Japan. It feels the need for American protection more than ever. China still nurses grievances relating to the Japanese invasion in the 1930s and 1940s, and has a bitter dispute with Japan over islands in the East China Sea. Chinese military strength is growing fast and the country appears eager to displace America as the region's hegemon. Meanwhile North Korea has been deploying nuclear weapons that can strike anywhere in Japan. And Japan has yet to sign a treaty with Russia to end the second world war. Officials in Tokyo worry about massive military exercises that are due to take place in Siberia next week, involving Russian and Chinese forces (see Europe section).

At the same time, the alliance between Japan and America is under unprecedented stress, mainly because of America's president, Donald Trump (pictured with Japan's prime minister, Shinzo Abe, in Tokyo last November). There are worries in Tokyo that Mr Trump might strike a deal with North Korea's leader, Kim Jong Un, that protects America but leaves Japan exposed to a North Korean attack. Japan has been feeling largely sidelined during the recent high-level diplomacy surrounding North Korea's nukes. Indeed, Katsuyuki Kawai, an adviser to Mr Abe, describes the Trump-Kim summit in June in Singapore as a wake-up call for Japan. After the meeting, Mr Trump announced a suspension of exercises with South Korea and aired the idea of withdrawing American troops from the Korean peninsula. "We have decisively entered a new security environment," says Mr Kawai.

Few observers go quite that far, but Japanese and American officials wince at Mr Trump's casual raising of doubts about his commitment to allies and about his belief in the global economic order that has allowed Japan to prosper. They still prefer not to air their worries publicly. For example, Taro Kono, the foreign minister, praises the alliance as "stronger than ever". He points to the personal rapport between Mr Abe and Mr Trump, who has spent more time talking to Japan's prime minister than to any other country's leader. On February 14th the two men spoke by telephone for more than an hour about North Korea and other matters. Mr Kono jokes that having such a long chat on Valentine's Day is something he would not do with his wife.

Yet in private some Japanese officials say that Mr Trump unnerves them when he says that America is being taken advantage of by other countries, including allies, and that he resents spending so much on deployments abroad. Japan-hands in America say he does not seem to understand that the 54,000 American troops in Japan are there to defend not just Japan, but also American primacy in the region.

Most imminently, a storm is looming over trade. Mr Trump is obsessed with America's trade deficits, and one of its largest is with Japan. It was nearly \$70bn last year (see chart). Mr Trump wants a deal with Japan that could oblige it to reduce tariffs on agricultural imports. Japan is resisting. It says that Mr Trump should look not just at trade but also at the scale of Japanese investment in America. Japanese firms make 3.8m cars there annually, more than double the number they send to America from Japan.

But Mr Blair, the former Pacific forces chief (who also served as President Barack Obama's director of national intelligence), describes Mr Trump's refusal to exempt Japan from his tariffs on steel and aluminium as "a dress rehearsal" for things to come. Unlike China, Japan has refrained from retaliating against Mr Trump's assaults on free trade. But if America applies tariffs of 25% on cars, as he has threatened, Mr Abe would find it hard not to respond in kind. Japan's exports of cars to America have

doubled in the past six years, to \$40bn. Extra tariffs on them could be an embarrassment too far for Mr Abe, on top of the humiliation he has already suffered as a result of Mr Trump's Japan-neglecting diplomacy in the region.

### **The chips are down**

Japan and America have had squabbles in the past, but security and trade have been kept apart. Now Mr Trump appears ready to exploit military ties as bargaining chips in economic affairs. Japanese officials have watched nervously how he has used his country's previously rock-solid alliance with South Korea as leverage in trade talks, and how he has threatened not to defend allies in NATO that fail to boost their military spending. Mr Trump has moaned about the cost of keeping American troops in South Korea. That makes officials in Tokyo wonder whether he feels the same about American bases in Japan. "What happened to NATO will sooner or later come to us," says Ryozi Kato, a former Japanese ambassador to Washington.

Few observers believe there will be an alliance-rending rupture between Japan and America. But Mr Trump's unpredictability is prompting Japan's leader to step up his efforts to fashion a more independent and assertive foreign policy. This has included mending fences with its big neighbours. Since Xi Jinping, China's leader, and Mr Abe met on the sidelines of a regional summit late last year, the tempo of official exchanges between China, the world's second-largest economy, and Japan, the third-largest, has increased. Mr Abe will visit Beijing in October, the first trip to China's capital by a Japanese prime minister in seven years. He has also been trying to improve relations with Russia, despite territorial disputes that still cause rancour. On September 10th he will visit Vladivostok to attend an economic forum. While there he is likely to meet Russia's president, Vladimir Putin, and possibly also Mr Xi.

Mr Abe's most striking departure from American foreign policy has been in the realm of trade. He has disregarded Mr Trump's contempt for the Trans-Pacific Partnership, a free-trade deal that was close to being concluded when Mr Trump decided America would no longer be part of it. Mr Abe persuaded the ten remaining would-be members of the pact to reach a deal anyway. He is now urging them to speed up ratification of it. In July, after years of tortured negotiations, Japan signed a separate pact with the EU, creating the world's biggest bilateral free-trade area. Mr Abe hailed it as a move against global protectionism—a dig at Mr Trump. Japan is working hard on another trade deal, the Regional Comprehensive Economic Partnership. This would involve the ten members of ASEAN and several other countries.

In the security realm, Japan sees no real alternative to its reliance on American protection. Indeed, Mr Abe has been trying to strengthen military ties with America by introducing legislation that gives Japan's armed forces—though still constrained by a pacifist constitution—more leeway to help allies globally. (Though he will be anxious to avoid casualties. When he sent peacekeepers abroad last year, Mr Abe pledged to resign if one were killed.)

Japan is cultivating other military partners as well. For example, it is keen to bolster co-operation among members of the so-called Quad, an evolving security partnership between Japan, America, Australia and India. It is also talking to NATO and individual European countries, especially Britain and France, about strengthening defence ties. Last month it sent three destroyers to South-East Asia to reinforce military relationships in that region, too.

Japan is also trying to beef up its defences. In August it launched a new destroyer equipped with American anti-missile weapons. It plans to install a new onshore anti-missile system by 2023. It also says it will buy air-launched cruise missiles that analysts say could be used against North Korea, as well as more American-made F-35 fighter jets. The ruling Liberal Democratic Party says it wants to boost defence spending to 2% of GDP, the target set by NATO (though it is unfulfilled by many members). Japan spent 0.9% of GDP on defence in 2017, compared with an average of 1.3% among European members of NATO and 3.1% in America.

Such efforts should please Mr Trump, who complained before he became president that if America were attacked, Japan could "sit home and watch Sony television". America has long been urging Japan to spend more on its armed forces and give up its inhibitions about deploying them to places where they might be shot at. But at least as long as Mr Trump remains president, Japan will worry about its friend's reliability. "We have had spats before, but always with the understanding that both parties were committed to the alliance and needed to come out content," says Mr Blair. Officials on both sides are unsure whether that understanding remains.

*This article appeared in the Asia section of the print edition under the headline "Watching him nervously"*

The lady who turned

## Suu Kyi keeps quiet as reporters are jailed on trumped-up charges

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*In Myanmar, recording the truth about the army's atrocities gets you locked up*

Print edition | Asia Sep 6th 2018

IN A tense courtroom packed with journalists, campaigners, diplomats and family members, two Burmese journalists working for Reuters news agency were sentenced to seven years in prison for breaching a colonial-era secrecy law. Few had expected mercy. But none thought the punishment would be so harsh.

Wa Lone and Kyaw Soe Oo were arrested nine months ago while investigating the killing of Rohingya men whose bodies were found in a mass grave in Rakhine, a state in western Myanmar where, according to a recent UN report, the Burmese army had been committing atrocities with possible genocidal intent. The two journalists had been handed official documents by police over dinner in a restaurant. When the meal ended, other policemen were waiting to arrest them outside.

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The trial was a farce. One of the officers who had arrested them could not produce the notes he had taken that evening, as he had burned them. A police captain admitted the whole thing was a set-up and was sent to prison. In any case, it turned out that the state secrets contained in the documents had been publicly available all along. The army also acknowledged that the massacre the journalists were looking into did, in fact, happen.

During her long fight against the military junta before she took power in 2016, Aung San Suu Kyi repeatedly said that her country needed the rule of law. "Unless justice is done and seen to be done, we cannot reform," she told foreign admirers. In government, she has continued to express such sentiments but has done little to advance the cause. It was not her fault that Myanmar's courts were left dysfunctional and judges in hock to the generals after five decades of dictatorship. But a report issued last year by Justice Base, a British NGO, shows that the judiciary has not improved in recent years.

Short of revamping the system, she could at least have asserted her still weighty moral authority in court cases such as those involving the journalists. During the reporters' trial, she hid behind the prosecution's flimsy arguments. She is said in private to have called the journalists "traitors". Once an ally of the independent press, she now deems it a nuisance. Local journalists lament that they have no access to her and that she communicates mainly through the propaganda machine created by the army. Her deputy information minister admits that the laws are "not friendly" to the media.

That is an understatement. More journalists have faced criminal charges under the new government than under the previous one led by generals in civilian clothes, according to free-speech activists. The foreign media are regarded with suspicion, since Ms Suu Kyi appears to believe the canard that there is a global conspiracy against Myanmar. Foreign correspondents find it increasingly hard to get visas.

With the help of Ms Suu Kyi's blind eye towards them, the armed forces act with impunity. The constitution she inherited says the army may control its own affairs. She has done nothing to expose its abuses against civilians. Her response to the crisis in Rakhine, where the army's brutality has forced more than 720,000 Rohingyas to flee to neighbouring Bangladesh, has been to cover up for the generals.

The latest committee of inquiry created by her government to placate foreigners says its role is not to apportion blame. On their way last week to Rakhine for their first field trip, its members lauded the "openness" of the army chief. "When the military announces it will co-operate with a government-orchestrated investigation, you know it's a bright shining sham," says David Scott Mathieson, an observer.

*This article appeared in the Asia section of the print edition under the headline "The lady who turned"*

Free at last  
**India unbans gay sex**

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*Judges rule that being gay is a variation, not an aberration, of human nature*

**Print edition | Asia** Sep 6th 2018

THE prudish wording of India's colonial-era penal code of 1860 has long cast a baleful shadow over gay people. Section 377 banned "carnal intercourse against the order of nature with any man, woman or animal". This was taken to bar homosexual intercourse along with bestiality and incest. Even heterosexuals could be prosecuted for enjoying oral or anal sex.

The ban on gay sex was struck down by a Delhi court in 2009. It was then reinstated by the Supreme Court in 2013, which said parliament should deal with the matter. However, on September 6th the court reversed itself. A broader bench ruled, to general applause from Indian liberals, that the law does not, after all, criminalise homosexuality. The decision is final.

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The chief justice, Dipak Misra, called the ban on gay sex "irrational, indefensible and manifestly arbitrary". At issue was the meaning of "the order of nature". One judge, Indu Malhotra, said that being gay should be understood as a "variation", not an "aberration", of human nature.

Section 377 was little used in practice. But the ruling lifts the threat of legal persecution, which could be used for extortion. More battles loom over questions about civil unions and gay marriage. Indeed, some plaintiffs are asking whether they should have sued for more this time round. Even so, their victory should pay dividends. Big firms, for instance, have been reluctant to establish benefits for their employees' same-sex partners, citing uncertainty before the law.

Perhaps the most stirring part of Justice Misra's statement was the assertion that "majoritarian views and popular morality cannot dictate constitutional rights". That will give heart to Muslims, Christians and other minorities that feel besieged in the climate of illiberal Hindu nationalism promoted by the Bharatiya Janata Party (BJP) of the prime minister, Narendra Modi.

And what of the "popular morality"? India's is still a conservative society. Even after the latest ruling, many gays will still keep to the closet for fear of disapproving families and extra-legal persecution.

It is striking, though, that none of the main political parties, including the BJP, stood in the way. Mr Modi kept mum, and his government gave up fighting the case months ago. Some of his ideological comrades have spouted anti-gay bigotry. In 2013 Yogi Adityanath, subsequently Mr Modi's choice to govern Uttar Pradesh, India's most populous state, called homosexuality "dangerous to social morality"; permitting it would threaten to do away with the difference between man and animal, he said. India's Christian leaders have opposed gay rights even more stubbornly.

Having expunged the embarrassment of the court's judgment of 2013, the latest ruling may also help to restore the standing of Justice Misra himself. His term at the head of the court is to end on October 2nd. He has been denounced for seeming to side too often with the authorities. In January four of his colleagues warned that the independence of the court was in jeopardy.

The court has proven it can embrace a cause that is not exactly popular. Whether it will do so for some future cause that is openly opposed by the government—eg, halting controversial "preventive" detentions—is another matter.

*This article appeared in the Asia section of the print edition under the headline "Ending the aberration"*



Banyan

## The perils of China's "debt-trap diplomacy"

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*Malaysia's rethink of Chinese belt-and-road projects has lessons for other countries*

Print edition | Asia Sep 6th 2018

IN AUGUST, three months after his opposition coalition trounced the Malaysian party that had ruled since independence, Mahathir Mohamad, the country's 93-year-old new prime minister, travelled to Beijing. His aim was to tell President Xi Jinping that his country was now the Malaysia that can say no.

Dr Mahathir's predecessor, Najib Razak, had hewed close to China. His loss at the polls resulted more than anything from the stench of corruption within his ruling United Malays National Organisation (UMNO). But his chumminess with China was also a factor. The two issues were entwined.

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During Mr Najib's rule, huge holes appeared in the finances of a state investment vehicle, 1MDB, which Mr Najib chaired. America's Justice Department estimates that \$4.5bn was stolen from the fund by insiders. (Around the same time, nearly \$700m turned up in Mr Najib's own bank accounts.) As 1MDB teetered, Chinese state entities stepped in, taking stakes in 1MDB ventures.

The relationship with China grew ever cosier. Chinese-funded projects in Malaysia were packaged as part of China's Belt and Road Initiative, a global infrastructure-building scheme close to Mr Xi's heart. Jack Ma of Alibaba, a Chinese tech giant, won the right to turn a site near Kuala Lumpur's main airport into a Digital Free Trade Zone. Malaysia's government tried to silence criticism of its state-to-state dealings. And China showed its gratitude. In the run-up to Malaysia's general election in May, the Chinese ambassador appeared to lend open support to the ruling coalition. Many people were surprised that Dr Mahathir managed to win, despite UMNO's gerrymandering. Mr Xi had reason to be aghast.

China is not used to recipients of its largesse challenging the terms on which it is offered. Yet growing numbers of them are struggling with debts to Chinese entities taken on to fund Chinese-staffed projects. The Centre for Global Development in Washington reckons that eight belt-and-road countries are at "particular risk of debt distress", among them ones that border on China: Laos, Mongolia and Pakistan. That is why Dr Mahathir's progress in disentangling his country from Chinese-funded ventures is being closely watched.

In Beijing Dr Mahathir was plain-speaking and deft. He said that Malaysia was cancelling the \$20bn East Coast Rail Link, a massive belt-and-road project, as well as two oil pipelines in Sabah province. His message, in essence, was: very sorry—lovely projects, but since coming to office we've discovered we can't afford them. Implicit was another point: we can't afford them because we now know how inflated the costs are, and how skewed the deals are in China's favour—or plain fishy. It appears the Najib government paid nearly 90% of the \$2bn price of the Sabah pipelines, although they were only 15% complete. Part of a Chinese loan for them appears to have plugged financing gaps at 1MDB.

Since Dr Mahathir's return, he has gone further, taking aim at a large, Chinese-led housing scheme in Johor state intended for wealthy investors in China. This week the prime minister declared that foreigners would not be given visas to live there. Most Malaysians, he complained, could not afford to live in the new development. (The government in Johor makes more reassuring noises to foreigners who might be interested.)

China has a tendency to launch into tirades against countries that confront it. In this case the response from Beijing has been muted. That may be partly because of Dr Mahathir's careful choice of words. But Malaysia is an influential country in South-East Asia, a region that China wants to draw closer into its orbit. And China does not want to make enemies among belt-and-road countries. One of the main points of the project is to boost China's influence over them. For other countries badly needing to renegotiate their deals with China, that is a lesson worth learning.

Of these, Pakistan, which also has a new prime minister, Imran Khan, is by far the biggest debtor to China. The China-Pakistan Economic Corridor, a collection of energy and infrastructure projects supposedly worth \$60bn, is the biggest plank of China's belt-and-road strategy. Not for the first time, Pakistan faces a balance-of-payments crisis. It wants out of its debt.

Mr Khan ought to do a Mahathir. And he is in an even better position. Far more than with Malaysia, there is a strategic dimension to China's relations with Pakistan, says Husain Haqqani, a former Pakistani diplomat who is now at the Hudson Institute, an American think-tank. Officials in Beijing see Pakistan as a counterweight to India, China's geostrategic rival. China needs Pakistan's help in keeping Islamist extremism at bay. And it regards its neighbour as a vital route to the Arabian Sea. Unlike Dr Mahathir, Mr Khan himself seems not to grasp the problems of China's debt embrace. But at least critics in Pakistan of the economic corridor are beginning to find their voice.

### Debt divisions

China has more than its political ties with belt-and-road countries to consider. Chinese banks are getting worried about the safety of their lending. Commercial banks have sharply cut new belt-and-road financing since 2015. (So-called policy banks continue to lend.) And now the Belt and Road Initiative faces strong popular criticism at home. In part, the initiative is a victim



of the Communist Party's own propaganda: what debtors see as hard-to-service loans, state media paint as beneficent "aid". That is a touchy word. At a summit in Beijing this week with African leaders, Mr Xi promised \$60bn for the continent. Why, Chinese people asked on social media, is an indebted China spending so much abroad when it has pressing requirements at home? Censors rapidly shut down their criticisms of Mr Xi's gesture.

China is right that many countries need more roads, railways and other infrastructure. But it is evident that the scheme it touts as a defining one of Mr Xi's rule is losing its shine. Dr Mahathir's trip may have taught some valuable lessons.

*This article appeared in the Asia section of the print edition under the headline "Can't pay"*

Lucky for some

## Why do people in China give so little to charity?

*The Communist Party is too afraid of letting NGOs flourish*

Print edition | China Sep 6th 2018

EVERY month the Longyue Foundation, a Chinese charity based in the southern city of Shenzhen, pays modest stipends to nearly 3,000 extremely elderly veterans of China's war with Japan. In its early years the foundation got most of its money from a handful of supportive businesspeople, explains Luo Yangwei, one of its bosses. That changed in 2014 when it began soliciting donations online. Last year it collected about 46m yuan (\$6.7m) from warm-hearted internet users, whose numerous small gifts amounted to almost nine-tenths of what it raised. This year it hopes to boost its total income by 10%.

Longyue is one of many charities hoping to benefit from an online fund-raiser run annually by Tencent, a tech giant, which ends on September 9th. During last year's edition of the "99 Charity Day", users of its WeChat messaging app gave 830m yuan to good causes (about as much as is raised biennially by "Red Nose Day", a long-running British telethon). Tencent and its partners gave matching donations that brought the total to 1.3bn yuan.

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Although annual charitable giving is growing fast in China—up by about two-thirds since 2011—it still looks meagre when compared with donations in other countries. In 2016 Chinese gave away sums equivalent to about 0.2% of their country's GDP, whereas Americans donated more than 2%. Last year the Charities Aid Foundation, a British NGO that every year ranks 140 or so countries according to the proportion of their people who say they give time, money or assistance to strangers, placed China second from bottom (Yemen was last on the list).

Differing definitions of charity may partly explain this. Much Chinese giving goes on within personal networks, not in the public sphere. People often open their wallets to help out their "cousin's wife's paternal grandpa" without necessarily considering it a charitable gift, says Holly Snape of Peking University. Donations to organisations the Communist Party feels uneasy about, such as religious groups, are underreported too. But low levels of recorded giving are also a historical legacy. During Mao's rule the party abhorred charity. It did not want do-gooding groups to show up the state's failings. People were told that the party was their only saviour.

Mao-era shackles were relaxed during the 1980s, when the party began allowing big state-backed charities to operate. For smaller, independent ones a watershed moment came in 2008, when a devastating earthquake struck Wenchuan in the south-western province of Sichuan. Their assistance in relief efforts impressed officials and ordinary Chinese. The catastrophe resulted in a step-change in charitable giving (see chart).

Most donations are from companies. Among individuals, people in their 20s and 30s appear particularly enthusiastic about giving money to charity. Doing so is made easier for them by mobile payment systems. But red tape and the party's paranoia continue to inhibit many public-spirited Chinese. Scandals have also undermined public trust in charities. Chinese people quizzed about their giving habits still mention a case that came to light in 2011 of a socialite who enjoyed a lavish lifestyle and appeared to be affiliated to the Chinese Red Cross. (It denies any connection with her.) Meanwhile China's charitable sector remains short of expertise. Jack Ma of Alibaba, another tech firm, once quipped that it was easier to make money in China than to give it away.

Tackling these problems was at least one motivation for a charity law that was passed in 2016 after several years of drafting. It made registration easier, at least in theory, by junking a requirement that charities find a public agency to sponsor them (persuading risk-averse officials to do so has been a long-standing obstacle for all sorts of grassroots organisations, many of which end up securing legal status only by pretending to be businesses). It also granted more organisations the right to raise funds directly from the public.

The new rules were greeted with optimism by many NGO workers, not least because of the surprisingly collaborative approach authorities took to drafting them. Ms Luo of the Longyue Foundation says the law's stipulations about fundraising have been a big advantage for her organisation. When rattling the tin Longyue no longer has to work with a government-approved agent, who used to take a cut. Jia Xijin of Tsinghua University says publicity surrounding the law has helped raise officials' awareness that China's charities are important to its development.

Yet during the past two years the law's shortcomings have become more evident. Registered charities have struggled with a requirement that they spend no more than 10% of donations they receive on administration. The aim of this rule is partly to encourage thrift and boost public trust. But officials also want to prevent independent organisations from growing large enough to put pressure on the party.

Officials have been picky about what kinds of organisations get charitable status under the new law. The party is enthusiastic about groups that promise to feed the hungry, heal the sick and clothe the poor—all things which the party says are its priorities, too. But charities that engage in advocacy, such as for gay rights or against sexual harassment, still find it hard to get approval. Previously all manner of unregistered groups had managed to operate in China thanks to vagueness in the rules surrounding charities and other NGOs. But with regulations now clearer about which kinds are permitted, officials are becoming less inclined to turn a blind eye to those that try to operate under the radar. Even as it has shown greater tolerance of charities that suit its purposes, the party has been making life tougher for those that it does not like. At the start of 2017 it greatly increased its oversight of foreign NGOs, which had traditionally supported many of their small Chinese counterparts with funding and expertise. Now foreign groups must gain approval to operate from China's Ministry of Public Security, which is deeply suspicious of NGOs. The law has made it more difficult for Chinese organisations to receive foreign donations.

And the tightening continues. Draft regulations that were released for public comment in August would increase restrictions on domestic NGOs of all types, fear some charity workers. They would clarify penalties for violators. One worried lawyer says she believes they might result in an attempt by the government to purge Chinese civil society by forcing a large swathe of it to re-register. The party is growing keener for Chinese to open their wallets—or, more likely, their digital ones—but only to charities that please it.

*This article appeared in the China section of the print edition under the headline "Lucky for some"*

Pig trouble

## African swine flu is causing alarm in China—and beyond

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*Can it be contained?*

Print edition | China Sep 6th 2018

AS CHINA'S agriculture authorities scramble to contain the spread of a pig-killing virus, experts worry that it could spread elsewhere in Asia. But the consequences of the disease at home are bad enough. Pork is China's favourite meat. Pig farming is big business. The collapse of its market would hamper economic growth. Badly handled, the outbreak could dent the government's credibility.

The disease was first reported on August 3rd, when it was noted that 47 out of 383 pigs on a small farm in Liaoning, a province in the far north-east, had died. The virus has spread to five other provinces: Anhui, Henan, Heilongjiang, Jiangsu and Zhejiang. The authorities have stepped up inspections, shut some live markets, stopped the transport of pigs from the affected areas and culled nearly 40,000 swine. On September 5th the UN's Food and Agriculture Organisation (FAO) held an emergency meeting of regional animal-health experts in Bangkok. The rapid onset of the disease in China and its spread to places 1,000km apart mean it could easily jump across China's borders, says the FAO.

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A number of big rural districts with plenty of pig farms fall within the territory of Beijing, the capital. City officials say they are taking measures to screen them, check sanitation and impose quarantine. However, at several pig farms in Shunyi and Huairou districts, 60km north of Beijing's city centre, workers said no special measures had yet been taken. One said he had never even heard of African swine fever, as the disease is known.

The virus spreads easily between pigs, killing nearly all it infects. But health experts across the world agree that it cannot spread to humans, even through eating the meat of an infected pig. The Chinese, however, tend to mistrust official pronouncements on such matters, so the website of the *People's Daily*, the Communist Party's official organ, was widely mocked when its headline declared that everyone should be "at ease about eating pork". Indeed, many assumed that something must be wrong with it. He Qinglian, an exiled critic of the party, said on Twitter that chefs should lay 100 tables on Tiananmen Square so that agriculture officials could publicly eat the pork of the infected pigs.

Foreign observers are likely to be just as wary. The Chinese authorities have a long history of dissembling about diseases that affect both humans and animals, including the SARS crisis of 2003 and an outbreak of another porcine infection, blue-ear pig disease, in 2007. In both cases China played down the severity of the crises and stonewalled inquiries from foreign governments and international agencies. This year American health officials have accused China of violating agreements and withholding lab samples of another deadly disease, the H7N9 flu virus, which can infect both poultry and humans.

