The Economist

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At least 81 people were thought to have perished in **forest fires** near Athens, with many more unaccounted for. The wildfire is believed to be the worst in post-war Europe. Dry conditions have also led to fires in a number of other countries, including Sweden, Norway and Latvia. In Japan a record-breaking **heatwave** pushed temperatures above 40{+o}C (104{+o}F) in Tokyo for the first time. At least 65 people have died across Japan because of the heat over the past week; more than 22,600 have been hospitalised. See article .

Spain's People's Party chose a new leader following the resignation of Mariano Rajoy, who was forced to stand down as prime minister last month. The new leader is Pablo Casado, a right-winger.

France was gripped by a presidential scandal involving one of Emmanuel Macron's bodyguards, who was filmed wearing a police helmet (though he is not a policeman) and beating up a protester. See article .

Jeremy Hunt, **Britain's** new foreign secretary, warned the EU not to expect Britain to "blink" in Brexit negotiations, and that there was a "very real risk of a Brexit no-deal by accident". This, he said, would lead to "unintended geopolitical consequences".

Learning from the past

The **Democratic Republic of Congo** announced that an outbreak of the Ebola virus had been contained after infecting 54 people and killing 33. No new infections have been reported for 42 days.

More than a dozen senators defected from **Nigeria's** ruling party, the All Progressives Congress, to join the People's Democratic Party. The defections may weaken the campaign of Muhammadu Buhari for a second term in office in next year's presidential election.

The jihadists of Islamic State carried out a string of suicide-bombings and other attacks in southern **Syria** that killed 200 people. In recent months the regime of Bashar al-Assad has retaken control of much of southern Syria from rebels and jihadists.

Israel helped hundreds of members of the White Helmets, a civil-defence group, leave southern Syria. The Assad regime, which claims the group supports terrorists, condemned the move. Israel also shot down a Syrian warplane that entered its airspace.

Saudi Arabia's energy minister said he would suspend Saudi oil shipments through the Red Sea following an attack launched by **Houthi** rebels in Yemen on two Saudi oil carriers. Saudi Arabia is fighting a war against the Houthis, who are backed by Iran.

Look back in anger

Álvaro Uribe, a former president of **Colombia** and a leading critic of the country's peace deal with the FARC guerrillas, stepped down from his seat in the Senate after the Supreme Court said it was expanding its probe of him to include allegations of bribery. Meanwhile