This time the pig fever is stoking fears of inflation. The cost of pork has an inordinate effect on the consumer-price index. With a fifth of the world's population, China consumes half its pork. The government has set up a strategic pork reserve to keep the price stable. The blue-ear pig-disease episode of 2007 provoked a rise of 87% in pork prices and one of the biggest leaps in inflation for nearly two decades.

Inflation now is at its highest rate in four months. The consumer-price index rose 1.9% in June and 2.1% in July. An editorial on September 4th in *Caixin*, an influential financial publication, said that Chinese history had taught "painful lessons about the dangers of inflation" and the government had "a rare time-window to prevent inflation from escalating". The spread of African swine fever will not make it any easier to control.

The timing is particularly awkward since the outbreak coincided with the much-vaunted Forum on China-Africa Co-operation, hosted by Xi Jinping, China's leader, on September 3rd and 4th in Beijing, to win African hearts, minds and business deals. The last thing the event's promoters wanted to see was the word "African" attached to a story about dying pigs. An official at Beijing's Agriculture Bureau said the topic was "too sensitive" to discuss while the forum was under way and suggested that your correspondent find something else to write about.

*This article appeared in the China section of the print edition under the headline "Beware of porky pies"*

### The fate of Idlib

Last rebels standing

Last rebels standing

## The battle for Syria's last rebel redoubt looms

*The fall of Idlib would doom the rebellion against regime rule*

Print edition | Middle East and Africa Sep 6th 2018

THE Syrian regime and its Russian backers may soon launch one of the biggest battles of the war. The signs are ominous. Thousands of regime troops are massing at the gates of Idlib province, the rebels' last bastion. Russia has dispatched more warships, bombers and fighter jets to Syria. On September 4th Russian jets struck targets in the south of the province. Meanwhile, Turkey is sending tanks to its border and reinforcing its outposts within Idlib. The rebels (pictured above) are blowing up bridges, digging trenches and expanding their network of underground tunnels. Turkey, which backs the opposition, has told rebel leaders to expect an assault within weeks.

A full-blown offensive would be catastrophic. Idlib is home to 2m-3m civilians. The fighting would drive many from their homes. But after a succession of regime victories in recent months, the noose has tightened around Idlib, leaving its inhabitants with nowhere to run. Those who try to find sanctuary in Turkey risk being shot by Turkish soldiers.

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Syria's recent offensives on rebel-held suburbs and cities provide some idea of the horror that awaits Idlib. Russian warplanes, and some from Syria's depleted fleet, will probably pummel entire neighbourhoods with the aim of driving out civilians and denying rebels the cover of buildings. In the battle last year for Mosul, an Iraqi city of less than 1m, the American-led coalition killed at least 1,000 civilians despite using mainly precision-guided, or "smart", bombs. Idlib, whose population is three times larger, will face Russian bombs that are almost entirely unguided, or "dumb", meaning they are quite likely to miss their targets and instead hit civilians.

Once Idlib has been softened up from the air, a grinding ground offensive would follow, led by Syrian troops and assorted militiamen as well as special forces from Russia and Iran. Some of the troops massing around Idlib are former rebels who surrendered to the regime in other battles, a sign of both the government's manpower shortage as well as the sense of impending defeat among rebels. The attacking troops will probably use indiscriminate weapons, such as incendiary and cluster bombs, as well as heavy armour.

The few hospitals and clinics still operating would struggle to cope with the large number of casualties expected. Supplies of food and medicine from Turkey may be cut off. UN officials warn that an offensive by the regime would trigger the worst humanitarian emergency of the war.

None of this worries the regime. The battle may prove to be one of the conflict's bloodiest, but it may also be its last and spell the end of the armed rebellion against Syria's president, Bashar al-Assad. And it would give the regime control of the north-south highway, a vital trade route.

Whether and when such an assault takes place depends largely on the outcome of talks between Russia and Turkey. Although the two countries back opposing sides, both would prefer to avoid a full-scale offensive. For Turkey, which already hosts 3.5m Syrian refugees, a further exodus would add pressure to its struggling economy. It worries, too, that the fall of Idlib could send jihadists, including a large number of Western and other foreign fighters, across its borders.

Russia, meanwhile, is trying to persuade the West to stomp up cash to rebuild the country it has helped destroy. It argues that most of Syria is now safe enough for refugees to start returning. A major offensive that kills thousands of civilians and damages hospitals and schools would do little to strengthen its case. Russia also hopes to avoid a wider rift with Turkey.

The way to avert an onslaught, in Russian eyes, is to convince the rebels to surrender. This tactic has worked in smaller towns and cities where rebels have laid down their weapons in return for amnesty. Idlib, however, is different. It is home to the regime's fiercest opponents, an assortment of some 70,000 jihadists and Islamists and more moderate rebels. Many were bused to Idlib from other fronts precisely because they refused to reconcile with the regime.

Among them are fighters aligned with Hayat Tahrir al-Sham (HTS), which controls about 60% of Idlib. It is a former al-Qaeda affiliate and is led by jihadists who are wanted by the world's intelligence services and reviled by almost everyone. Its people are more likely to fight to the death than surrender.

Officials with the other big rebel factions say talks with Russian officers have gone nowhere. Fear is a factor. In recently recaptured parts of the country, the regime's goons have been arresting former rebels and opposition officials who were promised amnesty. Some have disappeared into Mr Assad's torture dungeons. "The Russians aren't offering anything. It's either die, or surrender and then die," says one official. The rebels have also arrested hundreds of people in the areas they control on charges

of negotiating with the Russians and the regime. HTS has erected gallows on the roundabout of one town in Idlib, to warn those who may want to abandon the fight.

Turkey's efforts to splinter HTS by peeling away more moderate fighters have yielded little. Yet it has so far resisted Russian calls to confront the jihadists head on, since it fears they may retaliate violently on Turkish soil. Instead it has tried to persuade HTS to disband. But Russia's patience is wearing thin. Drones launched from Idlib continue to attack Russia's airbase in Latakia.

Turkey may be willing to agree to a limited Russian-backed offensive against HTS in the south and west of Idlib province. On August 31st it declared the group a terrorist organisation, a sign that negotiations with it may have broken down. But such a limited operation may not be enough to satisfy Russia and Mr Assad, since it would leave the main north-south highway outside the regime's control.

The leaders of Turkey, Russia and Iran are due to meet on September 7th. It may be their last chance to work out a deal that spares Idlib from wholesale slaughter.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Last rebels standing"*



## Slow train to Jerusalem

**Why Israel still moves on Ottoman-era railway tracks***The old line follows a donkey track***Print edition | Middle East and Africa** Sep 6th 2018

ISRAELI politicians and entrepreneurs like to present their country as a global centre of transport technology. That was underlined last year by Intel's purchase for \$15bn of Mobileye, which develops software for self-driving cars. But driving from Tel Aviv to Mobileye's headquarters in Jerusalem, only 55km (34 miles) as the drone flies, can be an hour-long crawl along a jammed motorway. Going by train is a poor alternative. That takes an hour and 40 minutes and ends at an isolated temporary station.

Exactly 126 years since the first train arrived in Jerusalem from the Mediterranean coast, a new high-speed rail link, built at a cost of 7bn shekels (\$2bn), is scheduled to start running between Tel Aviv and Jerusalem on September 24th. But with just three weeks to go, Israel's transport ministry is not sure it will be ready. The inauguration has already been postponed twice. This is par for the course for a project that started in 2001 and was originally planned for completion by 2008.

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If the line from Jerusalem does open this month, it will run only as far as Tel Aviv's Ben Gurion Airport. The rest of the route will not be electrified until next year. The promise of reaching Israel's capital from its business centre in less than half an hour is still remote. The delays are partly because of a seven-year row with environmental groups worried about damage to nature reserves.

Politics is also partly to blame. Germany's Deutsche Bahn was originally supposed to have advised on the project, but pulled out in 2011 amid a controversy over a few miles of track that pass through areas occupied by Israel in 1967. And funding rows between the transport minister and the treasury delayed the purchase of carriages. As a result, there will be only one or two trains an hour from Jerusalem until 2020.

The current rail link between Jerusalem and Tel Aviv has remained nearly unchanged since it was inaugurated under the Ottoman empire in 1892. The first line was the initiative of a Jewish businessman and was financed by French Catholics to help pilgrims travelling from the port of Jaffa to the holy city. It was upgraded by the British in 1920 and again by Israel. But it follows much the same winding route along an ancient donkey trail. Trains going up along the single-track railway through the Jerusalem Hills often have to slow to 25kph on the bends and to wait in passing loops for the train coming the other way.

Plans for a new line were mooted in 1971, but the government invested in motorways instead. It has also lowered taxes on new cars, leaving Israel's roads four times more clogged up than those of other rich countries in the OECD. Time to change track.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Slow train to Jerusalem"*

Israel and the Palestinians  
**Donald Trump's peace proposal is not realistic**

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*But he is precluding negotiations through unilateral actions*

Print edition | Middle East and Africa Sep 6th 2018

AFTER 70 years, even conflicts start to repeat themselves. On September 2nd the Palestinian president, Mahmoud Abbas, told Israeli visitors about an unexpected proposal. He said America had offered to help form a confederation between Palestine and Jordan. The idea has been floating around for half a century. King Hussein of Jordan first proposed it in the 1970s. The Palestinians rejected it, then embraced it, then dismissed it again.

It has some merits. Most Jordanians are of Palestinian descent, with ties across the border. Businesses in the West Bank would gain access to Jordan and to export markets beyond. The Jordanian army could secure the border with Israel, assuaging its security concerns. But Mr Trump's seemingly offhand proposal is not realistic. The Palestinians will discuss it only after Israel grants their independence. Jordan rejects it. The idea sits uneasily with ethnic Jordanians, who dominate the government. Waves of Palestinian and other refugees made them a minority. They fear that absorbing 3m Palestinians would dilute their power.

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This was Mr Trump's second break with precedent in a week. On August 31st America said it would stop funding the UN Relief and Works Agency (UNRWA), which supports 5m Palestinian refugees. The agency is already suffering from previous cuts: America slashed its donations from \$364m in 2017 (30% of UNRWA's budget) to just \$60m this year (see chart). Next year it will give nothing. The cuts will hit hardest in Gaza, destitute after a decade under Israeli and Egyptian blockades. Two-thirds of its 2m people are registered refugees who rely on UNRWA for doctors, teachers and other services. Israeli generals fear the cuts will push them closer to another Gaza war.

The Israeli prime minister, Binyamin Netanyahu, is delighted. UNRWA is a bugbear for his hawkish allies. Exceptionally, the UN counts all the descendants of Palestinian refugees as refugees themselves. Their numbers have thus grown more than sixfold since the agency was founded in 1949. Israeli politicians complain that this prolongs the conflict, allowing Palestinians to nurture an unrealistic hope of returning to modern Israel.

Until recently, Mr Netanyahu never asked America to cut off the agency. But with Mr Trump in power, anything seems possible. He broke with decades of bipartisan consensus in December and recognised Jerusalem as Israel's capital. Israel's allies in Washington are urging America to recognise its sovereignty over the Golan Heights, which it seized from Syria in 1967.

Instead of negotiating, Mr Trump is making one-sided moves designed to preclude negotiations. The right of return is an emotive issue. Palestinians want justice for decades of displacement. Israelis fear losing their Jewish majority. Mr Trump seems to think he can cut this Gordian knot by asking the UN to redefine the word "refugee". If most of the 5m Palestinian refugees lose that status, there is nothing to discuss. But the Palestinians will not simply drop their demands. All Mr Trump has done is convince them he is not an honest broker.

His ambassador to the UN, Nikki Haley, says that the administration is close to finishing its "unbelievably detailed" peace plan. But no one outside the administration has seen it. Even if it does exist, it will not be unveiled until next year—after the mid-term elections in America and a probable snap election in Israel this spring.

Mr Netanyahu does not mind the delay. If America is not pressing him to talk to the Palestinians, no one will. He has divided Europe by courting populists like Viktor Orban of Hungary. Russia and China have no interest in wading into the mess. On September 2nd he welcomed Rodrigo Duterte, the president of the Philippines, on a visit to Israel. There was little talk of the Palestinians. Instead Mr Duterte, who once compared himself to Hitler, praised the quality of Israeli-made weapons.

This is Mr Netanyahu's dream: to deal with fellow world leaders without the nuisance of talking about the occupation. But it comes at a cost. The Palestinian Authority (PA) is in effect a security subcontractor keeping the West Bank quiet. Foreign donors spend billions a year to keep it afloat, since it is meant to provide the nucleus of a future Palestinian state. "If there's no two-state solution, there's no justification for us to pump money into the PA," says a European diplomat. Mr Netanyahu may at last manage to thwart the creation of a Palestinian state. But then he will have to deal with the consequences of a permanent occupation of the territory captured in 1967.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Nothing to talk about"*

Mud, glorious mud-slinging

## The race to be president of Nigeria has begun

*Politicians are throwing themselves into the fray. Voters look away*

Print edition | Middle East and Africa Sep 6th 2018

AMINU TAMB UWAL, a state governor normally too bland to attract much attention, is running for president of Nigeria. Like a dozen other serving and former governors, a senate president and a former vice-president, Mr Tambuwal said he was bowing to the demands of the people, who apparently wanted him to defect to the opposition People's Democratic Party (PDP) and challenge the incumbent, Muhammadu Buhari, in an election that is scheduled for February. Many Nigerians felt a sense of déjà vu. Four years ago, Mr Tambuwal was one of a number of bigwigs who deserted the PDP and helped propel Mr Buhari (pictured above) to victory.

Government may be a shambles in Nigeria, but politics is thriving. In the election in 2015 one government agency is alleged to have diverted more than a \$1bn intended for the fight against jihadist groups in the north-east to fund the electoral campaigns of ruling-party politicians. Private donors supporting Goodluck Jonathan, the previous president, paid the disgraced (and now defunct) British consulting firm Cambridge Analytica to produce extraordinarily inflammatory social-media campaigns showing people being hacked to death or burned alive and claiming that Mr Buhari would impose sharia, or Islamic law, if he were elected.

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Many of the international political consulting and public-relations firms that coined it in 2015 are again seen trailing their candidates through the lobbies of hotels in Abuja and London. The flacks are as fickle as the Big Men they serve. Some lobbyists are now working for the very people they sought to trash last time.

They will have their work cut out, no matter which politicians are writing their paycheques. Start with Mr Buhari, who faces a surprisingly tough contest for reelection given the widespread euphoria that greeted the start of his first term. He came to power after promising to end a jihadist insurgency, diversify the economy from oil and reduce corruption.

Mr Buhari's popularity has since dipped, not least because he spent much of 2017 in London receiving medical treatment. Although Nigeria's army made gains against jihadists in his first few months in office, it has since become bogged down. Soldiers guard towns and patrol the roads, but insurgents still rule the countryside.

Ordinary voters are also angry that Mr Buhari appears to have made slow progress in curbing corruption. Some businessmen, particularly those used to getting juicy government contracts that involved little work but lots of money, complain that he has been too successful at curbing graft.

If Mr Buhari is a hard sell to voters, so too are his main rivals. Bukola Saraki, the senate president, was educated at a posh British private school and the London Hospital Medical College. He thinks he knows what ails Nigeria: he has a 19-point programme to save the country and insists he would lead "a dynamic government of action" that would not conduct "business as usual". Sadly, his tenure as president of the senate showed little of this promise. It was marked by allegations of corruption, which he dismisses as smears by rivals. The flagship oil-reform bill that he shepherded was returned first by his own legal department and then by the presidency because it contained dozens of errors, inconsistencies and contradictions. A bill supposedly intended to encourage investment in, and root out corruption from, the industry that generates almost all of Nigeria's exports turned out to be one that would have increased the scope for political meddling.

Yet Mr Saraki's prospects were given an unexpected boost when Lawal Daura, the head of the State Security Service, sent armed officers in ski masks to the National Assembly as part of a bungled and in any case pointless plot to remove Mr Saraki from office. Mr Daura was immediately sacked, but the sight of armed troops surrounding a building that symbolises Nigeria's return to civilian rule in 1999 raised uncomfortable memories of its years of military rule, including a stint under Mr Buhari, then a general.

Mr Buhari, for his part, is being feted by foreign leaders. He was in China this week, where members of his staff were pushing their hosts to begin work on key road, rail and other infrastructure projects, including a hydroelectric dam in Mambila that was first mooted 30 years ago. He has also played host in recent months to Emmanuel Macron, the president of France, Angela Merkel, Germany's chancellor, and Theresa May, the British prime minister. Yet the red carpets and honour guards have done little to boost his popularity at home. Voters are losing interest in mainstream politicians and parties. Turnout in recent by-elections has been low and there is not much excitement on the street about the presidential election next year.

In a rare recent newspaper article, Mr Buhari's taciturn but influential chief of staff, Abba Kyari, extolled progress the government had made in improving security and diversifying the economy. Mr Kyari appealed to Nigerians to ignore the slick campaigns peddled by political consultants and "not [to] be fooled by the packaging" but to look at what is inside it. The real challenge may be to get them to look at all.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Mud, glorious mud-slinging"*

Jacob Zuma's legacy endures

## **South Africa slips into recession**

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*Bad news about the economy may hamper Cyril Ramaphosa's plans to reform it*

**Print edition | Middle East and Africa** Sep 6th 2018

WHEN Cyril Ramaphosa became president in February, replacing the disastrous Jacob Zuma, South Africans felt a brief thrill of "Ramaphoria". Half a year later, a chillier reality has set in. South Africa officially entered a recession on September 4th after its economy contracted for a second straight quarter. The picture was gloomy all round, especially in farming, which was badly hit by drought. The rand, already roiled by a sell-off of emerging-market currencies, plunged to depths not seen since the worst moments of Mr Zuma's tenure.

South Africa last dipped into recession in 2009, after the global financial crisis and in the year Mr Zuma took power. (A recession announced last year was narrowly avoided in a later data revision.) Since then growth has stagnated. Mr Zuma seemed more interested in enriching his friends and family than boosting the economy. Unemployment has ballooned to a frightening 37.2%, using an expanded definition that includes people who have simply given up looking for work. It is much higher among young people. A significant recovery is not expected to come soon.

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The ruling African National Congress (ANC) is pushing a spending package that includes infrastructure projects and subsidies for farmers. How the government would pay for this is a mystery. Tax collection slumped under Mr Zuma; key parts of the revenue authority were dismantled and tax evasion soared. To help narrow a yawning budget deficit, Mr Ramaphosa's government increased value-added tax earlier this year. But that is hurting consumer spending, a big part of the economy. Further trouble might lie ahead. A review of the country's credit rating for rand-denominated debt by Moody's, a ratings agency, is due in October. Should Moody's cut them to junk, South African bonds would be turfed from global indices, prompting a sell-off.

The rot of the Zuma years is proving stubbornly hard for Mr Ramaphosa to expunge. With an eye on national elections next year, he has flirted with populism. His party's rush to change the constitution to allow land expropriation without compensation has stolen thunder from left-wing rivals, such as the Economic Freedom Fighters, but dismayed investors. To quell public anger over high petrol prices, Mr Ramaphosa's government has frozen them temporarily. But with oil prices rising and the rand likely to remain low, this will only defer the pain.

A strong mandate for Mr Ramaphosa in next year's polls would allow him to embark on trickier reforms needed to boost growth. But bad economic news will not win him any votes.

*This article appeared in the Middle East and Africa section of the print edition under the headline "More bad news"*

Congestion charging, Congo style

## **Kinshasa's traffic police make 80% of their income "informally"**

*Ill-paid cops make unjustified stops*

**Print edition | Middle East and Africa** Sep 8th 2018

THE unofficial motto of the Democratic Republic of Congo was first uttered six decades ago by Albert Kalonji, the leader of the short-lived secessionist state of South Kasai: "This is your home, fend for yourselves." With hardly any formal economy in Congo, let alone a welfare state, people do whatever they can to get by. Ordinary folk farm, trade, smuggle and hustle. Officials and rebels loot and extort. Congolese joke that "fend for yourself" is Article 15 of the constitution.

The real Article 15, adopted in 2006, urges the state to stamp out sexual violence. For some reason, the police seem to put more effort into upholding the mythical Article 15. A new study by Raul Sanchez de la Sierra of Harvard and Kristof Titeca of the University of Antwerp found that in Kinshasa, the capital, traffic cops receive about 80% of their income from "informal tolls".

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Every driver in charge of a spluttering yellow taxi or battered local bus (nicknamed "spirits of death" for their shoddy maintenance) must pay a "protection fee" to traffic officers. This is done by sticking a fist out of the window at certain junctions on the boulevard and dropping a note worth \$0.30 into a waiting policeman's hand. If this money is not paid, the officers will find ways in which the vehicle is breaching the law and impose a large fine. "Most cars tend to have some kind of infraction. If not, [the cops] will make something up," Mr Titeca says. "I was once stopped because the policeman said the taxi driver needed a licence to carry a white person."

To maintain a lucrative position on the boulevard a police officer must "thank" the superior who put him there. Each day he will have to arrest a pre-negotiated number of drivers and escort them to the police station, where his superior will demand a bigger backhand for himself. (Occasionally motorists are made to pay legitimate fines, too.) If an officer fails to meet the quota, his boss may withhold the orange waistcoat that all traffic policemen have to wear.

For Kinshasa's weary drivers, dealing with the police requires charm, negotiation skills and unflappability. When your correspondent was taking a taxi in Kinshasa, a drunk policeman half launched himself through the window to demand money. The driver simply laughed. Once the officer had retreated just enough, he sped off.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Congestion charging, Congo style"*



## Russia and China

Game on

Game on

### Russia and China hold the biggest military exercises for decades

*America should beware*

Print edition | Europe Sep 6th 2018

THROUGHOUT the upheavals of the past couple of decades in Russian-American relations, there has been one American politician and thinker whom Russia's president, Vladimir Putin, has consistently sought out, engaged with and paid tribute to. That is Henry Kissinger, the doyen of cold-war diplomacy and the author of rapprochement with China and detente with the Soviet Union. Mr Kissinger's realist view of the world apparently strikes a chord with Mr Putin, who thinks the collapse of the Soviet Union was the biggest geopolitical disaster of the 20th century. The triangular relationship between America, the Soviet Union and China that Mr Kissinger helped shape has provided a useful framework as Mr Putin has sought to revise the post-cold-war order.

Nearly 50 years after Richard Nixon's opening to China, Mr Kissinger might recognise a mirror image of his own policy in a display of ever-closer ties between Russia and China, this time at America's expense. Starting on September 11th, Russia will hold joint military exercises with China, advertised as the biggest war games for decades. To be held in eastern Siberia, Vostok-2018 will feature 300,000 Russian troops—a third of the country's armed forces—1,000 aircraft, 36,000 tanks and armoured vehicles. The Russians will be joined by 3,200 Chinese troops and 900 tanks and armoured vehicles, as well as troops from Mongolia. Unlike the drills on its western borders, such as the naval exercises concurrently taking place in the Mediterranean, which prepare the armed forces for a potential conflict with the West, Vostok-2018 is designed to show the strength of Russia's rapprochement with China, a country which only a few years ago it saw as a direct military threat.

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#### Not just a war machine

The exercise will coincide with the Eastern Economic Forum, a big economic and political pow-wow in Vladivostok that is due to be attended by China's President Xi Jinping and Japan's prime minister, Shinzo Abe. Mr Putin and Mr Xi may inspect the war games together. But the show is really meant for America's eyes. Mr Putin would like it to be seen as a reversal of the Nixon deal. As Vasily Kashin, a Russian East Asia expert, argues in a recent paper, Sino-American co-operation against Moscow has long been viewed by Russia as "possibly the gravest failure in the course of the cold war, to be avoided in the future at all costs".

Russia's relationship with China started to thaw in 1989, when Mikhail Gorbachev visited Beijing. Boris Yeltsin continued the schmoozing in the 1990s. Mr Putin settled the last border dispute with China in 2004. America and its allies did not worry, partly because they saw Russia as a declining power deeply wary of China, and partly because the rapprochement was not aimed at them. But things have changed.

After its annexation of Crimea in 2014 and the ensuing Western sanctions, Russia turned to China as a political ally against the West, and as an alternative source of investment and credit. Although China has limited appetite for investing in Russia, and considers its actions in Ukraine reckless, it has exploited Russia's rift with the West to enhance its own influence. Mr Putin and Mr Xi also have a personal bond forged by their common fear of "colour revolutions" (popular uprisings), which they see as having been America's doing. Russia and China also hold joint exercises between internal security forces trained to put down such uprisings.

During his visit to Moscow in April, General Wei Fenghe, a former commander of the Chinese army's ballistic-missile forces and one of several loyalists promoted by Mr Xi this spring, sent a clear message to America. "The Chinese side", he said, "has come to show Americans the close ties between the armed forces of China and Russia."

Christopher Johnson, a former CIA analyst now at the Centre for Strategic and International Studies, a think-tank, says America appears to be complacent, clinging to the conventional wisdom that the two giant neighbours will never grow too close, because they distrust each other so much. "In the recent past the notional opponent in the Vostok exercises was China. Now it is China sending some of its best kit to exercise with the Russians against another large notional opponent," he notes.

From Russia's point of view, says Alexander Gabuev of the Carnegie Moscow Centre, Mr Putin's show sends two messages. One is addressed to China. By selling it Russia's latest military technology, including S-400 surface-to-air missiles and SU-35 fighter jets, and inviting it to take part in its largest military drill even though it is not a formal ally, Mr Putin is showing that Russia no longer sees China as a threat. (Previously, Russia's leaders were terrified that China might covet the vast and sparsely populated Russian regions of Siberia and the far east.) Now, the logic goes, China should repay Russia for its trust by giving it more money to offset the effect of American sanctions.



The second message is to the West: “If you don’t want to push Russia deeper into China’s embrace, stop pushing it into a corner with sanctions.” Yet this reinforces China’s wariness of Russia, and its aversion to a strategic alliance. Having observed its neighbour over the years, it is perfectly aware that Russia would still rather look to the West, where it parks its money and children, than to China—and that its opportunistic shift could easily be reversed.

Russia’s and China’s obsession with America reveals the difference between the new Russia-China understanding and its American prototype of the 1970s. As Thomas Graham of Kissinger Associates says, America in the 1970s was in the pivotal position, talking to China and the Soviet Union from a position of economic and military strength. Today, it is Beijing that is the pivot, and Russia, not China, is the weakest of the three powers. Mr Putin, however, often plays a weak hand well. His relationship with China may be opportunistic, but it can still hurt America.

In the long run, however, America should be more concerned about China’s economic and political expansion into eastern Europe and the former Soviet space, including Central Asia and even the Baltic states. And so should Russia.

*This article appeared in the Europe section of the print edition under the headline “Game on”*

Jupiter descending

## The French president tries to regain control after a dismal summer

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*But a feeble opposition fails to capitalise on his weakness*

Print edition | Europe Sep 6th 2018

IT WAS *la rentrée* in France this week, when pupils return to school after the long summer holidays to begin a new academic year. The country's president, Emmanuel Macron, will be hoping it marks a fresh start for him, too. On September 4th he was forced into a government reshuffle after unexpectedly losing his environment minister. With his poll ratings touching new lows after a troubled summer, Mr Macron badly needs to regain political momentum if he is to keep his plans to transform France on track.

A popular former television presenter and green activist, Nicolas Hulot (pictured centre), resigned abruptly in the middle of a radio interview last week, saying that although France was doing "more than most", he deplored the "small steps" being taken to protect the planet. Mr Hulot, an outspoken campaigner who had in the past always refused to serve in government, was replaced by a career Green politician and loyal convert to Macronism, François de Rugy, who had been Speaker of the National Assembly.

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The loss of Mr Hulot was the last thing Mr Macron needed. Questions about his judgment were raised in July, after his former bodyguard and trusted aide, Alexandre Benalla, was identified on video dressed as a policeman and beating up a protester. Mr Benalla was fired, but only after the video emerged in public. The murky affair seems to have wiped out any credit the president earned for his victory against the unions of the SNCF rail network earlier this summer. Mr Macron's approval rating has dropped to 31%, according to Ifop. Another poll said that only 20% of Socialist voters, Mr Macron's one-time party, approve of him. Slower economic growth has not helped. Nor has the president's regal haughtiness, which has earned him the nickname "Jupiter".

For now, Mr Macron seems undeterred. After some hesitation, his government is pressing ahead with a complex move to tax income at source, which it is feared will be hit by technical problems when it comes into place in January next year and dismay those not used to seeing income tax deducted directly from their pay slips. (At present, income tax is paid in arrears, generally in instalments.) Reforms to the benefit system, hospitals and pensions are all due shortly, and will push up against vested interests. To set against the disruption these will bring, the president will be hoping that a delayed cut to employee social charges, which comes into effect next month, will help lift the mood and boost consumer spending.

Perhaps the strangest aspect of Mr Macron's domestic difficulties, though, is how little the political opposition seems to be able to make of them. La République en Marche, the party he invented and which holds a robust majority in parliament, has sucked in most of France's moderates on the left and the right. The Socialists and Republicans, as a result, are rump parties struggling to find an attractive leader or a sense of purpose. Some polls suggest that the Socialist Party, historically one of the great institutions of French political life, could end up failing to pass the 5% threshold at elections to the European Parliament next May, and so with no seats at all.

For their part, the Republicans have found themselves drifting towards the right under an unconvincing new leader, Laurent Wauquiez. Their moderates are either in government (the prime minister, Edouard Philippe, and the finance minister, Bruno Le Maire, are both ex-Republicans) or running big regions (such as Valérie Pécresse in the Paris area). Equally striking, the political extremes—Marine Le Pen's National Rally and Jean-Luc Mélenchon's Unsubmissive France—seem stuck on the protesting fringe. They are set for a fight. Mr Mélenchon has promised to turn the European election into a "referendum" on the president. Ms Le Pen usually does well in mid-term elections. Yet a recent poll (see chart) suggested that, were European elections held today, Mr Macron's party would come out on top. The president is down in Paris, but not yet out.

*This article appeared in the Europe section of the print edition under the headline "Jupiter descending"*

Blood on the streets

## A stabbing leads to anti-migrant protests in Germany

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*The AfD exaggerates and exploits migrant crime to win support*

Print edition | Europe Sep 6th 2018

A YOUNG woman carefully lays a sunflower next to the candles and carnations that surround a photo of 35-year-old Daniel Hillig. An older woman cries as she explains that he was a friend of her daughter. The spot where Mr Hillig was stabbed to death last month, allegedly by migrants, has become a shrine. Both women say they are scared to go out at night and feel nervous when they see groups of foreign-looking men. “We’re not racist,” says one, “we just want them to obey the law.” The Refugee Council says migrants in Chemnitz feel equally rattled.

Mr Hillig was killed after a street brawl during a festival a few hours after midnight on August 26th. Later that day leaked police reports, suggesting that the suspects were asylum-seekers and that one of them should have been deported, sparked a week of anti-migrant protests, in which dozens of people were injured. There were clashes with counter-demonstrators and reports of migrants being attacked. Some protesters were filmed giving Nazi salutes.

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Protest organisers say they have no control over who turns up, and hint that “neo-Nazis” were paid by journalists or were left-wing activists. “If anyone has blood on their hands, it’s the politicians who have allowed terror to be imported to Europe,” says Arthur Österle, one of the organisers.

Leaders of Germany’s right-wing populist Alternative for Germany (AfD) party also marched, for the first time openly joining ranks with more radical anti-Islam groups, such as Pegida. The sight of AfD leaders alongside demonstrators giving Nazi salutes has sparked calls from mainstream politicians for the party to be monitored by intelligence services.

Constitutionally this is possible—regional AfD youth chapters are already being watched—but Germany’s history of state surveillance makes it a sensitive issue, with high legal hurdles. There are fears it could play into the AfD’s complaints that it is unfairly targeted by the authorities.

Chemnitz is in Saxony, a region in the former East Germany that is fertile ground for right-wing populism and a stronghold of the AfD. West Germany spent decades trying to understand its Nazi crimes; authoritarian East Germany, by contrast, ignored the lessons of history. The collapse of local industry after reunification in 1990 left a generation embittered and insecure.

Beatrix von Storch, the AfD’s deputy leader, has claimed that Germany saw 447 killings by illegal migrants last year. The interior ministry says that in fact last year just 27 illegal migrants either committed or attempted to commit murder or manslaughter. Violent crime committed by migrants has risen slightly in Germany, but so has the number of asylum-seekers.

Whatever the truth, the issue appears to be working for the AfD. According to polling by INSA, a think-tank, its support is now at 17%, making it Germany’s second-most-popular party, ahead of the Social Democrats. Right-wing activists say this is just the beginning. The AfD has identified migrant-related crime as a way of broadening its appeal and bringing mainstream voters onto the streets. Chemnitz shows the tactic works.

*This article appeared in the Europe section of the print edition under the headline “After the stabbing”*

The poll that kicks the hornets' nest

### Sweden's anti-immigrant populists prepare for big gains

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*They won't govern, but they'll make it hard for whoever does*

Print edition | Europe Sep 6th 2018

THE week began poorly for Jimmie Akesson, leader of the Sweden Democrats (SD), an anti-immigration party that expects big gains in the elections on September 9th. In a television interview with Carl Bildt, a former prime minister, Mr Akesson looked amateurish and ill-prepared. But the SD has run a strong campaign, arguing that immigration drives up crime and puts Sweden's cherished welfare state at risk. (The country took in more refugees during the migrant crisis of 2015 than any other but Germany.) Polls put the party in second or third place with about 20% of the vote.

"It will be a political earthquake," concedes Pal Jonson, an MP for the conservative Moderate party. The Moderates lead a centre-right alliance of four parties hoping to unseat the current government, led by the prime minister, Stefan Lofven, a Social Democrat. All parties vow to shun the SD, which makes a majority coalition virtually impossible.

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The Moderates think they can win votes from SD supporters who fear the Social Democrats above all. That could allow their leader, Ulf Kristersson, to form a minority government. An unusually high 28% of voters expected to cast their ballots tactically, according to a poll. Leftists, meanwhile, hope that the Greens, who have benefited from the public's anxiety over huge forest fires this summer, will make up for some of the Social Democrats' expected losses.

Yet a weak government of either colour may struggle to pass necessary reforms. Sweden faces a housing shortage, but right and left disagree over whether the solution is public housing or ending rent control. To cut immigrants' high unemployment rate, the right wants to let new arrivals work for below-union wages, whereas the left wants to give them subsidised jobs. The left wants to fix Swedish schools' worsening performance by re-nationalising the system; the right argues for more private schools.

The SD is often unpredictable on such matters. It backs entrepreneurs on private schools but supports the unions on immigrant wages. For now, other parties are not asking for its opinion. But that may change as its support grows. Anti-immigrant parties have made big gains across Europe, from Germany to Italy and Austria, where they share power. Like those countries, Sweden will find it ever harder to shut the populists out.

*This article appeared in the Europe section of the print edition under the headline "The poll that kicks the hornets' nest"*

Charlemagne

## Emmanuel Macron takes on Viktor Orban and Matteo Salvini

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*In European politics, the big divide is not open v closed but innovator v conservative*

Print edition | Europe Sep 8th 2018

IT IS tempting these days to divide the continent of Europe into two opposed camps. On the one side, the flat-white-sipping liberals of Berlin's Prenzlauer Berg or Warsaw's Praga, led by the impeccably globalised Emmanuel Macron of France. Arrayed against them, the nativists of Treviso in northern Italy or Fréjus in southern France, whose leaders are Hungary's prime minister, Viktor Orban, and Italy's deputy prime minister, Matteo Salvini. The deep divide between "open" and "closed" visions of society can be illustrated with dramatic images. Those from far-right riots and anti-fascist counter-protests this week and last in Chemnitz, in Germany's former east, are one. Sweden's election on September 9th, at which the hard-right Sweden Democrats will make gains, may prompt a similarly simplistic take.

Look more closely, however, and it all seems more tangled. Mr Orban may be undermining the rule of law in Hungary, but he sits in the European People's Party (EPP), a group that includes Angela Merkel, Germany's chancellor. Mr Macron may be a globalist, but he nationalised a French shipyard to prevent its takeover by an Italian firm last year, and this June declined to take in *Aquarius*, a refugee ship rejected by Italy. Ordinary Europeans are similarly complicated. Most residents of Chemnitz, for example, attended neither pro- nor anti-migration protests.

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Despite an exchange last month in which Mr Macron asserted: "If they want to see me as their main opponent, they are right," it is better to see open v closed not as a binary proposition but as a spectrum, with Mr Macron closer to one end and Mr Orban and Mr Salvini towards the other. In between and on either side of these leaders are all shades of open and closed, often with a strong local flavour. Mr Macron may seem less liberal in the Netherlands or Sweden; Mr Salvini's continued if grudging commitment to EU membership and to sticking with the euro (at least for now) would make him a firm Europhile in Brexit Britain.

Those looking for a crisp divide in the campaign for the European Parliament's elections next May might consider a different taxonomy: institutional conservatives versus institutional innovators. To understand this, it helps to consider the build-up to the election as two parallel processes that may or may not converge.

The first is the formal, institutionally conservative one. At the last election, in 2014, each of the main political families proposed a *Spitzenkandidat* (lead candidate) to run the European Commission. The EPP came first, as it had in every election for two decades, so Jean-Claude Juncker became commission president with the support of the Socialist group as well. The established European parties want to repeat the exercise next year. On September 5th Manfred Weber, the EPP's leader in the European Parliament, launched his bid to be the group's *Spitzenkandidat*. A moderate in Bavaria's conservative Christian Social Union who has nonetheless championed Mr Orban, he typifies this stodgy, machine-political Europe. To varying degrees the other EPP front-runners all represent that old sort of European politics, a consensus between traditionally hegemonic—but now declining—Christian-democrat and socialist blocs.

The second process is the disruptive one, for both good and ill. Beyond the two established political families of centre-left and centre-right are disparate challengers united by their insurgency and ascendancy. These include some on the hard right, like Mr Salvini's Northern League and the Sweden Democrats, but also Mr Orban's Fidesz; some liberal startups like Mr Macron's En Marche! and Spain's Ciudadanos; some alt-left parties like the German Greens (soaring in the polls) and GroenLinks (now the largest Dutch left-wing party); as well as peppy new radical-left outfits like Jean-Luc Mélenchon's Unsubmissive France party.

These parties represent wildly different positions on the open-closed spectrum. But they have things in common. Most are institutionally innovative, having in recent years either reinvented themselves or emerged from nowhere. Some (rightly) pooh-pooh the idea that voters know or care about the *Spitzenkandidat* system. Mr Salvini and others on the insurgent right show little interest, and at a gathering in Brussels on September 4th Christophe Castaner, the chief executive of En Marche!, declared it a "democratic anomaly". The French president wants to create a new liberal group in the European Parliament. "Macron's rejection of the *Spitzenkandidaten* process may be the catalyst for a new pro-EU platform, rallying new and older movements ready to hack the system from the outside," says Alberto Alemanno of HEC Paris, a business school. Likewise, Mr Salvini wants to found a "League of Leagues" uniting the populist right in the European Parliament, perhaps eventually including Fidesz.

### Don't count them out

The odds are with the old guard, which can count on well-honed structures and traditions. Both Mr Macron and Mr Salvini may struggle to marshal their new, personality-driven groups to any great effect. The French president has so far failed to peel other centrist parties away from the established centre-right, liberal and centre-left groups. Italy's populist doyen faces competition from other would-be leaders (France's Marine Le Pen, say), whose squabbles and ego-conflicts have to date kept Europe's hard right split. But the institutional innovators also have their advantages. They tend to be more dynamic, better at

using social media and generally more willing to shake up the EU. More European voters say the EU is on the wrong path than the right one.

Open v closed matters. But it should be seen as a symptom of wider struggles: over the capacity of the likes of Mr Macron and Mr Salvini to redraw the party landscape, over the ability of their style of politics to usurp the old guard and over whether the next commission president will be a status-quo traditionalist, some hybrid of the established and insurgent styles, or a full-blown innovator. Institutions could matter as much as ideology.

*This article appeared in the Europe section of the print edition under the headline "Beyond open and closed"*



## The labour market

All work and no pay

All work and no pay

## Britain's unemployment is ultra-low, but its wages are ultra-measly

*Normally, low joblessness means high wages. No longer*

Print edition | Britain Sep 6th 2018

BRITAIN is enjoying a jobs miracle. Its rate of unemployment is one of the lowest in Europe. Before long, and possibly as soon as the next release of data on September 11th, it could fall below 4%, a level not breached since 1974. The ruling Conservative Party is rightly proud of its record on jobs. Yet the economy that has got so many people into work has proved incapable of generating pay rises. Real wages are lower than a decade ago. The government may crow about unemployment being at its lowest since the 1970s, but pay growth is at its weakest since the Napoleonic wars.

A few factors help to explain why Britain enjoys such little unemployment. The OECD, a club of mostly rich countries, says the country has the least-regulated labour market in Europe. Hiring and firing staff is easier than in countries such as France, where the hassle of getting rid of bad employees makes bosses think twice about taking someone on in the first place. (France's unemployment rate is more than twice Britain's.) Policy measures have made Britons more employable. Since the 1980s governments have more closely supervised jobseekers' efforts, which some research has associated with lower long-term unemployment.

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In the past, low unemployment went hand in hand with juicy pay rises. The fewer the number of people looking for work, the harder employers had to compete for staff. The inverse relationship between unemployment and wage growth is summed up by the Phillips curve, named after William Phillips, who first plotted it in 1958. Yet in recent years the relationship has become much weaker. Economists in many rich countries, including America and Germany, have noticed that low unemployment is not generating the high wage-growth that might be expected. Britain's ultra-low rate of joblessness, coupled with particularly weedy wages, makes it perhaps the biggest Phillips-buster of all.

As Britain's unemployment rate has fallen, economists have been stumped time and again by the failure of pay to respond. In 2013 calculations from the Bank of England suggested that 6.5% was as low as unemployment could go without wages beginning to push inflation above its target rate. Within a few months that estimate had edged down to 5.5%. Then 5% or so. Now that rate is thought to be just over 4%.

Yet even as unemployment heads below that level, there is little sign of pay pressure. If the relationship seen during the 2000s held today, workers would be enjoying nominal wage rises of some 5% a year (see chart 1). Instead, the most recent official reading shows annual nominal wage growth of just 2.7% in June. Data from Adzuna, a job-search website, show that advertised salaries fell from June to July. The upshot is that wages have done worse in Britain lately than almost anywhere in the rich world (see chart 2). To explain this unusually poor performance, consider three factors.

First, productivity. In the long run, changes in real wages depend on how much workers produce per hour. Since the financial crisis, productivity growth has stagnated. Low government and business investment may be in part to blame. Britain's manufacturing industry uses fewer robots per worker than Slovakia's. Moreover, in recent years Britain has seen the rapid growth of low-productivity jobs in industries such as hospitality. The number of hairdressers has risen by 50% since 2010. The growth of such jobs has dragged down average productivity. Our analysis suggests that the changing composition of jobs in the British labour market has pushed down the average real wage by more than 2%.

Yet productivity is not the whole story. Pay per person has deviated further from its pre-crisis trend than productivity growth. In the past year output per hour has at last picked up, but wages have not. This points to a second reason for Britain's weak wage-growth: workers' diminished bargaining power.

The decline of unionisation is commonly blamed for this. In the 1960s, when unions were mightier, the share of GDP accruing to workers was far higher. But the kneecapping of the unions in the 1980s predates the recent stagnation in pay. Perhaps a more important reason is the government's cap on public-sector pay rises. Since 2011 salaries for most public employees have increased by no more than 1% a year in nominal terms (though in recent months the cap has been raised). The pay premium typically enjoyed by public-sector workers has diminished. This also affects the private sector. If bosses are less fearful of losing workers to the state, they will be less inclined to offer pay rises.

Changes to welfare policy from 2010, including tougher rules on who gets benefits, and declines in their value, have also played a role. Cross-country analysis of welfare policy is scanty, but it suggests that the reforms in Britain have been especially hard-nosed. As losing a job becomes a scarier prospect, workers may not bargain so hard for better pay.

In trying to puzzle out the breakdown of the relationship between unemployment and pay observed by Phillips, economists are increasingly asking themselves whether the labour market is really as tight as the headline unemployment rate suggests. Few Britons are out of work altogether, but 8% say they would like to work more hours than they do, a higher share than before the financial crisis. A delivery driver, for instance, might want more errands than he is offered. Such workers may be more concerned about securing extra hours than demanding higher pay.

All this means that the labour market may need to tighten even more before wage growth improves substantially. Yet with inflation above the official 2% target, the Bank of England's monetary-policy committee has lately taken a hawkish turn, raising interest rates in an effort to dampen the spending and investment that would raise demand for labour. Meanwhile, with Brexit six months away, the outlook for economic growth is poor. It may be some time before Britain's miraculous unemployment figures are matched by equally impressive wage growth.

*This article appeared in the Britain section of the print edition under the headline "All work and no pay"*

From Russia with Novichok

## Britain identifies two Russians as suspects in the Skripal poisoning

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*Police release mugshots of the men believed to have attacked the former spy with a nerve agent*

Print edition | Britain Sep 6th 2018

SPARE a thought for the GRU, Russia's military intelligence service. Last year two of its officers were implicated in a plot to kill Montenegro's prime minister. This July, 12 more of its officers were indicted by America's special counsel, for interfering in the presidential election in 2016. Now Britain has named another pair of alleged GRU men as suspects in the attempted murder of a former spy, Sergei Skripal, and his daughter Yulia, in Salisbury in March. It has published photos of the would-be assassins, who went by the names Alexander Petrov and Ruslan Boshirov. Russia's secret wars are growing less secret by the month.

British police traced the suspects' journey from Gatwick airport to a hotel in east London, then twice to Salisbury, where they are said to have sprayed a military-grade nerve agent on Mr Skripal's front door. Their weapon of choice, a bottle of perfume modified to carry poison, was recklessly discarded, resulting in the death of a local. British investigators pored through 11,000 hours of CCTV footage, probably cross-referencing individuals on flights from Russia with those in Salisbury. That the pair arrived on Russia's flag-carrier, Aeroflot, and had previously travelled on the same passports, including to Britain, suggests sloppy tradecraft or remarkable insouciance.

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Mr Skripal's former role in the GRU, the agency's reputation for punishing defectors and its hacking of e-mails of Mr Skripal's daughter all pointed to its involvement. Theresa May told the House of Commons on September 5th that not only did the two men work for the GRU, the operation was "almost certainly" approved at a "senior level of the Russian state", meaning Vladimir Putin.

No one expects Russia to give up its nationals—if indeed they are still alive. Its foreign ministry said their names and photographs "do not mean anything to Moscow". A state-TV anchor compared Britain's claims to a Hollywood script. When Britain exposed the Russian agents behind the murder of Alexander Litvinenko, an ex-KGB officer, in London in 2006, Russia not only refused demands for the agents' extradition but awarded a medal, for "services to the motherland", to one of the alleged assassins.

Nevertheless, this week's revelations serve a purpose. The wide dissemination of the suspects' mugshots means their days as travelling killers, if that is what they were, are over. And the steady accumulation of evidence of Russian culpability bolsters the Western consensus that Mr Putin's behaviour is out of hand. Fresh sanctions may follow.

This would not be the first time CCTV had exposed a secret hit-squad. In 2010 an Israeli team of assassins was caught on camera in Dubai, resulting in a diplomatic scandal over Israel's use of fake passports from Western countries. Cameras, facial recognition and biometric technology at ports of entry are making it harder to cross borders untraceably. This is bad news for Russia. Whether meddling in Crimea, America or Britain, it relies on plausible deniability. There is no longer much plausibility left.

*This article appeared in the Britain section of the print edition under the headline "Caught on camera"*

The new centrism

## A new think-tank report shows Britain's political centre is shifting

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*Do not be surprised if the Tories steal some of its leftish ideas*

Print edition | Britain Sep 6th 2018

BOTH Jeremy Corbyn, Labour's leader, and Michael Gove, a Conservative cabinet minister, say that British capitalism is "rigged" in favour of elites. Philip Hammond, the chancellor, and his opposite number, John McDonnell, both want higher taxes to provide services to a greying, weakening population. The publication of a new report from the Institute for Public Policy Research (IPPR), a think-tank, on September 5th exemplified the new political consensus that is taking shape, one which borrows ideas from left and right.

The "commissioners" behind the publication come from across the political spectrum, from Justin Welby, the Archbishop of Canterbury, to Dame Helena Morrissey, a Brexit-backing financier. Their report claims that the economy is "broken". Real wages have stopped rising. Wealth and income inequality are high.

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To fix these problems, IPPR sets out a slew of proposals. Taxing wealth more heavily, including by replacing inheritance tax with a lifetime gift allowance, could tackle inequality and provide much-needed extra tax revenue. It suggests setting a minimum tax rate on multinational firms that consistently book low profits in Britain. The report also looks at measures to make markets more competitive, a debate which is becoming mainstream.

It has some blind spots. Take a proposal to jack up the minimum wage by 12% (and by 30% in London). That would risk raising unemployment. There is little talk of tax credits, wage top-ups for low-paid workers, the expansion of which was a successful policy of Labour governments in the 2000s. These days, both parties promise an ever-higher minimum wage, but rarely is there talk of improving benefits.

Chunks of the IPPR report are likely to find their way into Labour's manifesto come the next election. Mr McDonnell said it was "today's equivalent of the historic Beveridge report", which laid the blueprint for the welfare state. With the report also recommending the expansion of co-operatives and the creation of a national investment bank, IPPR is trying to position itself as the intellectual engine of Corbynomics.

The more interesting question is how much of the report will make it into the Conservatives' plans. The *Daily Mail*, lodestar of middle-England conservatism, said that there was "much to welcome" in it. Would the Tories run against both the *Mail* and the Archbishop of Canterbury?

*This article appeared in the Britain section of the print edition under the headline "The new centrism"*

Blue kippers and red herrings

## **Tories should fret less over UKIP infiltration than falling membership**

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*The party that once boasted of 3m members now has 124,000*

**Print edition | Britain** Sep 6th 2018

THE Conservative Party is having a long-overdue recruitment campaign. But some Tories are worried about the people who are joining up. Anna Soubry, an anti-Brexit MP, frets that former members of the UK Independence Party may be infiltrating the Conservatives, and has called on the Tory party chairman, Brandon Lewis, to pause his membership drive. Right on cue Arron Banks, a loud-mouthed UKIP backer, has urged the party's supporters (or "kippers", as they are known) to join the Tories, precisely so that they can have a vote in any leadership election. Mr Banks's own repeated attempts to join up have been blocked by Conservative Campaign Headquarters, which has told local associations to vet applicants carefully before admitting them.

Tory fears of a membership surge that paves the way for a populist ultra-Brexiteer like Boris Johnson to become party leader, rather as Jeremy Corbyn took over Labour in 2015, may be overblown. Mr Banks's campaign seems to be having little impact. In the general election of June 2017 the Conservatives scooped up large numbers of former UKIP voters. That makes it strange to reject party members out of hand. After all, Tory policy is to support UKIP's *raison d'être*—Brexit—even though many sitting Tory MPs dislike it.

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A Corbyn-like takeover would be harder to engineer in the Conservatives than it was in Labour. Joining the Tories costs a lot more than joining Labour did when Mr Corbyn was elected. There is no leadership vacancy, since Theresa May promises to stay for the long haul. Even if she is forced out this autumn, new Tory members face a three-month freeze before they can vote in a leadership contest, unlike the new Labour members who backed Mr Corbyn. And whereas Labour candidates need the backing of only 10% of MPs to get on to the ballot paper sent to members, Tory candidates are whittled down by MPs to a shortlist of two before members have their say. Although some hard Brexiteers want to soften these rules, many more Tory backbenchers are determined never to let Mr Johnson reach the final stage.

What is more apparent is that the Conservatives have a big problem of shrinking support. In the 1950s the party claimed to have as many as 3m members. The latest number is 124,000 and falling—far below Labour and lower even than the Scottish National Party (see chart). Dwindling membership may make the party more vulnerable to infiltration.

Then there is Conservative members' demographic profile. The average age is 57. More than half are over 60. Tory members are less active than those of other parties, and less keen on fundraising. Indeed, the party raises more money through bequests from the dead than from the living. What one Tory activist calls "death by demography" should be cause for concern.

Worse, this skew towards the old is reflected in recent voting patterns. In last year's general election, the Conservatives won a majority only among voters over 60. The Brexit referendum result was similarly driven by older voters. Tim Bale, a historian of the Conservative Party at Queen Mary University of London, says that fewer young voters seem these days to share the Tories' perceived identity and values.

This is a problem that David Cameron, with all his attempts to modernise the Tory party, failed to solve. Nor has Mrs May, despite her initial promise to reach out to the "just about managing". When there is eventually a change at the top of the Conservative Party, reconnecting with younger voters should be one of the new leader's first jobs.

*This article appeared in the Britain section of the print edition under the headline "Blue kippers and red herrings"*

Peerless

## **Funding Circle, a British tech unicorn, plans an IPO**

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*The peer-to-peer lender is part of a strong London financial-technology scene*

**Print edition | Britain** Sep 6th 2018

IT IS rare for the government to shower praise on just one startup. Not so with Funding Circle, a London-based peer-to-peer lender that allows institutional and retail investors to lend to small businesses, which announced on September 3rd that it would seek an initial public offering. The British government has lent £100m (\$129m) directly through its platform. Philip Hammond, the chancellor, has hailed the firm as a “real success story”. Its co-founder and chief executive, Samir Desai, was awarded a CBE in 2015 while still in his early 30s.

It is not hard to see why policymakers are keen on a firm that provides alternative sources of capital to small businesses. In the past, especially in Europe, banks have been such companies’ only option—and they have not always been a good one, since most banks see small-business lending as a minor and not particularly lucrative part of their business.

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Funding Circle boasts of having channelled £5bn in loans to over 50,000 companies, in Britain, America, Germany and the Netherlands, since its launch in 2010. Lenders range from retail investors to private institutions like Citibank and public bodies like the European Investment Bank and Germany’s state development bank. For Anton Ruddenklau of KPMG, a consultancy, Funding Circle’s IPO is a sign that its business model “is here to stay.”

The offering, which could value the firm at more than £1.65bn, is a bellwether of the health of London’s financial technology scene. Fintech, as it is known, continues to attract venture capital, including a record-setting \$1.8bn in 2017 and over \$850m so far this year, compared with just over \$700m in the whole of 2016, according to PitchBook, a data provider. Of Europe’s eight fintech unicorns (privately held firms valued at more than \$1bn), six are British, according to CB Insights, another data firm. One of them, Acorn OakNorth, announced on September 6th the completion of a new round of fundraising that values it at \$2.3bn.

Brexit will bring obstacles. Fintech bosses are particularly worried that it could get harder to hire talented foreigners. Firms like Currencycloud and Azimo have been looking into setting up offices in continental Europe. Mr Desai, for his part, says he trusts the British government will continue to allow skilled workers into the country. For his firm the lead-up to Brexit, which has crimped lending by Britain’s banks, has been an opportunity, he says.

Still, peer-to-peer lending is a tricky business. The industry is so young that it has yet to weather a recession. Gaining new customers is expensive: in 2015 Funding Circle spent over 60% of its revenues on marketing (it has since reduced the share to 40%). And regulators are paying more attention. In America, Lending Club, a rival to Funding Circle, has been sued by a regulator for charging hidden fees. In Britain, the Financial Conduct Authority is looking into barring ordinary retail investors from peer-to-peer lending, and limiting it to sophisticated or wealthy investors, thereby rather straining the definition of “peer to peer”. Nice words from the chancellor do not guarantee smooth sailing.

**To hear an interview with Samir Desai, Funding Circle’s chief executive, subscribe to Economist Radio on your podcast app and search for Money Talks**

*This article appeared in the Britain section of the print edition under the headline “A peerless IPO”*



Daytrippers and utilitarians

## “Effective altruists” aim to change the world from a Blackpool hotel

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*Low costs and high survival chances in a catastrophic event have attracted them to the Lancashire coast*

Print edition | Britain Sep 6th 2018

“EFFECTIVE altruists” are a community of people who dedicate their lives to helping others, using evidence and reason to do so as effectively as possible. The movement began in academia—Peter Singer, an Australian philosopher, is often described as its intellectual father—and has a small but growing following. One problem devotees face is that everyday life, such as cooking, washing up and holding down a job, can get in the way of doing good. As Greg Colbourn, a 3D-printing entrepreneur turned effective altruist, asked in a recent post on an online forum, “Do you long to be free from material needs and be able to focus on the real work you want to do?”

He went on to propose an unusual solution. Using profits from successful cryptocurrency investments, he had bought a 17-room hotel in Blackpool, in the north of England, for £130,000 (\$170,000). The forum post invited effective altruists to live there free of charge for up to two years, to work on improving the world. The inspiration, he wrote, was the Chelsea Hotel in New York, which “produced billions of dollars’ worth of art, despite many guests not paying rent.”

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The result—the EA Hotel, a large, dilapidated building on the end of a down-at-heel terrace—is more Fawlty Towers than Manhattan glamour spot. It opened its doors four months ago. Some of the first guests have spent their time thinking about issues such as the dangers presented by artificial intelligence, and how to get health-care systems to consider subjective well-being.

The main attraction of Blackpool was its low cost, which maximises what Mr Colbourn describes as his speculative investment in the potential of the guests. Not only was the hotel for sale at a bargain-basement price, but living costs are low, too. Should guests be tempted away from their free vegan meals, a stall around the corner offers burgers for £1. Unlike cheap places in other parts of the world, Blackpool has the advantage of being in an Anglophone country with stable(ish) institutions. Having a group of effective altruists based there, Mr Colbourn also notes, could be a hedge against the risk of losing too many members of the community in a catastrophic event, given their concentration in the south-east of England.

If residents tire of their selfless work, Blackpool’s central pier—home to a “true Romany palmist” and scores of arcade games—is a short stroll away. Visitors are welcome at the hotel (partly to deter “cult-like tendencies”), though prices for non-altruists are set above market rates. None of the residents was keen to talk to *The Economist*. So far, the new arrivals do not seem to have caused much of a stir in Blackpool. But one hotelier complains that a recent party kept up his guests. “They’re noisy fuckers,” he grumbles of the do-gooders. Keeping the volume down would at least be one easy way for altruists to improve the lives of locals.

*This article appeared in the Britain section of the print edition under the headline “Daytrippers and utilitarians”*

## Channel hopping

### Ambitious commercial radio stations are poaching the BBC's stars

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*The defection of Chris Evans and co reflects a boom in private broadcasting*

Print edition | Britain Sep 6th 2018

IT MAY seem like professional suicide to leave a radio show that pulls in 9m listeners for one with a meagre 400,000. But that is precisely what Chris Evans, the country's most famous broadcaster and former hellraiser, did on September 3rd.

After 13 years at BBC Radio 2, Britain's most popular station, Mr Evans is rejoining Virgin Radio, where he worked from 1997 to 2001. He was not the only broadcaster trading down in ratings this week. On the same day Eddie Mair, a former host of BBC Radio 4's "PM" programme, hosted his first show in the same slot for LBC, a London-based station. More cuddly than hell-raising, Mr Mair has swapped 4m listeners at the BBC for about half that number.

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That two of the BBC's biggest radio stars have jumped ship for the commercial sector at the same time is no coincidence. Although Mr Evans was the BBC's second-highest-paid presenter, with a salary of about £1.6m (\$2.1m), he is likely to earn even more at Virgin; ditto Mr Mair at LBC. Both were embarrassed by having their pay made public last year, under new transparency rules at the BBC. But their moves also attest to the pull of an increasingly ambitious commercial sector. Stations like Virgin and LBC are on a roll. Messrs Evans and Mair want to be part of that.

Against many pundits' expectations, the oldest form of modern mass-communication has held up well amid the din of television, streaming, video-gaming and all the other entertainments of modern life. In Britain, 90% of the population still listen to live radio every week. But it is commercial radio that has performed most strongly in recent years. Revenues from advertising plunged after the financial crisis of 2008, as did audience share. Both, however, have roared back. Commercial radio took a record £679m in ad revenues last year. It is now the fastest-growing medium for advertisers in Britain, with ad spending rising by 12.5% a year (against 5% for TV).

These sorts of figures have encouraged bosses to splash out on the likes of Mr Evans. In the first quarter of 2018 commercial radio stations got a record audience of 36m, running ear and ear with the BBC. LBC itself has increased its listeners from 1.1m in 2013 to about 2.1m today.

The switch to digital radio has helped. In 2010 there were 189 digital stations. Now there are 337. Digitisation has allowed local stations to go national, points out Siobhan Kenny of Radiocentre, an industry body. There were seven national digital stations in 2010. Now there are over 30.

LBC went national in 2014. It has been as successful at getting listeners outside the capital as inside. It has also pioneered a new kind of punchy political journalism. The station gives free rein to its highly opinionated DJs, of both the right (such as Nigel Farage, a former leader of the UK Independence Party) and the left (like James O'Brien, the Remainiacs' hero). Political balance, as required by the regulator, is achieved by venting the full range of views throughout the day. This makes for more exciting radio than the BBC's pernickety insistence on balance in every programme.

Mr Evans said of his leaving the BBC that he wanted to shake things up. He and Virgin should be well matched, for that is exactly what commercial radio is up to.

*This article appeared in the Britain section of the print edition under the headline "Channel hopping"*

Big fish, fried

## Alex Salmond is a distraction when calls for independence are growing

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*A rift among the nationalists comes at a bad time*

Print edition | Britain Sep 6th 2018

NICOLA STURGEON came bearing good news. Support for independence was edging up, declared Scotland's first minister and leader of the Scottish National Party, to applause from her MSPs gathered in Holyrood. But their joy was constrained. Aside from a poll this week that showed that a majority of Scottish voters would support independence in the event of Brexit, the SNP has had a grim fortnight. The reason? Alex Salmond, the party's previous leader, who faces allegations of sexual misconduct during his time as first minister in 2007-14.

Mr Salmond faces two complaints. Scottish newspapers are filled with lurid details of alleged groping in Bute House, his former residence. No official record of the complaints has been released. Mr Salmond denies the allegations and rejects "any suggestion of criminality".

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The case has dominated Scottish politics since the accusations emerged in late August. Mr Salmond quickly jumped from the party to cut off demands that he be pushed. He has also launched legal proceedings against the Scottish government over its handling of the probe. To pay for it he set up an online Crowdfunder account, into which SNP supporters poured more than £100,000 (\$129,000) in just a few days.

Ms Sturgeon was Mr Salmond's protégée and their relationship one of few examples of a successful political friendship. Now, for the first time, there is a rift between the two, over Mr Salmond's combative response to the allegations. Talk of a civil war within the SNP is overblown, insist party insiders. Mr Salmond holds no office. While still popular among older members, he has less pull over the swathes of youngsters who flocked to the party after the failed independence vote in 2014.

But Mr Salmond is more than an embarrassing uncle who can be ignored. For decades he personified the push for independence. Since losing his seat in the 2017 general election, his post-politics projects have been unhelpfully public, including hosting a programme on a Kremlin-funded channel, RT. At 63, Mr Salmond has many years ahead of him as a political hippopotamus: a large, unignorable beast that can be by turns comical or dangerous.

The allegations against him come just as Scotland's flagging independence movement shows signs of revival. SNP membership now outstrips the Conservative Party's across the whole of Britain. Brexit, which 62% of Scots voted against, is being bungled, stoking demands for freedom from Westminster. A poll this week found that after Brexit, 47% of Scots would back independence, compared with 43% who would vote to stay in the union.

Yet the pitch to break away from Britain has become trickier, too. About a third of SNP voters backed Leave in the Brexit referendum. And the economic case has weakened. Under Mr Salmond, supporters were promised a land of relative riches. Now, the assessment is more sober. In May a report commissioned by the Scottish government admitted that spending would have to come down as a proportion of GDP if Scotland went it alone. Prosperity now comes second to notions of sovereignty.

Ms Sturgeon's job is made no easier by the renewed prominence of Mr Salmond. When he lost his parliamentary seat, he signed off his concession speech with a couplet from an old Jacobite song: "In the midst of your glee / You have not seen the last of my bonnet and me!" He has stayed true to his word. Ms Sturgeon may wish he had not.

*This article appeared in the Britain section of the print edition under the headline "Big fish, fried"*

Bagehot

## Britain's equilibrium of incompetence

*The country's political parties are exactly as inept as each other*

Print edition | Britain Sep 6th 2018

IT IS common for one of Britain's great parties to be in crisis while the other is in clover. Labour tore itself apart in the Thatcher era and the Tories did the same during the Blair years. But Britain is currently witnessing something unusual: both its main parties are in crisis at the same time, divided over their future direction, racked by factional fights and worried about leadership challenges.

The Conservative Party's civil war over Brexit is intensifying as B-day approaches. Twenty pro-Brexit MPs have declared that they will vote against Theresa May's Chequers deal, easily enough to derail it. Backbenchers have started to come up with alternatives. Nick Boles, who has allies in the cabinet, has produced a blueprint for a two-stage solution: remaining in the European Economic Area for a few years while negotiating a trade deal.

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The Tories' position is complicated by the fact that Boris Johnson is conducting a leadership bid under cover of "chucking Chequers". Mr Johnson frequently uses his column in the *Daily Telegraph* to denounce the government of which he was recently a part. He is also working with Sir Lynton Crosby, who ran Mrs May's election campaign in 2017, to fire up grassroots support across the country. Mrs May has hit back by saying that Mr Johnson has "no new ideas" and doesn't offer "serious leadership", a verdict that a startling number of Tory MPs would endorse.

Labour, meanwhile, has spent the summer consumed by a civil war over anti-Semitism, which has grown molten hot since a video emerged of Mr Corbyn telling a group of Palestinians that "Zionists" didn't understand "English irony" despite having lived in the country all their lives. Labour's most recent prime ministers, Gordon Brown and Tony Blair, have described anti-Semitism as a stain on the party. Frank Field, a veteran MP, has resigned the Labour whip and some 15 others are reportedly thinking of doing the same. The problem of anti-Semitism is closely linked to a broader problem of thuggery. The Corbyn surge has brought in troglodytes who have dwelt in dark basements for the past few decades, consumed by righteous hatred not just of Tories but also of Blairites and other traitors.

On September 4th the party's National Executive Committee (NEC) tried to cool the row by accepting the International Holocaust Remembrance Alliance's definition of anti-Semitism in full. But this was small comfort for the party's embattled moderates. Corbynite won all nine places in an election to the NEC, with one going to Peter Willsman, who has blamed Jewish "Trump fanatics" for stirring up the anti-Semitism debate. Mr Corbyn's allies are preparing to use their control of the party's machinery to launch their ultimate weapon: the power to deselect MPs who don't agree with them.

The two major parties are incompetent as well as divided. Their leaders, a charisma-free robot and a superannuated Marxist, are two of the most unimpressive in recent history. The cabinet and shadow cabinet are stuffed with hangers-on. Chris Grayling made a thorough hash of things as justice secretary, only to be put in charge of transport, where he has made an even bigger mess. Leslie Rowse, a historian of Elizabethan England, argued that the basic rule of academic life was that second-raters would always appoint third-raters over first-raters. Rowse's rule now applies to politics on both sides of the parliamentary aisle.

The result is a negative equilibrium. The government can get away with being useless because it faces a useless opposition, and vice versa. The political system is designed to hold regular tests of strength, as government ministers explain their policies to Parliament. But these tests of strength have turned into tests of weakness, as incompetent opposition spokesmen fail to hold incompetent ministers to account. It is notable that the only serious blow against a minister in recent months was struck by a backbencher, Yvette Cooper, who dispatched Amber Rudd, then home secretary, during a committee meeting.

### Tipping the balance

Economic theory would suggest that there is an easy way to break out of the equilibrium: raise your game and the voters will reward you. Competent Labour or Conservative politicians could dump their leaders or, failing that, form a new centrist party. But this happy outcome looks unlikely. The Tories and Labour are too gripped by ideological battles to focus on competence. The Conservative Party is so delicately balanced over Brexit that it would rather keep Mrs May (and by extension Mr Grayling et al) than risk splitting. Labour is so deeply embroiled in an ideological war over Corbynism—a war the Corbynite are winning—that it has no time for questions of mere competence.

The British system makes it difficult for a new party to get off the ground. The last time this happened, with the formation of the centre-left Social Democratic Party in 1981, the new outfit won enough votes to shore up Thatcher, but not enough to win significant representation in Parliament. The existing centrist party, the Liberal Democrats, could fill the gap created by the big parties' failures. But it is hard for a third party to break through even when it has a dynamic young leader and 50 MPs. The Liberal Democrats are stuck with a 76-year-old leader, Sir Vince Cable, and a dozen MPs. The latest Survation poll puts them at 6%, a point behind the UK Independence Party. Sir Vince's position is so desperate that he is talking about changing the party's rules so that he can be succeeded by somebody who isn't an MP, a recipe for disaster in a parliamentary system.

No wonder a growing number of Britons are beginning to worry that Britain could end up leaving the European Union without a plan or a parachute. And no wonder people are losing faith in the country's ability to produce competent politicians and sensible policies. The problem with negative equilibriums is that they are much harder to get out of than they are to get into.

*This article appeared in the Britain section of the print edition under the headline "An equilibrium of incompetence"*

## Journalist wanted

Print edition | Britain Sep 6th 2018

**Journalist wanted:** The Britain section is looking for a new writer. No experience is necessary, but good writing, original thinking and a sense of humour are. Please send an unpublished article of 500-600 words, along with a CV, to [britain-writer@economist.com](mailto:britain-writer@economist.com) by October 21st.



## Traffic jams

The slow and the furious

The slow and the furious

## People say they hate traffic jams, but are oddly tolerant of them

*In the most congested cities, talking about traffic jams becomes an obsession; ending them seems not to*

Print edition | International Sep 6th 2018

“WHERE would you rather be?” asks a bumper sticker on the back of a rickety-looking Toyota Corolla. It is an advertisement for a hotel—and a question that people might well ask themselves. The words on the sticker are so small that they could be read only by a driver a few feet behind the Corolla while both cars were motionless. In Lagos, Nigeria’s biggest city, it is a dead certainty that plenty of people will be stuck in just that position.

Much of life in Lagos is spent in traffic or trying to avoid it. Peter Elias, a lecturer in planning at the University of Lagos, says that the jams usually begin around six in the morning and last at least until nine. From one to three in the afternoon, parents picking up their children from school clog the roads again. Then Lagos slides into the evening rush hour, which can last until eight or nine. Traffic moves so slowly that one roundabout has a wraparound television screen to entertain drivers. At Victoria Island, the old commercial centre, many workers go straight from their offices to nearby bars to sit out the worst of it.

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Many people believe that their city has unusually bad traffic, and that it is worsening. It is hard to judge whether they are right. TomTom, a maker of satellite-navigation devices, and INRIX, a data company, rank cities by traffic congestion. But their lists are dominated by cities in rich and upper-middle-income countries. Poorer cities often have worse traffic but produce too little data to be ranked. The most jammed include Cairo, Delhi, Dhaka, Jakarta, Lagos, Manila, Nairobi and São Paulo.

Most of these cities have three things in common. First, they are crowded. The Atlas of Urban Expansion, a project run by Shlomo Angel of New York University, has good data on Cairo, Dhaka, Lagos, Manila and São Paulo. All are at least twice as densely populated as Paris. Dhaka, with an overall density of 552 people per hectare in its built-up area, is ten times as crowded as Paris. Second, with the exception of Delhi, none has a fast, extensive rail-based public-transport system. Commuters have little choice but to pour onto the roads.

The third thing these cities share is that private-vehicle ownership is rising quickly. In Delhi, the number of registered motorbikes jumped from 4.3m in 2011 to 6.7m in 2017. Cars and jeeps are up from 2.2m to 3.2m. Not everybody with a car drives every day. In Nairobi, traffic is worst at the end of the month, when salaried workers are paid and can afford petrol. But enough people drive that the roads seize up.

In the stickiest cities, traffic seems less an irritation than an inescapable fact. People talk obsessively about it, and swap stories. The quintessential Manila story is the one about the Catholic archbishop who became so fed up in a jam in 2015 that he left his car and directed traffic in the rain. Nigeria’s head of state in the 1970s, Murtala Mohammed, was assassinated while sitting in Lagos traffic. In June of this year one Lagosian tried to beat a jam by driving on the wrong side of the road. He was accosted by police, who tried to force him to turn round. Unfortunately, the driver was a soldier, and he promptly called for back-up. A man was shot in the ensuing mêlée.

Economists think congestion a terrible waste of resources. They have tried to quantify the loss from sitting in traffic—again focusing on rich countries. INRIX estimates that traffic delays cost Los Angeles \$19bn and New York City \$34bn in 2017, counting petrol as well as lost productivity. Matthias Sweet of Ryerson University in Canada has calculated that congestion retards job growth in American cities when it delays the average commute by more than four and a half minutes.

But to see traffic jams purely as a waste of time is to miss something. To economists, every hour spent in traffic is an hour not spent being productive. But in the cities with the worst traffic, this is not always true. Nor is it clear that people dislike traffic jams quite as much as they say they do.

Nara, a housekeeper in São Paulo, has a three-hour commute. She begins by walking 20 minutes to a bus stop. After a journey of one hour, she walks to another bus stop and takes a second bus, again for about an hour. Then she walks again. Nara could travel faster if she took the metro, but fears being groped by men on the crowded trains. She uses the long bus rides to “create a little world” for herself, listening to music and reflecting on the day. She tolerates and even enjoys the journey. “Nothing here can faze me anymore,” she says.

“Paulistanos know they’re buying a package: São Paulo plus traffic,” explains Ronald Gimenez, the director of Rádio Trânsito. His radio station, which has more than 1m Twitter followers, is all about traffic, all the time. It employs a dozen reporters who zoom (or crawl) to traffic hotspots, though it relies mostly on data from traffic apps such as Waze and on drivers’ tips sent through WhatsApp. Mr Gimenez believes that Rádio Trânsito is not just a source of information but a comfort to stressed travellers. To listen is to be reminded that the jam you are stuck in is merely one of many.

In the slowest cities, few drivers obey bans on texting or making phone calls. When stuck in traffic, they chat to friends and conduct business. Or they shop. Many jammed cities have street hawkers. Lagos's may be the most inventive. In two days in the city, this reporter was offered soft drinks, grapes, plantain chips, eggs, newspapers, windscreen wipers, hats, hot-water bottles, flip-flops, stuffed animals, gospel music, dog leads, three-legged stools, a large mirror and a CD rack.

One 43-year-old man named Lawal sells inflatable mattresses. He used to have a stall in a roadside market, where he tailored clothes and fixed mobile phones. But Lagos's police demolished his stall as part of a plan to reduce traffic congestion. He is trying to save money so that he can start again. Lawal likes thick traffic, but not too thick. If cars move so slowly that, by walking up and down the lanes, Lawal passes the same driver several times, that driver might become irate. Happily, he says he can rely on heavy traffic for about five hours every weekday evening.

Many people hate sitting in traffic. One study by doctors at the American University in Beirut measured the blood pressure of drivers who pulled into petrol stations in heavy traffic and compared them with those who pulled over in light traffic. The ones in jams had a mean average systolic blood pressure of 142 and a diastolic pressure of 87. The drivers in light traffic measured a much healthier 123 over 78. Oddly, whether a driver was running late made no difference to blood pressure.

The last finding might be put down to the relaxed Lebanese attitude to time-keeping, except that a study of the punctual English found much the same thing. Male students at Liverpool John Moore's University were put in a driving simulator and told they would be rewarded with money if they got to their destination within 15 minutes. The simulator was programmed with two traffic jams, one at the start of the trip and one at the end, making it impossible to complete the journey in time. The researchers expected that the second jam would be more stressful, because it made the drivers late. It was not. Both jams raised the students' heart rates and blood pressures by the same amount. Traffic jams seem to be stressful whenever and wherever they occur.

They are not, however, so stressful that people will do much to avoid them. A study of toll lanes on a Los Angeles motorway, which drivers can enter and leave as they wish, calculated that drivers will pay \$11 per hour of time saved—though it seems they will also pay to avoid being late. That is about half the local average wage. Other research has found the same ratio. People would appear to dislike traffic jams about half as much as they dislike work.

Moreover, time spent fuming in traffic jams appears to be soon forgotten. Two academics, Eric Morris and Jana Hirsch, have examined the American Time Use Survey for evidence that people in big cities recall being particularly unhappy at rush hour. They found almost none. Traffic jams infuriate the people stuck in them. But when things start moving, all is forgotten. As they point out, this might help explain why Americans (and others) often oppose measures such as congestion charging.

In 1966 an Argentinian writer, Julio Cortázar, pushed this impression to a fantastic conclusion. In his short story "The Southern Thruway", a man driving to Paris gets stuck in a jam so bad it lasts for days. At first he and his fellow drivers are furious. But gradually they create a little society, sharing food and drink and turning one car into a hospital. When, to everyone's surprise, cars start moving at last, the protagonist is distraught. It turns out there is nowhere he would rather be than stuck in traffic.

*This article appeared in the International section of the print edition under the headline "The slow and the furious"*

Starting over

## One solution to a congested city is to build a new one

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*If geography is the constraint, why not try somewhere easier?*

Print edition | International Sep 6th 2018

SOME cities are so shaped that traffic jams seem inevitable. Manila, in the Philippines, is scrunched between a bay in the west and a lagoon in the east. A car driving through the middle of the city is like a grain of sand seeping slowly past the neck of an hourglass. Dakar, in Senegal, is surrounded on three sides by the Atlantic Ocean, forcing suburban commuters to crawl along the same east-west roads. Auckland, Monrovia, New York and Rio de Janeiro are similarly pinched for space to grow.

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Cities can build around natural pinch points by erecting long road bridges, as Lagos and Mumbai have done, or by tunnelling. But that is difficult and expensive. So some governments have a different idea: build somewhere else. Auckland is mulling a new city to the south that could contain half a million people. Liberians have thought about starting again near Monrovia, or moving the capital somewhere else—though Liberia is for now too poor to manage it.

Thirty kilometres east of central Dakar, a huge billboard advertises a forthcoming metropolis, to be called Diamniadio Lake City. Renderings by the developer, Semer Group, suggest Dubai (where Semer Group is based) with added curves and African flourishes. In short, it will be rather like the fictional capital of Wakanda in the film “Black Panther”. There is not much to see yet, besides a conference centre, a hotel and lots of scrub. But the government hopes that 300,000 people will live there eventually, easing pressure on the existing city.

“We pray that it works,” says Ibrahima Ndiaye, an urban planner in Dakar. But he doubts that a new city will be enough to unclog the old one. Senegal also needs to deter people from driving into Dakar. It tried charging for parking in the busiest district, but stopped after complaints, says Mr Ndiaye. This is not just a poor country failing. Auckland and New York have both pondered congestion charges for over a decade; neither has them yet. Many city dwellers seem to prefer traffic jams to parking meters or tolls.

*This article appeared in the International section of the print edition under the headline “Let's try that again”*

### Technology companies and censorship

The deciders

The deciders

## How social-media platforms dispense justice

*Their armies of content moderators are expanding*

Print edition | Business Sep 6th 2018

EVERY other Tuesday at Facebook, and every Friday at YouTube, executives convene to debate the latest problems with hate speech, misinformation and other disturbing content on their platforms, and decide what should be removed or left alone. In San Bruno, Susan Wojcicki, YouTube's boss, personally oversees the exercise. In Menlo Park, lower-level execs run Facebook's "Content Standards Forum".

The forum has become a frequent stop on the company's publicity circuit for journalists. Its working groups recommend new guidelines on what to do about, say, a photo showing Hindu women being beaten in Bangladesh that may be inciting violence offline (take it down), a video of police brutality when race riots are taking place (leave it up), or a photo alleging that Donald Trump wore a Ku Klux Klan uniform in the 1990s (leave it up but reduce distribution of it, and inform users it's a fake). Decisions made at these meetings eventually filter down into instructions for thousands of content reviewers around the world.

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Seeing how each company moderates content is encouraging. The two firms no longer regard making such decisions as a peripheral activity but as core to their business. Each employs executives who are thoughtful about the task of making their platforms less toxic while protecting freedom of speech. But that they do this at all is also cause for concern; they are well on their way to becoming "ministries of truth" for a global audience. Never before has such a small number of firms been able to control what billions can say and see.

Politicians are paying ever more attention to the content these platforms carry, and to the policies they use to evaluate it. On September 5th Sheryl Sandberg, Facebook's number two, and Jack Dorsey, the boss of Twitter, testified before the Senate Select Intelligence Committee on what may be the companies' most notorious foul-up, allowing their platforms to be manipulated by Russian operatives seeking to influence the 2016 presidential election. Mr Dorsey later answered pointed questions from a House committee about content moderation. (In the first set of hearings Alphabet, the parent of Google, which also owns YouTube, was represented by an empty chair after refusing to make Larry Page, its co-founder, available.)

Scrutiny of Facebook, Twitter, YouTube et al has intensified recently. All three faced calls to ban Alex Jones of Infowars, a conspiracy theorist; Facebook and YouTube eventually did so. At the same time the tech platforms have faced accusations of anti-conservative bias for suppressing certain news. Their loudest critic is President Donald Trump, who has threatened (via Twitter) to regulate them. Straight after the hearings, Jeff Sessions, his attorney-general, said that he would discuss with states' attorneys-general the "growing concern" that the platforms are hurting competition and stifling the free exchange of ideas.

### Protected species

This turn of events signals the ebbing of a longstanding special legal protection for the companies. Internet firms in America are shielded from legal responsibility for content posted on their services. Section 230 of the Communications Decency Act of 1996 treats them as intermediaries, not publishers—to protect them from legal jeopardy.

When the online industry was limited to young, vulnerable startups this approach was reasonable. A decade ago content moderation was a straightforward job. Only 100m people used Facebook and its community standards fitted on two pages. But today there are 2.2bn monthly users of Facebook and 1.9bn monthly logged-on users of YouTube. They have become central venues for social interaction and for all manner of expression, from lucid debate and cat videos to conspiracy theories and hate speech.

At first social-media platforms failed to adjust to the magnitude and complexity of the problems their growth and power were creating, saying that they did not want to be the "arbiters of truth". Yet repeatedly in recent years the two companies, as well as Twitter, have been caught flat-footed by reports of abuse and manipulation of their platforms by trolls, hate groups, conspiracy theorists, misinformation peddlers, election meddlers and propagandists. In Myanmar journalists and human-rights experts found that misinformation on Facebook was inciting violence against Muslim Rohingya. In the aftermath of a mass shooting at a school in Parkland, Florida, searches about the shooting on YouTube surfaced conspiracy videos alleging it was a hoax involving "crisis actors".

In reaction, Facebook and YouTube have sharply increased the resources, both human and technological, dedicated to policing their platforms. By the end of this year Facebook will have doubled the number of employees and contractors dedicated to the "safety and security" of the site, to 20,000, including 10,000 content reviewers. YouTube will have 10,000 people working

on content moderation in some form. They take down millions of posts every month from each platform, guided by thick instruction manuals—the guidelines for “search quality” evaluators at Google, for example, run to 164 pages.

Although most of the moderators work for third-party firms, the growth in their numbers has already had an impact on the firms’ finances. When Facebook posted disappointing quarterly results in July, causing its market capitalisation to drop by over \$100bn, higher costs for moderation were partly implicated. Mark Zuckerberg, the firm’s chief executive, has said that in the long run the problem of content moderation will have to be solved with artificial intelligence (AI). In the first three months of 2018 Facebook took some form of action on 7.8m pieces of content that included graphic violence, hate speech or terrorist propaganda, twice as many as in the previous three months (see chart), mostly owing to improvements in automated detection. But moderating content requires wisdom, and an algorithm is only as judicious as the principles with which it is programmed.

At Facebook’s headquarters in Menlo Park, executives instinctively resist making new rules restricting content on free-speech grounds. Many kinds of hateful, racist comments are allowed, because they are phrased in such a way as to not specifically target a race, religion or other protected group. Or perhaps they are jokes.

Fake news poses different questions. “We don’t remove content just for being false,” says Monika Bickert, the firm’s head of product policy and counterterrorism. What Facebook can do, instead of removing material, she says, is “down-rank” fake news flagged by external fact-checkers, meaning it would be viewed by fewer people, and show real information next to it. In hot spots like Myanmar and Sri Lanka, where misinformation has inflamed violence, posts may be taken down.

YouTube’s moderation system is similar to Facebook’s, with published guidelines for what is acceptable and detailed instructions for human reviewers. Human monitors decide quickly what to do with content that has been flagged, and most such flagging is done via automated detection. Twitter also uses AI to sniff out fake accounts and some inappropriate content, but it relies more heavily on user reports of harassment and bullying.

As social-media platforms police themselves, they will change. They used to be, and still see themselves as, lean and mean, keeping employees to a minimum. But Facebook, which has about 25,000 people on its payroll, is likely soon to keep more moderators busy than it has engineers. It and Google may be rich enough to absorb the extra costs and still prosper. Twitter, which is financially weaker, will suffer more.

More profound change is also possible. If misinformation, hate speech and offensive content are so pervasive, critics say, it is because of the firms’ business model: advertising. To sell more and more ads, Facebook’s algorithms, for instance, have favoured “engaging” content, which can often be the bad kind. YouTube keeps users on its site by offering them ever more interesting videos, which can also be ever more extreme ones. In other words, to really solve the challenge of content moderation, the big social-media platforms may have to say goodbye to the business model which made them so successful.

*This article appeared in the Business section of the print edition under the headline “The deciders”*

Bartleby

## The pros and cons of collaboration

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*Teams can work well, but co-leaders often don't*

Print edition | Business Sep 6th 2018

COLLABORATION at work is generally seen as a good thing. Production of *The Economist* is a co-operative process. A crack team of editors removes most of the bad jokes before this column makes it into print. All writers sign a “gag” clause. (*How did this get through? Ed.*)

Businesses value collaboration. The latest survey by the *Financial Times* of what employers want from MBA graduates found that the ability to work in a team, to work with a wide variety of people and to build, sustain and expand a network of people were three of the top five skills that managers wanted. Practical qualifications like accounting, programming and applied microeconomics were among the least-desired attributes.

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But managers always have to balance the merits of teamwork, which help ensure that everyone is working towards the same goal, with the dangers of “groupthink”, when critics are reluctant to point out a plan's defects for fear of being ostracised by the group. The disastrous Bay of Pigs invasion of Cuba in 1961 was a classic case of groupthink. Sceptics were reluctant to challenge John F. Kennedy, the newly elected American president.

A related phenomenon is the “wisdom of crowds”. Large groups are remarkably good, on average, at estimating such things as the number of beans in a jar or the weight of a prize calf. But that accuracy relies on the guesses being independent. When people are aware of the views of others, there is a tendency for them to herd, as participants are reluctant to look foolish by deviating from the majority view. The same effect may lead to stockmarket bubbles.

Modern communication methods mean that collaboration is more frequent. Workers are constantly in touch with each other via e-mail, messaging groups or mobile calls. But does that boost, or detract from, performance? A new study\* by Ethan Bernstein, Jesse Shore and David Lazer, three American academics, tried to answer this question. They set a logical problem (devising the shortest route for a travelling salesman visiting various cities). Three groups were involved: one where subjects acted independently; another where they saw the solutions posted by team members at every stage; and a third where they were kept informed of each others' views only intermittently.

The survey found that members of the individualist group reached the optimal solution more often than the constant collaborators, but had a poorer average result. The intermittent collaborators found the right result as often as the individualists, and got a better average solution.

When it comes to idea generation, giving people a bit of space to find a solution seems to be a good idea. Occasional collaboration can be a big help; most people have benefited from a colleague's brainwave or (just as often) wise advice to avoid a particular course of action.

Further clues come from a book, “Superminds”, by Thomas Malone of the Massachusetts Institute of Technology. He says that three factors determine the “collective intelligence” of collaborating groups: social intelligence (how good people were at rating the emotional states of others); the extent to which members took part equally in conversation (the more equal, the better); and the proportion of women in the group (the higher, the better). Groups ranked highly in these areas co-operated far better than others.

Close teamwork may be vital in the lower reaches of a hierarchy, but at the top someone has to make a decision. At this stage, intense collaboration may be less helpful. In their book, “Friend & Foe”, Adam Galinsky of Columbia Business School and Maurice Schweitzer of the Wharton School of the University of Pennsylvania found that fashion houses with co-creative directors were rated as less creative by industry experts over a decade (from 2000 to 2010) than brands that were individually led. They add that co-led teams of Himalayan climbers are more likely to suffer deaths than those with single leaders.

As the authors note, co-leadership “creates uncertainty over who is really in charge”. The battles between Sandy Weill and John Reed when they were co-chief executives of Citigroup in the late 1990s were infamous; the arrangement lasted just two years. Less than 5% of companies in the *Fortune* 500 have used a co-CEO structure since 1989. In short, collaboration may be a useful tool but it doesn't work in every situation. Except at *The Economist*, of course.

\* “How intermittent breaks in interaction improve collective intelligence”, *Proceedings of the National Academy of Sciences*, 2018

**Economist.com/blogs/bartleby**

*This article appeared in the Business section of the print edition under the headline “When teamwork works”*



Boxing match

## The Trump administration takes on the international postal system

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*This could lead to a tit-for-tat war on package-delivery rates*

Print edition | Business Sep 6th 2018

SINCE Donald Trump became president, economists have been fretting that America is bent on undermining international institutions. The World Trade Organisation is the body most have worried about. But another target has just come into view: the international postal system.

On September 3rd, at a congress in Addis Ababa of the Universal Postal Union (UPU), a little-known UN agency, the Trump administration launched a campaign to reform “terminal dues”. These are the fees a post office pays a foreign mail service to take packages from the airport they land at to the final recipient. Under UPU rules, developing countries currently pay less for the final local delivery of their international mail than developed ones do. Peter Navarro, Mr Trump’s trade adviser, thinks that the Chinese are exploiting these rules to flood America with cheap e-commerce packages. He noted this week in the *Financial Times* that it costs more to post a package from Los Angeles to New York than it does from Beijing to New York.

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The explanation can be found in the UPU’s history, explains Anna Möller Boivie of Copenhagen Economics, a consultancy. After the organisation was formed in 1874, it was agreed that the post offices would do the final deliveries for each other’s international post free of charge. Incoming and outgoing mail volumes tended to be equal in each country and so any losses from the rules were small.

But decolonisation lifted the number of developing countries in the UPU. In 1969 “terminal dues” were introduced to help fund final-delivery costs in poorer places. Richer countries would pay 70-80% of the cost of domestic post to have their items delivered in other countries, but poorer ones would pay just 20-30%.

As e-commerce from China to places such as America has grown, so have demands to reform the system. According to the United States Postal Service (USPS), losses from inbound mail more than doubled, to \$135m, between 2012 and 2016 (though these accounted for only around 5% of its total losses last year). America has natural allies on this subject, points out Jim Campbell, an expert on international postal law. Canada, Ireland and the Nordic countries, as net importers of foreign e-commerce packages, also moan about the increasing cost of the rules.

Mr Navarro wants terminal-dues rules reformed so that the USPS charges the same for domestic and foreign postal items. But the UPU’s one-country, one-vote system means that poorer countries are likely to block that. So Mr Navarro has threatened to rip up the UPU’s rules and have the USPS charge its own rates. No country has broken the regulations in this way before; the one that has come closest is Russia, which bent the rules last year by charging extra for post arriving into the country. To preserve some appearance of obeying the UPU, it does deliver at terminal-fee rates if mail arrives through Mirny, a small town in Siberia. If America does break ranks, that could cause a tit-for-tat war on delivery charges as other countries retaliate, says David Jinks of ParcelHero, a postal broker.

Some e-commerce merchants in America are ready to take the risk. One is Jayme Smaldone, inventor of the Mighty Mug, which makes liquids hard to spill. He noticed a fake Mighty Mug on sale for \$5.69, with free shipping for the 8,100-mile journey from China. The cost for him to send a Mighty Mug within America with the USPS was \$6.30. Mr Smaldone eventually twigged that China Post was paying the USPS \$1.40 for local delivery. “It’s hard to compete against that,” he laments.

*This article appeared in the Business section of the print edition under the headline “Stamping on the competition”*

Scrimmage

## **Nike's controversial new ad**

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*A bold bet on Colin Kaepernick*

**Print edition | Business** Sep 6th 2018

“Republicans buy sneakers too.” That is what Michael Jordan, Nike’s best-known and famously apolitical endorser, is said to have quipped in the 1990s. That was then. On September 3rd Colin Kaepernick, a former quarterback for the San Francisco 49ers (pictured), tweeted an image from a new campaign for the firm. In 2016 Mr Kaepernick began kneeling during America’s national anthem to protest against racial injustice. Other players copied him. President Donald Trump has demanded they be fired; this week he attacked Nike’s new ad. His supporters posted videos of themselves burning Nike trainers, and the firm’s share price fell by 3%. The controversy may help bury another: this year accusations that Nike was a boys’ club led to layoffs of senior managers. And Nike is betting that even as it alienates some consumers, it will win more.

*This article appeared in the Business section of the print edition under the headline “Inviting controversy”*

One in the eye

**Tencent's kingdom is under assault from China's regulators**

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*An edict on childhood myopia casts gloom over video gaming***Print edition | Business** Sep 6th 2018

LAST December, at a conference in the southern city of Guangzhou, Pony Ma joked that he felt a little nervous to be parted from his phone while on stage. He was responding to criticism about the addictive nature of smartphones, fuelled by what some in China call “electronic opium”: video games, among Tencent’s best-known products and its single-biggest revenue source. Mr Ma, its boss (and China’s richest man, according to the latest annual ranking from *Forbes*, a magazine), added that his myopia had worsened of late and that eye strain was “also a problem”.

Xi Jinping, it emerged, takes such things more seriously. Last week, according to state media, China’s leader read with dismay a report on the poor eyesight of his young citizens. Late on August 30th the ministry of education and other bodies published a plan to prevent myopia in children and teenagers. Among encyclopedic instructions to beef up the training of optometrists and to adjust the height of school chairs, one sentence directs regulators to curb the number of total online games as well as that of new releases. It also guides them to restrict teens’ playing time. Tencent’s stock promptly took a tumble, losing 5.6% on the following day of trading, thus shaving around \$20bn from the market value of the world’s largest gaming company. On September 6th the firm announced a new system to identify minors and limit their daily gaming time.

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The recent crackdown is not the first blow Tencent has suffered. Regulators froze new game approvals in March without explanation. The freeze has stopped Tencent making money in China from a mobile version of one of the world’s hottest titles, “PlayerUnknown’s Battlegrounds” (PUBG), a South Korean game in which players scavenge on an island for weapons with which to slay each other. In mid-August Tencent reported its first quarterly profit decline in nearly 13 years, which it blamed chiefly on the regulatory limbo.

“Monster Hunter: World”, involving the killing of fearsome beasts, was expected to be another bestseller in China for Tencent, which licensed the game from Capcom of Japan. Regulators, apparently thinking it too gory, pulled it within a week of its release in August (it had been approved just before the freeze began). To David Dai of Sanford C. Bernstein, a research firm, the regulatory hold-up and the ensnarement of “Monster Hunter” are no coincidence. Seven in ten internet users—or 560m people—play games in China, estimates Newzoo, a research firm. Since last year communist-party mouthpieces have been excoriating games companies for poisoning young minds. In response Tencent set up an “anti-addiction” measure for “Honour of Kings”, one of its own blockbusters, to limit the playtime of Chinese teenagers to two hours a day and that of under-12s to one hour. In the Chinese-language version of PUBG (on desktops and consoles), blood is rendered green to appease regulators.

Lisa Cosmas Hanson of Niko Partners, a tech consultancy, thinks the ministry of education may have viewed this broader regulatory hardening as a chance to further its own quest to shield youngsters from the gaming frenzy. After all, the myopia directive makes no mention of putting controls on other recreational screen-time activities that might harm eyes, such as enormously popular short-video apps. (Recent research suggests myopia may have more to do with insufficient sunlight—acknowledged in China’s injunction to schools to step up outdoor sports).

For all this, a view prevails among some analysts that tighter control will strengthen the position of Tencent and other big players, such as NetEase. UBS, a bank, expects game approvals to start up again in October or November. In the long run, a limit on the number of new titles should favour those with the biggest budgets to lavish on their development. If larger compliance teams are needed to keep censors happy, that too will help incumbents.

As one bit of the industry is crimped, however, another flourishes. A form of competitive video-playing called eSports, with 200m fans in China, is helping the country to shine. In the same week as the myopia memo, China’s national team became the first to win gold in an eSports demonstration event at the Asian Games in Indonesia. China defeated Taiwan at playing the international version of Tencent’s “Honour of Kings”. This year the medals do not count in official tallies. When Hangzhou, a Chinese city, hosts the next games in 2022, they will.

*This article appeared in the Business section of the print edition under the headline “One in the eye”*

## The global smartphone supply chain needs an upgrade

*Its vulnerabilities are smartphone saturation, weak firms and protectionism*

Print edition | Business Sep 8th 2018

FEW monuments to globalisation rival the smartphone industrial complex. This year 1.5bn devices will be made by millions of workers at hundreds of firms in dozens of countries. When you tap your screen you are touching an object just as miraculous as Javanese spices seemed to 16th-century European nobles. In commercial terms the system is too important to fail. But this cosmopolitan wonder faces twin threats: the fading of the smartphone boom and the end of globalisation's golden era. To assess these risks, Schumpeter has "stress-tested" the supply chain's financial strength. Overall it is in reasonable shape, but a long tail of weak firms provokes concern.

For decades most consumer-electronics companies produced their wares close to home. Nokia hit the big time while churning out handsets from the small town of Salo in Finland. Then in the 1990s a few pioneers, including Cisco, and later Dell, outsourced manufacturing to a network of factories, mostly in Asia. That so impressed Steve Jobs at Apple that in 1998 he hired Tim Cook, a supply-chain expert. Mr Cook created a global archipelago of contract manufacturers and suppliers, which today has hundreds of key sites around the world.

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The four other big smartphone firms each add their own twist. Samsung makes more of its devices in-house, but has huge factories in Vietnam and sells semiconductors and displays to its rivals. Huawei, based in Shenzhen, prefers to make components internally. Xiaomi and OPPO, both Chinese, are even leaner than Apple, using outsourced production at home and abroad.

These intricate networks have a vast economic footprint, as a recent IMF study shows. At the peak in October 2017, smartphone components accounted for over 33% of exports from Taiwan, 17% of those from Malaysia and 16% from Singapore. Smartphones comprise 6% of Chinese exports. Memory chips flow from South Korea and Vietnam; system chips from Malaysia, Taiwan and elsewhere; and displays from Japan and South Korea. Rich-world firms, such as Qualcomm, sell licences to use their intellectual property (IP). The parts are then assembled, mainly by armies of Chinese workers. The machine cranks up ahead of the launch of each new model—Apple may reveal its latest on September 12th—and spews out millions of devices.

The first threat to this system is that the number of new smartphones sold fell by 0.3% last year as China reached saturation and Western users upgraded less often. Yet despite this, total revenues increased by 10% for all suppliers of hardware and services to smartphone firms. Firms that sell games and services are booming; the sales of developers through Apple's App Store rose by over 30% last year, to \$27bn. New phones are stuffed with pricier chips and displays. The total value of the parts inside the iPhone X and Samsung Galaxy S9 is 28% and 13% more, respectively, than in their predecessor models, according to IHS Markit.

The system's chief weakness is its long tail of puny firms. Many observers worry about labour conditions in the supply chain; the typical poorly paid assembly worker in China handles 1,700 phones a day. But life has been hard for some capitalists, too. One way to show this is to examine the finances of 42 big Apple suppliers. (These figures are estimates, using data from Bloomberg, IHS and Morgan Stanley; the 42 firms cover about three-quarters of Apple's suppliers' total gross profits and we weight each firm for the share of its business with Apple.)

Apple and 13 of its chip suppliers earn over 90% of the total pool of profits from the Apple system. Meanwhile the tail of other firms doing more basic activities must pay for most workers, inventories and fixed assets (see chart). So they have in aggregate a weak return on equity, of 9%, and a net profit margin of just 2%. Their earnings have not risen for five years. They include assemblers such as Taiwan's Hon Hai and niche component makers, some of which are visibly struggling. On August 22nd AAC Technologies, a specialist in making phones vibrate, said its second-quarter profits fell by 39% compared with the previous year.

The typical supplier is secretive, battle-hardened, controlled by its founder and accustomed to volatility. If you take a broader sample of 132 suppliers to Apple, Samsung and Xiaomi, typically a third of them are shrinking in any given year. Their tight finances leave them exposed to trade tensions, which are the industry's second big problem. In April America imposed sanctions on ZTE, a Chinese electronics firm that makes some handsets (they were lifted in July). So far America and China have refrained from messing with any other firms. Yet if tensions escalate, they could be in the firing line.

### Supplier beware

Apple, Samsung and most semiconductor makers could ride out such tensions, with their high margins and cash-laden balance-sheets. But the long chain of other suppliers could not, given their razor-thin margins, big working-capital balances and fixed costs. Tariffs could push them into the red. Of the 132 firms, 52% would be loss-making if costs rose by just 5%. And a ZTE-style cessation of trade would be disastrous. If revenues dried up and the 132 firms continued to pay their own suppliers, short-term debts and wages, 28% of them would run out of cash within 100 days.

Choking the smartphone complex would be madness: consumers would be upset, millions of jobs would be at risk in Asia, and stockmarkets in America and East Asia would suffer. But even if governments avoid a shock, over time they are likely to push for a greater share of the profits, jobs and IP. America wants more plants at home. China is suing several foreign memory-chip firms for price-fixing and wants to build an indigenous semiconductor capability. If you are running a big firm in the smartphone complex, you should be reimagining things in preparation for a less open world. In a decade, on its current trajectory, the industry will be smaller, with suppliers forced to consolidate and to automate production. It may also be organised in national silos, with production, IP, profits and jobs distributed more evenly around the world. Firms will need to adapt—or be swiped away.

*This article appeared in the Business section of the print edition under the headline "iSupply"*

### Emerging markets

Failing conventionally

Failing conventionally

## Why Argentine orthodoxy has worked no better than Turkish iconoclasm

*Both countries' currencies have plunged. Only one is taking the prescribed medicine*

Print edition | Finance and economics Sep 6th 2018

WHEN an emerging market loses favour with its creditors, how should its government respond? The policy prescriptions do not typically include intimidating the central bank, railing against the “interest-rate lobby”, falling out with allies, eschewing the IMF’s help, pouring scorn on the dollar or appointing the president’s son-in-law as finance minister. Turkey has done all of these things, and its currency has duly lost 40% of its value this year.

Argentina, by contrast, has stuck much closer to convention. Its finance minister has two economics-related degrees. Its central bank has raised interest rates through the roof (lifting them to 60% on August 30th), and its government has secured prompt and generous assistance from the IMF, which agreed to a \$50bn loan in June, the largest in its history. And yet Argentina’s currency has lost over 50% of its value this year (see chart 1).

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Why has Argentine orthodoxy yielded such poor results? The question is growing more urgent. America’s monetary tightening, and worries about President Donald Trump’s trade wars, mean many emerging markets are looking wobbly. On September 3rd Argentina’s government said it would tighten the ship still further, slashing the number of ministries from 19 to ten, raising export taxes and cutting subsidies on transport and utilities. It now aims to balance the budget (before interest payments) in 2019—an election year. It also plans to muster a budget surplus of 1% of GDP in 2020. That will require a fiscal turnaround matched by only the toughest 15% of IMF programmes, according to Sergi Lanau of the Institute of International Finance (IIF), a bankers’ think-tank. Is Argentina wrong to persist with such toughness? Should Mauricio Macri, its president, perhaps appoint one of his children as finance minister instead?

The answer, of course, is no. The peso’s underperformance is not, for the most part, an indictment of conventional economics. It instead reflects three other factors: idiosyncratic misfortunes; the structural differences between Argentina’s economy and Turkey’s more trade- and credit-intensive growth model; and the awful starting position that Mr Macri inherited from his predecessors, Cristina Fernández de Kirchner and her late husband, Néstor Kirchner, who indulged in years of mismanagement that would appal even Turkey’s iconoclastic government.

Start with the idiosyncrasies. Argentina’s worst drought in 50 years has damaged farm output and dried up an important source of hard currency. That bad luck has been accompanied by several eminently avoidable blunders. In a short video posted on YouTube on August 29th, Mr Macri attempted to quash any doubts over Argentina’s solvency by announcing that the IMF had agreed to hasten the disbursal of its loan, only \$15bn of which was paid out upfront. But this claim was followed by neither clarification from the finance ministry nor confirmation from the IMF. Panic and confusion spread. The next day—soon dubbed “Black Thursday” by Argentines—the peso fell by almost a fifth.

That miscommunication may reflect a deeper failure of co-ordination. Whereas investors in Turkey worry that power is too concentrated in the hands of its president, Recep Tayyip Erdogan, investors in Argentina worry that economic authority has been dispersed too widely. The government entered the crisis with a finance minister and treasury minister whose remits intertwined, both of whom had to contend with a powerful cabinet chief. Investors did not know who was in charge.

Many still believe that Nicolás Dujovne, the finance minister, should be given a stronger mandate to set economic policy. “If you are a country at war you don’t send in one division at a time to fight,” says Marcos Buscaglia of Alberdi Partners, an economic consultancy. “You need to send them all in at once.” He reckons the government needs to secure a joint agreement with provincial governors to cut spending together. “The provinces are where the biggest waste lies,” he says.

The peso’s plunge also reflects deeper differences between Argentina’s economic structure and Turkey’s. International trade, for example, plays a far bigger role in the Eurasian country, which belongs to a customs union with the European Union. Trade is equivalent to 54% of the country’s GDP, compared with only 25% of Argentina’s (see chart 2). A city like Istanbul generates foreign exchange from both antiquity and novelty. The Byzantine and Ottoman architecture in its city centre attracts droves of tourists, and the nimble textile firms on its outskirts serve fast-fashion retailers on Europe’s high streets.

Turkey does not therefore need as big a devaluation for the same improvement in its trade balance. According to the IIF’s estimates, the combination of the economic slowdown and the lira’s fall is already enough to turn its current-account deficit of 6% of GDP into a surplus in due course. The greater fall in Argentina’s currency has merely narrowed its underlying current-account deficit, from about 5% of GDP to 3%, according to the IIF’s calculations.



Turkey's economy also boasts greater financial depth than Argentina's. Loans to the private sector (excluding lending between financial institutions) amounted to 85% of GDP at the end of 2017, according to the Bank for International Settlements. The figure for Argentina was under 22%. Thus Argentina needs a larger increase in borrowing costs for the same slowdown in growth, notes Charlie Robertson of Renaissance Capital, an investment bank.

Argentina's debts, especially its dollar liabilities, mostly lie with the government; Turkey's sit with firms. And though Turkey's central bank has been slow to raise the official cost of borrowing for banks, those commercial lenders have been quick to raise interest rates for their decreasingly creditworthy borrowers. Banks now charge even big companies around 35%, according to a local economist.

When credit tightens, companies must cut back. Unlike governments, they cannot, and need not, wait for political approval to do so. As a consequence, Turkey's private-sector austerity has been more swift and savage than Argentina's public-sector version. The economy is already slowing sharply. Only half as many cars were sold last month as a year before, the distributors' association said on September 4th.

Foreign investors may have become fixated on the shared vulnerabilities of Turkey and Argentina: high inflation, large foreign-currency debts, troublesome budget deficits and wide current-account gaps. But the underlying differences between the two economies are equally stark.

Mr Macri, who won office at the end of 2015, inherited a warped economy, in greater disrepair than Turkey's is in even today. A dispute with holders of its defaulted debt had left Argentina's government cut off from international credit markets. Currency controls meant the peso was artificially expensive and export taxes prompted producers to hoard grain.

If Argentina's public debt remained modest, it was only because the government financed itself with freshly created money from the central bank. If inflation appeared manageable, it was only because the government fiddled the figures and capped prices. And if the trade balance looked favourable, it was only because the government banned many imports and rationed access to foreign exchange.

As these distortions were removed, Argentina's problems became manifest. It faced high and stubborn inflation, perpetuated by many wage settlements tightly linked to past increases in the cost of living. It inherited an underlying fiscal imbalance that had to be financed by increased debt, if it were not to be financed by the central bank. And it was saddled with a sharply overvalued currency. According to Renaissance Capital, even after its recent plunge Argentina's peso is only 25% below "fair value" (based on long-term, inflation-adjusted averages). The Turkish lira, by contrast, is already 44% undervalued.

Much of the blame for Argentina's plight lies, then, not with the government's conventional response to the crisis, but with its unconventional predecessor. Mr Macri's application of orthodoxy has, however, proved to be counterproductive in three, indirect ways.

First, his reformist image helped attract copious capital flows from abroad, culminating in the sale of a 100-year bond in June 2017. That initial enthusiasm for its debt then lulled the government into complacency, convincing it to cut the fiscal deficit more gradually than originally planned. On September 3rd Mr Macri confessed that the government's gradualism had been born of "excessive optimism".

Second, in repairing the economy, the government also, on occasion, embraced microeconomic orthodoxy at the expense of macroeconomic stability. It lifted taxes on exports, which removed a clumsy distortion but also deprived it of much-needed revenue. It reduced fuel subsidies, which brought prices into closer alignment with costs but also contributed to inflation, especially as the subsidy reductions were coupled with tax cuts to ease the pain.

### **The incredibles**

Lastly, Argentina's policymakers made several highly orthodox commitments they proved unable to keep. The central bank adopted ambitious inflation targets it subsequently had to relax. After the IMF agreement, it promised to leave the peso to market forces, stepping into the currency markets only *in extremis*. Despite this pledge, it has repeatedly intervened, presumably because Argentina has rarely been out of *in extremis* ever since.

The central bank's decision on Black Thursday to raise interest rates by 15 percentage points also seems like an over-reaction. Instead of appearing resolute, the central bank seemed rattled. No central bank can credibly promise to destroy the economy to save the currency.

Turkey's approach has hardly served its economy well. Its finance minister, Berat Albayrak, is now also preaching the need for tighter fiscal policy. After inflation rose to nearly 18% last month, its central bank heavily hinted that it will raise interest rates at its meeting on September 13th.

Argentina, meanwhile, having already tried the Kirchners' brand of populism, and Mr Macri's earlier form of gradualism, has little alternative but to persist with its orthodox approach. Its miscommunications, however, are an object lesson on the dangers of overpromising. As a vulnerable emerging market, it should strive to be as economically sound as possible. But not more so.

*This article appeared in the Finance and economics section of the print edition under the headline "Failing conventionally"*

The optimal economist

## Sir James Mirrlees, a Nobel-prizewinning economist, died on August 29th

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*His impact on economics went far beyond optimal taxes and contract theory*

Print edition | Finance and economics Sep 6th 2018

WHEN James Mirrlees got the call to say he had won the Nobel prize for economics in 1996, he assumed that a friend was pulling a prank. “Jim politely suggested that it didn’t sound very likely and he’d need some proof,” his wife later recalled. Friends and colleagues say it paints a fair picture of the man: polite and modest in all his dealings; rigorous and evidence-based in his work.

As a youngster, he would have been surprised to be told his future academic field. Born in the village of Minnigaff, in south-west Scotland, at school he had aspired to be a mathematics professor. Two undergraduate degrees in the subject later, from Edinburgh and Cambridge universities, he realised that the question of how to solve poverty in the developing world was “what really mattered”. That meant a career studying economics.

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It was only after Oxford University appointed him as a full professor of economics in 1968, at the tender age of 32, that he started the work on asymmetric information and tax for which he won a Nobel prize. Previously, economists had tended to assume that all the parties to transactions had the same information. Anyone who has bought a house knows this is not true. The seller knows more than the buyer about any hidden flaws in the property. Professor Mirrlees showed how some of the problems this causes can be overcome.

In particular, he looked at how asymmetric information can confound the design of income-tax systems. In 1945 William Vickrey (with whom he shared his Nobel prize) had already shown how complex this is. Higher rates for higher earners were thought to promote equality. But they also risk productive workers cutting their hours, because their extra effort is taxed at a higher rate. If the government knew who these workers were and how they would respond to higher taxes, life would be simpler. But governments do not; they only have data on incomes.

In 1968, on what he later called the best day in his life, Professor Mirrlees cracked what became known as the “optimal tax problem”. A paper published in 1971 presented his neat mathematical model. If governments want more productive people to work harder, they must choose tax rates that incentivise them to do so. Data run through his model suggested that a flat marginal rate of 20% would be optimal. As a lifelong Labour voter, he had “expected the rigorous analysis of income-taxation in the utilitarian manner to provide an argument for high tax rates”. Instead, it provided some of the intellectual justification for flattening income taxes across the West in subsequent decades.

Economists who have pored over more detailed data now think that the highest earners could bear higher marginal rates without being put off doing extra work. But no one has proposed a better overarching model of income taxation. His paper influenced many other researchers to apply his ideas about asymmetric information to different areas. “Some say that for the rest of the 1970s and the 1980s economists were simply working out the footnotes from that paper,” explains Hyun Song Shin, a former doctoral student now at the Bank for International Settlements, the central bankers’ central bank.

Professor Mirrlees applied his models to other areas, such as how to deal with moral hazard. Insurers have long struggled with this problem: those they insure are likely to take more risks because they do not bear the losses caused. Professor Mirrlees showed how the problem can be fixed by tweaking the financial terms in the contract. And with Ian Little, also of Oxford University, he developed a new method of analysing costs and benefits that ended up being widely used in development work.

His influence on economics extends well beyond his own research. At Oxford, and towards the end of his career, at Cambridge, he taught over 100 research students across the entire field; they now work in many of the world’s top institutions. He was an extraordinary teacher, telling his students when they had gone wrong but leaving them to find the right questions and answers for themselves. Few doctoral advisers these days allow their students so much freedom. With his passing, they are fewer still.

*This article appeared in the Finance and economics section of the print edition under the headline “What really mattered”*

Compromised defences

## ING and Danske Bank are in the spotlight for their handling of dirty money

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*The scandals expose gaps in the EU's anti-money-laundering regime*

Print edition | Finance and economics Sep 6th 2018

A LINGERIE trader, a building-materials supplier and two fruit-and-vegetable importers are all accused of laundering hundreds of millions of euros through their accounts with ING, a big Dutch bank, between 2010 and 2015. Its accounts were also used by a telecoms company, VimpelCom (now VEON), to pay \$55m in bribes in order to operate in Uzbekistan (the firm admitted the charges and reached a separate settlement with Dutch and American authorities in 2016).

ING, Dutch prosecutors say, missed the signs because of “serious and repeated shortcomings” in its approach to anti-money-laundering rules. On September 4th they fined it €775m (\$900m). It has acknowledged failings and will hold back bonuses for, or suspend, senior staff who fell short of standards.

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ING is not the only lender in the spotlight for carelessness with dirty money. On September 4th the *Financial Times* reported that an independent investigation commissioned by Danske Bank, Denmark's biggest lender, had concluded that \$30bn of Russian and ex-Soviet money had been parked in its Estonian branch in 2013 alone. An earlier investigation by *Berlingske*, a Danish newspaper, accused the bank of allowing \$8.2bn of dodgy money to flow through the branch in a nine-year period. The bank is now carrying out its own inquiries. In July its boss admitted it had not lived up to its own standards when it came to preventing illegal activities. Authorities in Estonia and Denmark have launched criminal investigations.

Although regulators in Estonia found in 2014 that Danske's Estonian branch had violated anti-money-laundering rules, and those in Denmark have pinpointed “serious deficiencies in the bank's governance”, it has not yet been fined. Its own findings will be published later this month, five years after a whistleblower first raised the alarm.

The cases add to concerns about Europe's defences against money-laundering. In 2012 members of the euro zone agreed to cede regulation of systemically important banks to the European Central Bank (ECB). But national authorities still supervise compliance with anti-money-laundering and terrorist-financing rules.

Money-launderers target countries where defences are weak, says Bill Browder, the chief executive of Hermitage Capital Management, an investment fund. He is a noted critic of the Russian government, and it was his complaint to Estonian authorities that led to the criminal probe into Danske. Banks in Cyprus, Latvia and Lithuania have faced allegations. In July the European Banking Authority (EBA) found failings in Malta's oversight of Pilatus Bank, a lender that has been at the centre of money-laundering accusations. The Maltese authorities expressed “serious reservations” about the EBA's findings. The bank, which had its assets frozen in March after its chairman was arrested in America for allegedly violating sanctions against Iran, has denied all charges against it.

Small countries with oversize banking sectors are thought to be particularly vulnerable. They may lack the cash—or zeal—for monitoring and investigation. Regulators may not be truly independent, says Panicos Demetriades, a former governor of the central bank of Cyprus. Where political ties to Russia are strong, for example, they may be pressed to look the other way.

Some law-enforcement agencies regard money-laundering as a victimless crime and care little about it, says Mr Browder. He criticises Britain's in particular. America's are more assertive—and have a global impact. ABLV, one of Latvia's largest banks, went into liquidation in June after the Treasury labelled it a “primary money-laundering concern” and warned other financial institutions against dealing with it.

Anti-money-laundering rules in the European Union have been tightened once this year. Another review is under way. A report on improving oversight, prepared by EU authorities, has been sent to members. One of the proposals includes a centralised anti-money-laundering body. The idea has the support of both Danièle Nouy, the ECB's bank-supervision chief, and Andrea Enria, the head of the EBA, which harmonises national supervisory rules across the EU. But countries with close links to Russia may have to be dragged along.

*This article appeared in the Finance and economics section of the print edition under the headline “Stubborn stains”*

Cleaner than thou

## More solar power hurts nuclear energy. But it also hurts itself

*It is not a good time to be producing power round the clock*

Print edition | Finance and economics Sep 8th 2018

SOME call it a zero-carbon schism, others a heresy. The researchers, policymakers and environmentalists united over the need to stop global warming are divided on how to go about it. Many believe that renewable energy, especially wind and solar, has by far the biggest role to play. A dogged few, however, cling to nuclear energy, which is also carbon-free but has an image problem. The two camps barely speak to each other.

That is why three little words, “zero-carbon resources”, in a bill that landed on the desk of California’s governor, Jerry Brown, on August 29th are so important. Not only would the legislation commit the state to generating 60% of its electricity from renewables by 2030, up from a previous mandate of 50%. It also calls for generating 100% by 2045 from renewable and “zero-carbon resources”, which could include nuclear power. Of course, by then other emission-free energy technologies, such as batteries, hydrogen, and the capture and sequestration of carbon dioxide from fossil-fuel plants, could be better and cheaper than splitting nuclei. But atomic energy would stand a chance if it is still around. And in green matters, where California goes others often follow.

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In 2017 almost 30% of the state’s electricity came from renewable sources, with solar and wind accounting for about 10% each. Nuclear was about 9%. A decade ago, solar was just 0.22%, and wind 2.25%, with nuclear at 15%. Nuclear’s relative decline reflects, in part, a global trend highlighted in the World Nuclear Industry Status Report (WNISR), issued on September 4th. During the past decade investment in renewables has surged, whereas in nuclear it has stagnated (see chart, top panel). Falling prices of solar panels and wind turbines, the ever-growing expense and difficulty of building nuclear facilities, and cheap natural gas all play a part.

A working paper published last month by James Bushnell and Kevin Novan of the University of California, Davis, underscores the challenge that renewables pose for nuclear and other sources of baseload power, such as coal. It shows that average output at noon from big solar farms in California increased tenfold between 2012 and 2016. That has had a big impact on wholesale power prices. The average real-time price around midday has dropped sharply, whereas after sundown average prices have increased. The more solar capacity is installed, the authors find, the worse for baseload generators—that is, those that produce electricity around the clock. The new energy mix rewards gas turbines that can be turned on for a few hours to satisfy peak demand in the evening.

But because additional solar capacity will produce power at times when there is already a glut, returns to further investment in solar capacity will decline. This points to a big flaw in state mandates, such as California’s, which assume that investment will pour into renewables even if market prices are low. The authors favour a price on carbon instead (California already has a “cap and trade” scheme), which would help spur investment in clean-energy provision at times when the sun is not shining.

About 150 gigawatts of wind and solar were installed globally in 2017 versus 3GW of nuclear. Yet even though so much favours renewables, atomic energy is not dead. Nuclear power still provides more than twice as much electricity globally as wind, and 5.5 times as much as solar, partly because it runs all the time rather than intermittently. In June President Donald Trump instructed his energy secretary, Rick Perry, to take emergency steps to keep nuclear and coal plants running, citing national-security considerations. In April New Jersey launched a scheme to reward nuclear-power plants for producing emissions-free power, as part of the state’s goal for 100% clean energy by 2050.

China will be central to nuclear power’s future. It accounted for three of the four new nuclear plants to connect to the grid last year globally, has the most reactors under construction, and in June introduced two new classes of design. But it also leads the world in renewables. Russia’s Rosatom, a state-owned nuclear-power firm, is selling its technology abroad vigorously.

The WNISR, whose authors consider themselves industry critics, draws attention to another potential reason why nuclear power is resilient: its usefulness for nuclear-weapons programmes. The processes which produce fuel for civilian plants can also be used to produce crucial fissile material for weapons, and the training, research and industrial capabilities that come with an indigenous civilian nuclear programme can be very helpful for other purposes, such as nuclear submarines programmes. It says that only in the past few years are insiders starting to acknowledge, in countries like America, that it is hard to sustain a nuclear-weapons capability without a parallel civilian nuclear programme. That may help explain the commitment to keep alive plans to build nuclear plants among big military powers in the West and Asia, even though a mixture of renewables and natural gas could be far cheaper. Such suspicions merely widen the rift between the two carbon-free camps.

**Correction (September 7th, 2018):** This article originally stated that civilian power plants were the only way to produce fissile material for nuclear weapons programmes. They are not and this has been corrected.

*This article appeared in the Finance and economics section of the print edition under the headline “Cleaner than thou”*

Buttonwood

## Why Italy's government bonds are so unstable

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*If you fret about the euro's survival, Italian bonds might be the last asset you sell*

Print edition | Finance and economics Sep 8th 2018

A SHREWD observer of London's after-work drinking culture once offered the following bit of mathematical heterodoxy to explain it: "There is no number between two and six." If you go out with colleagues and stop at two drinks, you will be able to summon the will to go home at a reasonable hour. After a third drink, another will seem like a good idea—and another, and another. You will be on course for a hangover.

A modified version might apply to Italy's bond market. As long as yields are two-point-something or lower, they are sustainable. At that level, the bonds are safe. Italy's public finances are stable. As yields rise above 3%, they may become unmoored. The bonds start to look like speculative instruments. The stability of public finances is in question. Yields might plausibly spike to 6% or more.

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It is thus a source of anxiety that Italy is on its metaphorical third pint, with yields on ten-year government bonds hovering around the 3% mark. In part this reflects lingering concerns that Italy's coalition government will table a budget for 2019 that breaks the euro zone's fiscal rules. More generally, investors are asking themselves what is the right price for Italian risk. The wiser among them admit that they simply do not know. For Italy's bonds come with a set of implicit options attached that make them tricky to price.

To make sense of Italy's bond markets, it helps first to make a distinction between safe assets and credit securities. An American Treasury bond is the archetypal safe asset. Yields are largely determined by the interest-rate policy of the Federal Reserve. Bondholders do not worry much about the federal government's ability to service its debts, which are, after all, in the currency it issues. The typical credit security is a dollar bond issued by a company, such as GM or Apple, or by a country, such as Brazil or Mexico. Its yield will vary with that of a Treasury of the same maturity, with an interest-rate premium, or "spread", to compensate bondholders for the risk that the borrower might not earn enough dollars to pay its debts.

### Neither IPA nor lager

It is hard to draw a line between safe bonds and credit in the euro zone. In contrast with America, there is no unique issuer of the currency. The European Central Bank (ECB), a sort of joint venture, prints the euros. German bunds are treated as the benchmark safe asset, simply because Germany is the zone's largest economy and has a reputation for thrift.

Which other countries might qualify is a subject of lively bar-room debate. The ECB's quantitative-easing programme gave the appearance of safety to all euro-zone government bonds, even Italy's. The ECB in effect covered Italy's net bond issuance over the past three years, says Lorenzo Codogno, of the London School of Economics. But QE is coming to an end. Other buyers must be found. It is not a coincidence that anxieties about Italy's public debts, sickly economy and fractious politics have resurfaced.

To make matters worse, Italy's bonds are not a straightforward credit in the way that, say, Mexico's dollar bonds are. They come with more implicit options. How should investors, for instance, treat the pledge made in 2012 by Mario Draghi, the ECB's boss, to do "whatever it takes" to save the euro? When push comes to shove, the ECB might decide that an Italian default would be fatal to the single currency and start buying bonds again. Or it might not. This kind of vague, embedded option is difficult to value. Andrew Balls of PIMCO draws a parallel with the mortgage-backed bonds that were central to the global financial crisis. They once seemed safe. But they became so complex and opaque that they could not be priced.

Bonds are supposed to be simple. Italy's are not. They are not an investment to buy for your widowed aunt. But some investors do not have the luxury of steering clear. Euro-zone insurers are all but compelled to own sovereign euro bonds and Italy's market is the largest. The country thus looms large in the bond indices that are a benchmark for many asset managers. If you fret about the euro's survival, Italian bonds might nonetheless be the last asset you sell. At least you are getting a higher yield in return for the risks. You are paid for your discomfort. That is not true of French bonds, which trade at only a small premium to Germany's.

Think of the euro-zone bond market as an after-work drinks party. Germany dislikes buying drinks for others, and so has gone home. Italy is on its third trip to the bar. France, which is nursing its first drink, insists that it is leaving soon. But if a fight breaks out, it will get drawn in.

*This article appeared in the Finance and economics section of the print edition under the headline "One for the road"*



## America's recovery breeds complacency about macroeconomic risks

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*A decade on, the economy is showing no signs of returning to the way it used to be*

Print edition | Finance and economics Sep 6th 2018

FIVE years after the darkest days of the financial crisis, Lawrence Summers took the dais at an IMF forum to offer a few thoughts on America's recovery. It was lousy. Growth showed no signs of making up ground lost during a deep recession. The unemployment rate had only just fallen back below 7%. It was common to attribute this lousiness to the after-effects of a monumentally nasty downturn. But Mr Summers suggested that his listeners consider another possibility: that America was stuck in a pattern of slumps punctuated by bubbles, and had been since well before the banking system seized up in August 2007. It is fashionable now, a decade after Lehman Brothers collapsed, to say that the "secular stagnation" hypothesis Mr Summers put forward is no longer relevant. America's economy grew at an annual pace of 4.2% in the most recent quarter, and unemployment is at 3.9%. But there is little reason to think the world has escaped from the macroeconomic pattern that made the crisis possible.

Mr Summers began by pointing out that the weak recovery was not the only macroeconomic oddity that needed explaining. It seems obvious that before the crisis America had been indulging in a wild bout of economic excess (hence the crash). But there were few signs of excess where economists might normally have looked for them. Neither inflation nor wage growth were signalling that the economy had run up against its productive capacity. Indeed, much the same could be said about the late 1990s before the dotcom bust. Despite an explosive investment and stock boom, there was no sign of the sort of overheating that had driven inflation into double figures in the 1970s and 1980s. America seemed to have entered a novel realm in which even wild booms did not generate excess demand; indeed, one in which growth in demand was chronically weak in the absence of wild booms.

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Slumps happen when spending is too low to prevent some of an economy's capacity from falling idle. Spending drops when the desire to save increases suddenly across an economy, as people seek to pinch pennies in the face of economic anxiety. Because one person's spending is another's income, a rise in saving leads to a slump, unless it is offset by increased borrowing elsewhere. But normally, when an economy has too much saving, interest rates fall (or are manipulated downward by central banks) until borrowers come out of the woodwork and savers become less interested in hoarding their income. Real trouble starts when interest rates get stuck at zero before saving and borrowing are brought into balance, leaving the economy stuck. This could be the result of a severe financial crisis, as in America in the 1930s or Japan in the early 1990s. But Mr Summers, borrowing from the ideas of former Keynesians, suggested that such conditions could become a near-permanent feature of the economy.

That could happen for several reasons. Perhaps ageing populations and a slowdown in technological progress were permanently depressing investment. Perhaps inequality, by concentrating resources in the hands of the rich, who are more likely than others to save, was to blame. Whatever the cause, the upshot was a world in which the real rate of interest necessary to keep capacity from falling idle had dropped below zero. In such a situation governments have three options: to accept a permanent slump, to hope low rates spark an asset-price boom that temporarily rouses the economy, or to borrow to soak up the excess saving. It could be, Mr Summers has mused, that the economy needs fiscal stimulus all the time, rather than only in times of depression.

But is such secular stagnation a real phenomenon? Not only has growth picked up, but, perhaps more important, interest rates in America have risen above zero. Surely, if the Federal Reserve can raise its benchmark rate to 1.75% without derailing the economy, something in the secular-stagnation story is awry.

Or perhaps not. The consolidation of America's recovery roughly coincides with the end of post-crisis deleveraging, and the resumption of growth in total indebtedness as a share of GDP (see chart). Whether intentionally or not, America's government has embraced permanent fiscal stimulus. Faster growth in 2018 is occurring alongside a widening of the federal-budget deficit, from 3.5% of GDP to 4%. And in his most recent speech Jerome Powell, the chairman of the Federal Reserve, expressed frustration at the economy's failure to behave as it should. "Inflation may no longer be the first or best indicator of a tight labour market and rising pressures on resource utilisation," he said. According to him, the Fed should look instead to financial markets for signs of excess.

### Living on borrowed time

It is possible, as Mr Powell suggests, that too much money chasing too few workers and goods may no longer bid up the prices of those workers and goods, but instead lead people to bid up the prices of homes and stocks. A better explanation may be that prices for workers and goods are subdued because the economy is not actually at capacity, and that, but for rising asset prices and indebtedness, growth would still be weak. Yes, unemployment is low, but labour-force participation by prime-age adults remains below the pre-crisis level, and wage growth is weak.



If the problem really is a long-run imbalance between desired rates of saving and borrowing, current policy is a mess. For now, financial excess is the means by which spending power flows to those who are eager to use it. Choking it off by raising interest rates further will simply bring back the slump. Government deficits could provide a sustainable long-term solution, if money were directed to growth-boosting public goods, such as infrastructure, and to poorer people. It is they who are most likely to spend additional income and therefore to add to demand. They would also benefit most from additional spending. But politicians struggle to reshape public spending along such lines.

The strange position in which the economy found itself before the crisis, and which complicated the recovery, continues. One of the oddest legacies of the crisis is that governments accept this, and the risks it entails, rather than try for something better.

*This article appeared in the Finance and economics section of the print edition under the headline "A savings account"*

### Rousseau, Marx and Nietzsche

The prophets of illiberal progress

## Rousseau, Marx and Nietzsche The prophets of illiberal progress

*Terrible things have been done in their name*

Print edition | Schools brief Sep 6th 2018

LIBERALISM is a broad church. In this series we have ranged from libertarians such as Robert Nozick to interventionists such as John Maynard Keynes. Small-government fundamentalists like Friedrich Hayek have rubbed shoulders with pragmatists such as John Stuart Mill.

But there are limits. Our last brief seeks to sharpen the definition of liberalism by setting it in opposition to a particular aspect of the thought of three anti-liberals: Jean-Jacques Rousseau, a superstar of the French Enlightenment; Karl Marx, a 19th-century German revolutionary communist; and Friedrich Nietzsche, 30 years Marx's junior and one of philosophy's great dissidents. Each has a vast and distinct universe of ideas. But all of them dismiss the liberal view of progress.

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Liberals believe that things tend to get better. Wealth grows, science deepens understanding, wisdom spreads and society improves. But liberals are not Pollyannas. They saw how the Enlightenment led to the upheaval of the French revolution and the murderous Terror that consumed it. Progress is always under threat.

And so liberals set out to define the conditions for progress to come about. They believe that argument and free speech establish good ideas and propagate them. They reject concentrations of power because dominant groups tend to abuse their privileges, oppressing others and subverting the common good. And they affirm individual dignity, which means that nobody, however certain they are, can force others to give up their beliefs.

In their different ways Rousseau, Marx and Nietzsche rejected all these ideas. Rousseau doubted that progress takes place at all. Marx thought progress is ordained, but that it is generated by class struggle and revolution. Nietzsche feared that society was descending into nihilism, but appealed to the heroic *übermensch* in each person as its saviour. Those coming after them did terrible things in their name.

Rousseau (1712-78) was the most straightforwardly pessimistic. David Hume, Voltaire, Denis Diderot and Rousseau's other contemporaries believed the Enlightenment could begin to put right society's many wrongs. Rousseau, who in time became their bitter foe, thought the source of those wrongs was society itself.

In "A Discourse on Inequality" he explains that mankind is truly free only in the state of nature. There the notion of inequality is meaningless because the primitive human being is solitary and has nobody to look up to or down upon. The rot set in when a person first fenced off some land and declared: "This is mine". "Equality disappeared, property was introduced, labour became necessary, and the vast forests changed to smiling fields that had to be watered with the sweat of men, where slavery and poverty were soon seen to germinate and grow along with the crops."

Rousseau's political philosophy is an attempt to cope with society's regression from the pristine state of nature. He opens "The Social Contract" with a thundering declamation: "Man is born free, and everywhere he is in chains." Mankind is naturally good, but political society corrupts him. Social order does not come from nature, it is founded on conventions. The social contract sets out to limit the harm.

Sovereignty, he says, wells up from the people—as individuals. Government is the servant of the sovereign people and its mandate needs to be renewed periodically. If the government fails the people, they can replace it. Today that may seem like common sense. In a society founded on monarchy and aristocracy, it was revolutionary.

But society makes people selfish. "The laws are always useful to those with possessions and harmful to those who have nothing." Religion adds to its ills. "True Christians are made to be slaves."

Equality, though not an end in itself, thus needs to be enforced as a way to counteract the selfish desires and subservience that society breeds in individuals. "For the social compact not to be an empty formula...whoever refuses to obey the general will shall be constrained to do so by the entire body: which means nothing other than that he shall be forced to be free."

Revolutionaries have seized on that formula as justification for the tyrannical use of violence in pursuit of a Utopia. Scholars generally dispute this reading. Leo Damrosch, in his biography, couches the notion of the general will in terms of Rousseau's pessimism. People are so removed from the state of nature that they need help to be free. Anthony Gottlieb, in his history of the Enlightenment, quotes Rousseau as having "the greatest aversion to revolutions".

Yet that unbroken train of thought from regression to coercion, even in its milder form, rubs up against liberalism. Whenever a person in a position of power compels someone else to act against their free, unimpeded will for their own good, they are invoking the ghost of Rousseau.

Marx (1818-83) believed that progress was produced not by inquiry and debate, but by class struggle acting across history. Like Rousseau, he thought that society—in particular, its economic underpinnings—was the source of oppression. In 1847, shortly before a wave of unrest swept across Europe, he wrote: “The very moment civilisation begins, production begins to be founded on the antagonism of orders, estates, classes and finally on the antagonism of accumulated labour and immediate labour. No antagonism, no progress. This is the law that civilisation has followed up to our days.”

The surplus created by labour is seized by capitalists, who own the factories and machinery. Capitalism thus turns workers into commodities and denies their humanity. While the bourgeois sate their appetite for sex and food, the workers must endure the treadmill and rotten potatoes.

For this reason, capitalism contains the seeds of its own downfall. Competition compels it to spread: “It must nestle everywhere, settle everywhere, establish connections everywhere.” As it does so, it creates and organises an ever-larger proletariat that it goes on to immiserate. Capitalists will never willingly surrender their privileges. Eventually, therefore, the workers will rise up to sweep away both the bourgeoisie and the proletariat and create a new—better—order.

This revolutionary job does not fall to a heroic leader, but to the workers as a class. “It is not a question of what this or that proletariat, or even the whole proletariat, at the moment regards as its aim,” Marx wrote with Friedrich Engels, his collaborator, in 1844. “It is a question of what the proletariat is, and what, in accordance with this being, it will be historically compelled to do.” Four years later, in the opening of “The Communist Manifesto” they predicted revolution: “A spectre is haunting Europe—the spectre of communism.”

Liberals believe that all individuals share the same fundamental needs, so reason and compassion can bring about a better world. Marx thought that view was at best delusional and at worst a vicious ploy to pacify the workers.

He scorned the Declaration of the Rights of Man, a manifesto for the French revolution, as a charter for private property and bourgeois individualism. Ideologies like religion and nationalism are nothing more than self-deception. Attempts to bring about gradual change are traps set by the ruling class. The philosopher Isaiah Berlin summed it up in his book on Marx: “Socialism does not appeal, it demands.”

Yet Marx underestimated the staying power of capitalism. It avoided revolution by bringing about change through debate and compromise; it reformed itself by breaking up monopolies and regulating excesses; and it turned workers into customers by supplying them with things that in his day would have been fit for a king. Indeed, in his later years, as Gareth Stedman Jones, a recent biographer, explains, Marx was defeated by the effort to show why the economic relations between capitalist and worker necessarily had to end in violence.

Marx nevertheless stands as a warning against liberal complacency. Today outrage is replacing debate. Entrenched corporate interests are capturing politics and generating inequality. If those forces block the liberal conditions for general progress, pressure will once again begin to rise.

Whereas Marx looked to class struggle as the engine of progress, Nietzsche (1844-1900) peered inward, down dark passages into the forgotten corners of individual consciousness. He saw a society teetering on the brink of moral collapse.

### **The will to power**

Nietzsche sets out his view of progress in “On the Genealogy of Morality”, written in 1887, two years before he was struck down by insanity. In writing of extraordinary vitality, he describes how there was a time in human history when noble and powerful values, such as courage, pride and honour, had prevailed. But they had been supplanted during a “slave revolt in morality”, begun by the Jews and inherited by the Christians under the yoke of the Babylonians and later the Romans. Naturally, the slaves elevated everything low in themselves that contrasted with their masters’ nobility: “The miserable alone are the good...the suffering, deprived, sick, ugly are also the only pious, the only blessed...”

The search for truth remained. But this has led ineluctably to atheism, “the awe-inspiring catastrophe of a 2,000-year discipline in truth, which in the end forbids itself the lie involved in belief in God.” “God is dead...” Nietzsche had written earlier. “And we have killed him.”

It takes courage to stare into the abyss but, in a life of pain and loneliness, courage was something Nietzsche never lacked. Sue Prideaux, in a new biography, explains how he tried desperately to warn the rationalists who had embraced atheism that the world could not sustain the Christian slave morality without its theology. Unable to comprehend suffering in terms of religious virtue or the carapace of virtue vacated by religion, humanity was doomed to sink into nihilism, in a bleak and meaningless existence.

Nietzsche’s solution is deeply subjective. Individuals must look within themselves to rediscover noble morality by becoming the *übermensch* prophesied in “Thus Spake Zarathustra”, Nietzsche’s most famous work. Characteristically, he is vague about who exactly an *übermensch* is. Napoleon counted as one; so did Johann Wolfgang von Goethe, the German writer and statesman. In his lucid survey of Nietzsche’s thought, Michael Tanner writes that the *übermensch* is the heroic soul eager to say Yes to anything, joy and sorrow alike.

Nietzsche is not susceptible to conventional criticism—because ideas pour out of him in a torrent of constantly evolving thought. But both left and right have found inspiration in his subjectivity; in linguistic game-playing as a philosophical method; and in how he merges truth, power and morality so that might is right and speech is itself an assertion of strength. He is father to the notion that you cannot divorce what is being said from who is saying it.

The illiberal view of progress has a terrible record. Maximilien Robespierre, architect of the Terror, invoked Rousseau; Joseph Stalin and Mao Zedong invoked Marx; and Adolf Hitler invoked Nietzsche.

The path from illiberal progress to terror is easy to plot. Debate about how to improve the world loses its purpose—because of Marx’s certitude about progress, Rousseau’s pessimism or Nietzsche’s subjectivity. Power accretes—explicitly to economic

classes in the thought of Marx and the *übermenschen* in Nietzsche, and through the subversive manipulation of the general will in Rousseau. And accreted power tramples over the dignity of the individual—because that is what power does.

Liberalism, by contrast, does not believe it has all the answers. That is possibly its greatest strength.

### Curbing illegal fishing

Netting the crooks

#### Conserving fish stocks

## The fight against illicit fishing of the oceans is moving into space

*Infra-red and radar observations are detecting illegal operations*

Print edition | Science and technology Sep 6th 2018

ILLEGAL, unreported and unregulated. The business of off-the-books ocean fishing, abbreviated to IUU by acronym-loving international organisations, is a big one, worth many billions of dollars a year. Estimates of the annual catch landed beyond the authorities' notice range from 11m to 26m tonnes. That is on top of an official catch of a bit under 90m tonnes a year. Given the belief of most fisheries scientists that even permitted extractions are doing great damage to marine ecosystems, this is worrying. But policing the oceans is hard, meaning that, more often than not, IUU fishermen get away with it.

This, though, is changing. New ways of watching from space may turn the tables on illicit fishing, heralding an era in which keen eyes follow every fishing boat, all the time. At the least, this will make clear who is turning a blind eye to the IUU brigade. The excuse that "we didn't know what was going on" will become untenable.

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That such an excuse is tenable at the moment reflects the deficiencies of current monitoring arrangements. These are based on a requirement for vessels at sea to have radio beacons. Large ships are supposed, by international agreement, to be fitted with what is known as the Automatic Identification System (AIS), and to keep it on all the time. Arrangements for small ones vary from country to country, but most require some sort of beacon to be fitted to craft sailing in their waters.

The beacons' main purpose is to avoid collisions. But monitoring them can also give away who is fishing nefariously, if you develop the software to sift through masses of location data looking for patterns. Beacon-watching has also helped identify hot spots for the transfer of catches at sea from IUU fishing boats to refrigerated cargo vessels, a practice which conceals the origin of a catch. Transshipment hotspots have been identified in this way off west Africa and Russia, and in the tropical Pacific. But beacons can be (and are) switched off. So concerned parties are looking to the heavens for an answer.

### Enlightenment

Global Fishing Watch—a collaboration between Oceana, a conservation group, Google, a division of Alphabet, and Sky Truth, a charity that uses remote sensing to monitor environmental problems—has turned to America's National Oceanic and Atmospheric Administration for help. NOAA has long collected satellite data on clouds. These are available to outsiders at no cost. The agency's Visible Infrared Imaging Radiometer Suite consists of two sensors, each mounted on a different satellite. Between them, these sensors photograph the entire planet every 24 hours. Though their target is cloud cover, they can also see small, bright sources of light. Some of these give away the activities of fishermen. Many marine species are attracted to light, so it is common practice to shine floodlights into the water.

To find those illegals who do not so conveniently illuminate their activities Global Fishing Watch turns to satellite radar data. These are gathered mainly by private companies for sale to customers who want to do things like monitor the logging of forests. Global Fishing Watch, too, has to pay for them. Radar data have proved themselves useful, though. In 2016, for example, radar turned up a fleet of ships off the coast of Chile that had their AIS turned off.

According to Tony Long, Global Fishing Watch's boss, the price of commercial radar data means that the organisation has to be selective about which regions it looks at using this part of the spectrum. That, however, is changing. The European Union's Sentinel satellites now provide radar data free of charge. Global Fishing Watch is working on an automated vessel-detection system that uses these data.

Better detection would certainly help limit IUU fishing. The Port State Measures Agreement, introduced in 2016 and now ratified by 55 countries, is supposed to stop vessels engaged in such fishing from landing their catches. But ports can act against a vessel only if they know what it has been up to. The technology being developed by Global Fishing Watch makes it possible to report offenders quickly, thus giving port authorities time to act.

The future, moreover, looks brighter still—or dimmer, if you are an illicit fisherman. CubeSats, satellites the size of a loaf of bread, are lowering the cost of Earth observation. This will enable organisations like Global Fishing Watch to get the data they want at an affordable price. Mr Long believes that it will soon be feasible to track all boats continuously. If the will to enforce the rules exists, IUU fishing could thus be made a thing of the past. In many places that will does not exist. But better monitoring at least promises to make clear where commitment is lacking.

*This article appeared in the Science and technology section of the print edition under the headline "Netting the crooks"*

Health care

## How a shampoo bottle is saving young lives

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*A doctor in Bangladesh has found a simple way to treat infant pneumonia*

Print edition | Science and technology Sep 6th 2018

ON HIS first night as a trainee paediatrician in Sylhet, Bangladesh, Mohamad Chisti (pictured above) watched three children die of pneumonia. Oxygen was being delivered to them, through a face mask or via tubes placed near their nostrils, using what is called a basic “low-flow” technique which followed World Health Organisation (WHO) guidelines for low-income countries. But it was clearly failing. He decided to find a better way.

Last year 920,000 children under the age of five died of pneumonia, making it the leading killer of people in that age group. This figure is falling (in 2011 it was 1.2m), but it still represents 16% of all infant deaths. Such deaths are not, however, evenly distributed. In Bangladesh pneumonia causes 28% of infant mortality.

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Pneumonia is a result of bacterial, viral or fungal infection of the lungs. Its symptoms of breathlessness result from a build-up of pus in the alveoli. These are tiny sacs, found at the ends of the branching airways within the lungs, that are richly infused with capillary blood vessels. They are the places where oxygen enters the bloodstream and carbon dioxide leaves it. Stop the alveoli doing their job and a patient will suffocate.

Pneumonia is particularly threatening to malnourished children—which many in Bangladesh are. First, malnourishment debilitates the immune system, making infection more likely. Second, to keep its oxygen levels up and its CO<sub>2</sub> levels down, a child with pneumonia breathes faster and faster. But this takes a lot of energy, so undernourished infants do not have the ability to keep such an effort up for long. Dr Chisti's device is designed to reduce the effort required to breathe, and to do so cheaply. (The reason for the WHO's recommended approach in poor countries is that the sort of ventilator routinely available in the rich world costs around \$15,000. But low-flow oxygen delivery does not reduce the effort required to breathe.)

His invention was inspired by something he saw while visiting Australia. On this trip he was introduced to a type of ventilator called a bubble-CPAP (continuous positive airway pressure), which is employed to help premature babies breathe. It channels the infant's exhaled breath through a tube that has its far end immersed in water. The exhaled breath emerges from the tube as bubbles, and the process of bubble formation causes oscillations of pressure in the air in the tube. These feed back into the child's lungs. That improves the exchange of gases in the alveoli and also increases the lungs' volume. Both make breathing easier.

At about \$6,000, standard bubble-CPAPs are cheaper than conventional ventilators. But that is still too much for many poor-country hospitals. However, after a second piece of serendipitous inspiration, when he picked up a discarded shampoo bottle that contained leftover bubbles, Dr Chisti realised he could probably lash together something that did the same job. Which he did, using an oxygen supply (which is, in any case, needed for the low-flow oxygen delivery method), some tubing and a plastic bottle filled with water. And it worked.

In 2015 he and his colleagues published the results of a trial that they had conducted in the institution where he practises, the Dhaka Hospital of the International Centre for Diarrhoeal Disease Research. This showed that the method had potential. The hospital now deploys it routinely and the number of children who die there from pneumonia has fallen by three-quarters. That means the survival rate in the Dhaka Hospital is today almost on a par with that of children treated in rich-world facilities, using conventional ventilators.

Dr Chisti says that, as well as saving lives, his device has cut the hospital's spending on pneumonia treatment by nearly 90%. The materials needed to make his version of a bubble-CPAP ventilator cost a mere \$1.25. The device also consumes much less oxygen than a conventional ventilator. In 2013 the hospital spent \$30,000 on supplies of the gas. In 2017 it spent \$6,000.

The idea is spreading. Dr Chisti and his team are about to start trials of the new ventilator in a group of hospitals in Ethiopia. If it works as well there as it does in Dhaka, it will surely be taken up elsewhere. All in all, the Chisti bottle-based ventilator shows what can be achieved by stripping an idea down to its basic principles. Effectiveness, it neatly demonstrates, need not always go hand in hand with high tech.

*This article appeared in the Science and technology section of the print edition under the headline “Bubbling with ideas”*



**Manufacturing in space**

## **Optical fibre made in orbit should be better than the terrestrial sort**

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*It will have fewer flaws and longer lengths*

**Print edition | Science and technology** Sep 6th 2018

IN THE 1970s, when those behind America's manned space programme were trying to keep it alive as people got bored of moon landings, one fantasy was that there were products which might be made easily in space that were hard to create on Earth—metal foams, for example. Such dreams came to nothing because, however fancy the product, the cost of manufacturing it in orbit was never lower than the price it would have commanded back on Earth.

Two Californian firms, however, think they have cracked this problem. Made in Space and FOMS (Fiber Optic Manufacturing in Space) are both proposing to manufacture optical fibre of the highest quality in the free-falling conditions of the International Space Station. At \$1m a kilogram, this is a material that is well worth the trip to and from orbit.

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Optical fibres are made by pulling glass into strands which have a diameter similar to that of human hair. Cables filled with these fibres have revolutionised telecommunications. When a telephone call, say, is encoded as laser pulses and sent through an optical fibre, it can travel a far greater distance, with a lower loss of signal quality, than if the message involved had been transmitted through a copper wire. As a consequence, except for the last few hundred metres of connection to the customer, copper cabling has almost disappeared.

Optical fibre could, though, be better than it is. The glass used contains impurities that both absorb and scatter part of the light passing through it. This can be ameliorated by adding germanium, which reduces absorption and scattering. But that is not a perfect answer.

The best solution known in principle was found in 1975, by researchers at the University of Rennes, in France. It is a glass, made from a mixture of the fluorides of zirconium, barium, lanthanum, aluminium and sodium, that is therefore known as ZBLAN (sodium has the chemical symbol Na). Fibre made from ZBLAN has extremely low losses from absorption and scattering, particularly in the part of the spectrum called the mid-infrared, where conventional optical fibre does not work well.

ZBLAN fibres are, though, fragile. That makes drawing one that is more than about a kilometre long a hard task which, in turn, makes them useless for long-distance work. They also tend to contain tiny crystals that form when the material is cooling. These negate the lack of absorption and scattering that otherwise give ZBLAN its advantages.

However, in the absence of stresses caused by gravity on the cooling material, much longer fibres could be drawn. Nor would the crystals form. And the one large place under human control where such stresses are absent is the space station.

Both firms say they have built apparatus to produce ZBLAN fibres that is small and light enough to send to, and operate in, the space station. Made in Space's machine has some similarities to the sort of plastic-extrusion 3D printer used by hobbyists. It ingests a preformed pencil of ZBLAN. A furnace melts the tip of this pencil. Thin strands of fibre are then pulled from the molten area. But instead of being used to form an object while still soft, these strands are coated with a second sort of glass for protection and then spooled onto reels for storage.

Made in Space already has a plastic-extrusion printer on board the space station. This is used to make replacements for small items that have got damaged, obviating the delays involved in bringing them from Earth. The company's managers are therefore reasonably confident that their ZBLAN extruder will also work in free-fall.

They will soon find out. A prototype arrived at the space station in July, and will be tested shortly. An equivalent device built by FOMS will be sent up later this year. Both firms are promising fibre with a performance 100 times better than anything made on Earth, in lengths of several tens of kilometres.

To say that this is truly an economic process is cheating slightly, since the ledger fails to account for the trivial matter of the \$100bn or so spent to build the space station in the first place. But, given that this is now a sunk cost, it does seem possible that Made in Space and FOMS have actually found a way to fulfil the dreams of the 1970s, and make money by making things in space.

*This article appeared in the Science and technology section of the print edition under the headline "Free-falling profits"*

**Animal behaviour****Deer antlers are a dual-use technology**

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*They are not just for fighting other deer***Print edition | Science and technology** Sep 6th 2018

IN MARCH 2015, braving the bitter cold of a Yellowstone winter to report on research being carried out there on wolves, your correspondent chanced upon a wolf pack as it attacked and killed a deer of the species known in North America as “elk”. (These are actually a type of red deer. True elk are called “moose” in North America.) Days later, all that remained was a bloody skeleton and a spectacular set of antlers.

Dramatic as this scene was, it presented an evolutionary conundrum. Males grow antlers during the spring and summer, in order to fight one another for females during the rutting season, which is early autumn. Antlers are heavy. A full-grown male’s may weigh more than 17kg. It thus requires a lot of energy to carry them around. Yet March is many months after the rut. Moreover, the earlier a male sheds his antlers after rutting, the longer he has to grow a fresh pair for the following year’s shenanigans, and thus the bigger and more pointed those antlers can be. The conundrum, then, is why males do not dispose of these bony encumbrances immediately after the rutting season has ended.

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A plausible suggestion is that they retain them for defence against predators. That has now been confirmed by Matthew Metz of the University of Montana, Missoula. In a paper published this week in *Nature Ecology and Evolution* he reports that male elk without antlers are indeed more likely to be both attacked by and taken by wolves.

Mr Metz and his colleagues came to this conclusion by examining a database maintained by researchers for the Yellowstone Wolf Project. This recorded 55 encounters between wolves and adult male elk that had been observed by those researchers between 2005 and 2015. Helpfully, the entries noted whether the elk in an encounter had antlers. Individuals or groups that included at least one male without them were, Mr Metz found, 3.6 times more likely to be attacked than if all males present were endowed.

The kills which Yellowstone’s wolves are making also suggest that antlers work as a deterrent. Mr Metz and his colleagues noted that, although only a quarter of the area’s male elk have shed their antlers by late March, these now-pointless animals make up half of the males killed by wolves. This suggests either that wolves are being fended off by animals with antlers or that they are selectively attacking those which do not have them.

The effect that this predation pressure has on the animals is telling. Young males (those that are, in any case, least likely to mate) are almost always the last to shed their antlers, typically doing so in May. Their best evolutionary strategy is to survive until the following year, when they will be bigger, stronger and more likely to succeed in the mating game. Older males in good nutritional condition (those with the best shot at successful mating anyway) maximise their advantage by shedding their antlers as early as the beginning of March, in order to get a head start at growing their new ones. The increased risk of death that this entails is more than balanced by the reduced risk, which big antlers bring, of failing to contribute genetically to the next generation. Since such failure is the Darwinian equivalent of never having been alive in the first place, that is a trade worth making.

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

### Polish contemporary art

A different kind of culture war

#### Art and politics in Poland

### The hard life of a conservative artist

*It is much harder under a right-wing government*

Print edition | Books and arts Sep 6th 2018

THE National Old Theatre in Krakow is Poland's most hallowed playhouse. Its boards have been graced by revolutionary directors such as Tadeusz Kantor, who blurred the distinction between stage and audience in the 1950s, and Krzysztof Warlikowski, notable for his pioneering use of video in the 1990s. The names of its managing directors read like a "Who's Who" of Polish theatre.

So when in 2017 the right-wing Law and Justice (PiS) government chose a nonentity to replace the theatre's illustrious previous head, Jan Klata, employees at the state-controlled institution rebelled. Actors refused to perform, set designers put down their sketchpads, directors turned down invitations to collaborate. The number of premieres fell from eight per season to two—both savaged by critics as worse than amateurish. Wanda Zwinogrodzka, the state secretary in charge of theatres at the culture ministry, subsequently admitted in a newspaper interview that "it is hard to judge the first season a success."

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The drama that played out at the Old reflects a broader struggle within Poland's art world since PiS won power in 2015. The party's rule has galvanised progressive artists—which is to say, most prominent Polish artists—who are appalled by its ugly chauvinism, homophobia and authoritarian leanings. More unexpectedly, the rightward lurch has also highlighted the Polish right's failure to nurture exciting artists of its own. "Only artists themselves can enrich the repertoire with a conservative sensibility," Ms Zwinogrodzka sighed. The problem, she implied, was that too few seem to share it.

That is not for want of conservatives. As PiS's enduring popularity attests, Poland is full of them. Conservatism—which emphasises respect for tradition, national identity and religious faith amid rising cosmopolitan secularism—is well represented in Polish literature and philosophy. History, a fashionable genre as Poland nears the centenary of independence this November, has become the preserve of the right. Popular culture is being colonised, too, from nationalist rap music to the carefully orchestrated ceremonies at the openings of football games, in which fans unfurl immense, intricately designed banners depicting religious or nationalist symbols.

Contemporary art is different. It is challenging and subversive. As such, says Lukasz Ronduda, a curator, it sits more comfortably with a progressive and secular mind-set than with a conservative one wedded to tradition. Ada Karczmarczyk, a 33-year-old video artist who rediscovered the Christian faith after studies at a prestigious art school left her feeling spiritually eviscerated, apologises for meeting at a "leftie" watering hole in Warsaw because "avant-garde conservatives don't have one of their own". Indeed, she says, "avant-garde conservatism sounds paradoxical."

It does not have to be. Zbigniew Warpechowski, a doyen of Polish performance art who coined the term "avant-garde conservatism" at the turn of the century, has argued that the two things are opposed but not mutually exclusive. Conservative contemporary art might not challenge the government of the day, but it certainly confronts the art world's prevailing liberal-left consensus. At another level, it seeks fresh ways to convey transcendent truths—combining "creative man with God the creator", in the words of Pawel Rojek, a conservative critic. Mr Warpechowski's "Horn of Memory", from 1997, is a classic of the genre. It involved the artist tearing pages out of a Bible and rolling each one up before inserting it into a condom. Even atheists can appreciate Mr Warpechowski's powerful critique of the modern world's impregnability to scripture.

#### Cross pollination

Ms Karczmarczyk and a handful of others follow in Mr Warpechowski's footsteps. Take "Splendour of Truth", a clip named after Pope John Paul II's anti-consumerist encyclical from 1993, in which Ms Karczmarczyk parodies pop to slam people's preoccupation with bling. Her finger etches Christian symbols such as the cross (pictured) and ichthys in a pan of gaudy crystals. You do not have to be devout to find it mesmerising. Daniel Rycharski, another video artist, attempts to reconcile his homosexuality with a deep Catholicism. Jacek Adamas's intriguing conceptual works juxtapose the art establishment's love of Western modernity with its apparent obliviousness to national identity. As Mr Ronduda notes, modern conservative folk practices like the football banners display some of contemporary art's defining features. "They are performative, situational and interactive," he says.

For a time, the liberal art establishment embraced much of this. In 2012 Mr Ronduda curated a show at Warsaw's Modern Art Museum entitled "New National Art", which included the stadium banners as well as images of wartime heroism. Four years later, as part of an exhibition of artists outside the mainstream, the museum displayed Mr Adamas's most famous work:

an image of an aircraft wreck from 2010, which killed the PiS president of the day, superimposed on the back cover of an actual art magazine whose front page depicted a joyful flight to Brussels by dozens of liberal artists. Zacheta and the Centre for Contemporary Art, two leading galleries, exhibited Ms Karczmarczyk's pieces. In 2015 she won a fellowship at the Villa Romana in Florence. A film of "Horn of Memory" is on permanent display at Krakow's National Museum.

But life has got harder for avant-garde conservatives since PiS's election victory. The culture ministry has made it plain that it is not interested in supporting experimental art, which to the ruling party smells of blasphemous provocation. Well-heeled conservative collectors "prefer to restore a 19th-century master than buy works by young artists", says Mateusz Matyszkowicz, who between 2016 and 2017 ran TVP Kultura, the public broadcaster's high-brow channel. By his own admission, conservative intellectuals like him have done a poor job of educating like-minded Poles about the value of contemporary art.

As PiS has intensified its assault on democratic institutions such as the courts, the once-welcoming liberal art world has closed ranks against everything the party stands for. This total opposition has reinvigorated liberal performance art, which has flourished on the edges of huge anti-PiS protests, and theatre—at least where stages are supported by opposition-controlled local authorities.

"The Curse", a critically acclaimed adaptation of a late-19th-century Polish classic by Stanislaw Wyspianski, replaced the original's ungodly relationship between a village priest and his maid with clerical child abuse. In one scene, an actress performs oral sex on a dildo attached to a gypsum statue of the (Polish) Pope John Paul II under the banner "defender of paedophiles". Teatr Powszechny in Warsaw had to install metal-detectors after the play provoked violent protests by outraged nationalists. (The play's producers are under investigation by prosecutors for hate speech.) Even less subtly, Powszechny is about to begin rehearsals for a stage adaptation of Hitler's "Mein Kampf", which is intended to be "a laboratory to explore modern fascism".

In this confrontational climate, the space for artistic dialogue with conservatism has shrivelled, says Pawel Sztarbowski, Powszechny's deputy director. Some attempts have been made to keep the conversation going. At the Old in Krakow, actors are gearing up for the autumn season, after the management promised them artistic autonomy; Mr Ronduda is preparing an individual exhibition of Mr Rycharski's works at the Modern Art Museum next February. But in many liberal eyes, avant-garde conservatives have morphed from countercultural rebels to government apologists—or worse, regime propagandists. Ms Karczmarczyk confides that she is feeling increasingly stigmatised, "even though my art hasn't changed."

*This article appeared in the Books and arts section of the print edition under the headline "A different kind of culture war"*

Calamity foretold

## The fire that destroyed Rio's museum was waiting to happen

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*A shock, but not exactly a surprise*

Print edition | Books and arts Sep 6th 2018

WHEN Mario Moscatelli was growing up in Rio de Janeiro in the 1970s, his father often took him to the National Museum, which is held in a spectacular palace built by the Portuguese. The boy would ogle the mummies and the reptiles. He became a biologist, married an entomologist and introduced his daughters to the collection. This eventually grew to 20m items, including a large dinosaur skeleton, Greek and Roman antiquities procured by adventurous emperors, thousands of pre-Colombian artefacts, rare books and the 11,500-year-old remains of a woman known as Luzia, possibly the oldest human fossil found in the Americas.

On the evening of September 2nd, Luzia appears to have died a second death in a fire that destroyed the palace and much of its collection. The causes are still unknown, but what has enraged Brazilians is that the fire could have been avoided. In 2004 inspectors warned that exposed wires and poor safety standards could lead to a devastating blaze. Successive governments ignored curators' pleas. They built new museums and universities rather than maintaining old ones, and even blocked private-sector efforts to help.

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Two decades ago a project to modernise the museum with funds from the World Bank flopped, reportedly because the Federal University of Rio de Janeiro, which houses it, refused to turn the museum into an independent trust. (The World Bank denies that it set any conditions for its putative assistance.) In 2014 Congress budgeted 20m reais (\$4.8m) for refurbishment, but the federal government never released the funds. The recession of 2015-16 made things worse. According to the newspaper *Folha de São Paulo*, the National Museum received just 98,000 reais (\$23,600) from the government between January and August. On the museum's 200-year anniversary in June, its director moved his office to the former bedroom of Dom Pedro I, Brazil's first emperor, to draw attention to the termites, mould and structural decay that has led him to close many exhibition rooms.

As firefighters fought the flames at the National Museum palace late into the night (nearby hydrants lacked water, so they had to draw it from a lake) scientists saved what they could from adjacent buildings. The candidates in Brazil's forthcoming presidential election lamented the loss and promised a stronger commitment to protecting Brazil's cultural heritage. President Michel Temer said that the museum's reconstruction would begin immediately.

Mr Moscatelli predicts it will eventually be abandoned, just like a plan to clean up Rio's rubbish-filled Guanabara Bay that he helped the state develop in the lead-up to the 2016 Olympics. That was supposed to be one of the "positive legacies" that would help justify the cost of the games, now estimated to be more than \$13bn. It never happened.

Andrew Carnegie, an American businessman and philanthropist, called museums "wise extravagances". If so, Brazil's politicians lack wisdom as well as money. There have been other fires. One in 2010 destroyed a vast collection of tropical cobras at the Instituto Butantan; another in 2015 consumed a tower at the Portuguese Language Museum. All point to a "myopic vision that treats our national patrimony as if it were simply a perfume shop", says Valeria Piccoli, chief curator of the Pinacoteca Museum in São Paulo.

**Clarification (September 19th, 2018):** This piece has been amended to include a statement from the World Bank about its discussions regarding support for the museum, and to remove a reference to the amount discussed, which the bank says was not specified.

*This article appeared in the Books and arts section of the print edition under the headline "Up in smoke"*

Prague history

**A Jewish businessman, a Nazi and an American official share a house**

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*Though not at the same time*

Print edition | Books and arts Sep 6th 2018

**The Last Palace: Europe's Turbulent Century in Five Lives and One Legendary House.** By Norman Eisen. Crown; 403 pages; \$28. *Headline; £25.*

AMBASSADORIAL residences are silent witnesses to history, home to generations of diplomats, venues for endless dinners. Some are architectural gems: the German residence in Delhi, the British one in Washington, the Dutch in Beijing. Norman Eisen, now of the Brookings Institute, a think-tank, reckons the American residence in Prague is exceptional, too. He became enamoured of it while living there as America's ambassador to the Czech Republic. His account of the building intersperses pen portraits of its occupants with a biography of his mother. A supporter of Czechoslovakia's tolerant founding president, Tomas Masaryk, she was born the daughter of an Orthodox rabbi in a remote, poor town.

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The 100-room palace has little architectural merit; its strength is its history. Mr Eisen focuses on three characters: Otto Petschek, a Jewish coal financier who built the residence in the 1920s; Rudolf Toussaint, a general who lived in it during the Nazi occupation; and Laurence Steinhardt, an American ambassador who claimed it in 1945. All were served by the same butler, Adolf Pokorny, who worked for seven more American ambassadors until his death in 1967.

Petschek was born into privilege; his father and uncle had been financial counsellors to the Austro-Hungarian court. He, in turn, helped bankroll the first Czechoslovak republic. He built the palace to show off his wealth and as a gift to his wife and family. He was not an observant Jew, eating pork at Passover and celebrating Christmas with a red flash of poinsettias. A devotee of Wagner, he employed an icy German nanny and wandered about with a card listing the articles of the League of Nations. His family were more pragmatic. After Petschek died prematurely, they left for America before the Nazi occupation.

Mr Eisen's mother survived Auschwitz—and the post-war anti-Semitism of communist Czechoslovakia—to make it to America too; most of her family died in the Holocaust. She chides her liberal son that he is taking the wrong lesson from history. ("And what is the right one?" "Expect the worst!") Mr Eisen is nonetheless queasily tolerant of Toussaint, a first world war hero and an aristocratic Wehrmacht staff officer, writing admiringly of the general's manners and artistic temperament.

Toussaint's loyalty was to the army; he disliked Hitler and despised the SS. He spent the mornings taking the sun on the terrace of the residence, and retained Petschek's Jewish books and antiques, rightly believing SS officers were too dim to notice. Mr Eisen credits him with saving Prague from destruction. In the dying days of the war, Toussaint shoved a pistol in the face of the SS commander who wanted to raze the city and execute tens of thousands of Czechs. Reluctantly, the commander yielded. Toussaint was imprisoned for life by Czechoslovakia after the war, but released in 1961 in a spy swap.

Steinhardt was the first and perhaps most impressive American diplomat to call the palace home. He chose it as his residence and negotiated a deal whereby America purchased the building from Czechoslovakia in return for outstanding debt. A Jewish lawyer, he had clashed with Stalin while serving in Moscow and shrugged off anti-Semitism in the WASPish State Department. He was close to giants of post-war statesmanship such as Dean Acheson and the Dulles brothers, John Foster and Allen, and used his connections to try to drag Czechoslovakia back into the West's orbit.

He failed, and Czechoslovakia was lost until 1989. Mr Eisen argues that the lesson of Steinhardt's experience is relevant today: you cannot cohabit or compromise with communist or fascist thinking.

Later chapters on post-war American ambassadorships, including Mr Eisen's own, sag. But the book's main characters are captivating. The palace itself has a ghostly allure: all those different lives lived in the same rooms, on the same staircase and with the same furniture, bought by Petschek, stamped with the swastika, and now an asset of the State Department.

*This article appeared in the Books and arts section of the print edition under the headline "Czech fates"*



“Normal People”

## Sally Rooney's second novel is darker than her first

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*It is also very good*

Print edition | Books and arts Sep 6th 2018

**Normal People.** By Sally Rooney. *Faber & Faber*; 266 pages; £14.99. To be published in America by Hogarth in April; \$26.

SALLY ROONEY'S first novel, “Conversations with Friends”—the story of the fluctuating friendship of two Dublin college students and their involvement with an older married couple—was a deserved success. Her follow-up, “Normal People”, which has been longlisted for the Man Booker prize, is a lovely, mostly painful examination of the agonising, will-they-won't-they relationship between two characters, Connell and Marianne.

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Ms Rooney's prose remains precise and fluent, but the mood is darker, the tempo quicker. Whereas “Conversations with Friends” breathed new life into the novel of adultery, “Normal People” bends the conventions of boy-meets-girl, boy-rejects-girl, girl-rejects-boy (and so on) to create a book of piercing insight. Her work is reminiscent of Jane Austen, belabouring her two inches of ivory, and of Françoise Sagan (author of “*Bonjour Tristesse*”), two writers feted for their cool, clear exposition of human behaviour; how it can be as motiveless as it is full of meaning.

Connell and Marianne are two of the brightest students in their rural school, but they are worlds apart socially. His single mother works as a cleaner for her wealthy family. Marianne's home life is murky with violence and emotional neglect. She is ostracised at school, whereas Connell is popular and loved by his mother. Their relationship begins in secret, with feelings they cannot express. Soon both are ensconced at Trinity College Dublin, where small-town rivalries are exchanged for big-city anxieties. Now Connell is the outsider, poor and adrift, while Marianne is the striking centre of a glittering and affluent circle. The pair fall together (into bed and friendship) and apart as the years pass.

Ms Rooney captures the ferocity of teenage carelessness and the kangaroo-court atmosphere of early adulthood, while retaining a painterly eye for a scene. There is an uncomfortable group holiday in Trieste, a lonely, self-abasing year in Sweden for Marianne, and a charged return to their home town, during which Connell is overwhelmed by an almost-realisation of his feelings: “It was so much more painful to look at her than anyone had warned him it would be, and he wanted to do something terrible, like set himself on fire or drive his car into a tree.”

This could easily veer into melodrama, but Ms Rooney has a gift for imbuing emotions with grandeur, especially the ones that seem to be hidden and unutterable:

From a young age her life has been abnormal, she knows that. But so much is covered over in time now, the way leaves fall and cover a piece of earth, and eventually mingle with the soil. Things that happened to her then are buried in the earth of her body.

Exterior descriptions are sparing but evocative: “Raincoats glistening in the undersea colour of street lamps. Rain silver as loose change in the glare of traffic.” After only two novels, Ms Rooney feels essential.

*This article appeared in the Books and arts section of the print edition under the headline “Dare not speak its name”*

Johnson

## Why your Latin teacher was wrong

Quick, and no Googling: is it “abjure” or “adjure”?

Print edition | Books and arts Sep 6th 2018

ENGLISH-speakers are sure their language is especially perplexing. But while it has its quirks, so does every other language (aside from planned ones like Esperanto). In one way, though, English really is confusing. A small new book, “That Doesn’t Mean What You Think It Means”, by Ross and Kathryn Petras, helps readers distinguish many words that are confusingly similar. Some are nearly homophones with different spellings and completely different meanings, like *elicit* and *illicit*. Some are near homophones with distinct but related meanings, like *emigrate* and *immigrate*. And some are similar-looking words with opposite meanings, like *adjure* and *abjure*. What kind of language is this?

It is not the English kind so much as the Latin kind. About 28% of the words in the “Shorter Oxford Dictionary” come from that language. This huge layer of vocabulary was either borrowed directly, borrowed from Latin via French or coined in English from Latin roots. Educated people are expected to know these words, which means a lifetime of trying to keep things like *ingenious* and *ingenuous* distinct.

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What sort of person would coin antonym pairs like *adjure* and *abjure* (the former meaning to vigorously encourage someone to do something, the latter meaning to renounce)? The answer is the Roman sort. *Ad* and *ab* are workaday prepositions in Latin, the former usually meaning “towards”, or “at” (think of *ad hominem*) and the latter meaning “from” (think *abscond*, *abdicate* and such). *Iurare* means “to swear”. So in Latin, *adiurare* meant to swear to do something, and *abiurare* meant to swear off it—the *ab* and *ad* clear as day to your average Roman.

The problem is that words like *adjure* are not ordinary to Anglophones today. They were borrowed into English by classically trained scholars who could assume that everyone who would use them would know Latin almost as well as a Roman. That is no longer true. Today education is happily more widespread, but knowledge of classical languages is sadly far rarer. People are expected to know the likes of *adjure* without a lick of Latin.

In bygone days, when university-bound American students sat a test of vocabulary as part of the Scholastic Aptitude Test, there was a purported shortcut: teach a few Latin prefixes. *In-* means “in” or “into” and *ex-* means “outside”. Remembering that helps with *interior* and *exterior*. But it is of limited help with *immigrate* versus *emigrate*, where the *n* of *in-* and the *x* of *ex-* have disappeared to make the words easier to pronounce. It is true that knowing Latin may help you remember Latinate English words you have already learned. But it is often little help in deciphering a brand new one.

English has dipped into the Latin well so often that it has frequently concocted words that would be confusing even if you speak Latin as well as Augustus. English has pairs like alternate/alternative, fortunate/fortuitous, discrete/discreet, economic/economical, historic/historical, incredible/incredulous and many others. These use the same Latin roots twice, to make two different words with rather different shades of meaning. You are not necessarily ingenuous, or even a dolt in classics, if you confuse that word with *ingenious*. They both use the root *gignere*, to be born. (“Ingenious” means born with ability. The meaning of “ingenuous” went from free-born, to honest, to candid, to naive.)

What is to be done? The Latin teacher’s answer is, of course, to learn Latin. But there is a radically different solution. English is a Germanic language. So is Icelandic. That language was separated by half an ocean from the Latinising fever of the Renaissance, and its guardians have made an effort to purge those Latinate words that did sneak in. As a result, it has words like *fotsnyrting* for *pedicure*: both mean something like “foot-grooming”, but the “foot” is clearer in Icelandic.

One need not go so far as the English poet William Barnes, who wanted to revive words like *earthtillage* in place of *agriculture*. In effect (or is it affect?) he wanted to make English more like Icelandic. Such a scheme would not only be disruptive. It would rob English of some of its subtlety resulting from a history of borrowing: triplets like *kingly* (Germanic), *regal* (Latinate) and *royal* (Latin via French) have a different feel. But the roots that grip an English-speaker’s heart are the Germanic ones, closest to the words of everyday life. Writers aiming for a lively and earthy feel should prefer them.

*This article appeared in the Books and arts section of the print edition under the headline “Amo, amas... oh, forget it”*

Output, prices and jobs

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## Output, prices and jobs

Print edition | Economic and financial indicators Sep 6th 2018

## **Trade, exchange rates, budget balances and interest rates**

Print edition | Economic and financial indicators Sep 6th 2018

**The Economist commodity-price index**

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## **The Economist poll of forecasters, September averages**

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**Markets**

**Print edition | Economic and financial indicators** Sep 6th 2018

## Chicha Mariani

Hope against hope

Hope against hope

### Obituary: Chicha Mariani

*The co-founder of Argentina's Abuelas de Plaza de Mayo died on August 20th, aged 94*

Print edition | Obituary Sep 6th 2018

THEY looked like any other group of middle-aged grannies, Chicha Mariani and her friends. At a café called Las Violetas in northern Buenos Aires in the late 1970s and early 1980s they regularly sat with their matés and *medialunas*, chatting. On Thursdays, in white headscarves, they would go to the centre of the city and walk round the Plaza de Mayo, in front of the presidential palace, joining the Mothers there to ask what had happened to the thousands who had been “disappeared” by the military regime. On other days, Las Violetas was their secret plotting place.

Before long, photos of grandchildren might come out. Chicha shared hers proudly: dear little Clara Anahí, with her lively dark eyes and lots of flyaway first chestnut hair, always smiling. But there were no photos of her older than three months, for on November 24th 1976 she had disappeared in a military raid.

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Chicha had been at home that day in La Plata, not as usual teaching art history in secondary school. She was sewing a bathrobe for Clara Anahí, worrying about the rash she had after her measles injection, when she heard tanks go down the road. Their purpose, it turned out, was to destroy the house where her son Daniel, his wife Diana and a few companions, all Montoneros violently opposed to the regime, were printing a newspaper. She knew nothing of politics, but heard the explosions. Everyone was killed, apart from Daniel. The army murdered him later, her studious economist son; and the only thing that kept her living then was the thought that Clara Anahí had survived.

She was sure of it. The baby had been pulled from under her mother's body, or found hidden under towels in a bath. She had been handed to some officer. These were the whispers. And she was then given, as all such babies were, to some “properly Argentinian” couple, instead of to her grandmother, as she should have been.

Armed with this certainty and with furious love, like a motor roaring inside her, Chicha went in search of answers. She got none. Neighbours avoided her, policemen bullied her, soldiers protected each other. Useless priests told her to go away and pray. The turning-point was the day in 1977 when she met Alicia “Licha” de la Cuadra, another searching *abuela*. There were, she now saw, many of them, trying to do their best by their dead children. Licha's serenity shocked her out of her longing to rant and scream, and they formed the Abuelas de Plaza de Mayo with ten other women.

She sighed later to think how naive they were, even buying nappies because the babies would soon come back. But perhaps 500 grandchildren were among the disappeared; the Abuelas were up against government policy, as well as closed ranks. The answer, when she ran the Abuelas from 1982 to 1989, was to bring genetic testing fully into the fight. She urged both families with missing children, and adopted children who had doubts, to get tested, building up a Grandparents' Index of DNA profiles that could be matched. The work was slow, people and politicians were reluctant, and by the late 1980s she found the Abuelas themselves getting too political. So she left them, and the vital work slowed even more. By 2018 a mere 128 grandchildren had been reunited with their real families. She thought that pitiful.

And of course behind it all lay the embrace she really, daily longed for, which got no closer. Science and justice were not all she built her hopes on. Like the other Abuelas, she also worked by instinct. When she heard of families with adopted children, she spied on them. She watched children in the street for a look or gesture that only a grandmother would know. As the years passed, she naturally adjusted Clara Anahí's age. She made friends with many young women who felt they did not fit into their families, until the DNA tests proved there was no match with her. Though that disappointment never lost its sting, several of these women became her *nietas de corazón*, heart-grand-daughters. And she loved them too, almost as much.

One of these was Marcela, the adopted daughter of Ernestina Herrera de Noble and heir to the Clarín media empire, the biggest in the country. When Chicha saw her picture in 1983, she recognised Clara Anahí; or rather herself, at the age of seven, in the same ribbed socks and with the same reserved intelligence. Marcela's toing and froing on being tested made headlines in Argentina; when at last tests were done, those too were negative. So were those of the 39-year-old woman from Córdoba who on Christmas Eve in 2015 turned up in La Plata, said she was Clara Anahí and hugged Chicha for the cameras.

By then Chicha was almost blind, and might easily have been fooled by a face. Yet photos of the meeting showed her cautious and unsmiling. Something was not right. In 2010 she had started to write letters to Clara Anahí on the Facebook page of the foundation she had set up for her, telling her about her family, the scar on her arm and her document number, and posting those baby pictures. It was a perfect identity kit for anyone wishing to deceive an old grandmother. But this old grandmother,

over decades of tireless seeking, had perhaps formed a bond with her granddaughter so intense that even a reappeared Clara Anahí, the end of her life's work, might not have matched up to the image she carried in her heart.

*This article appeared in the Obituary section of the print edition under the headline "Hope against hope"*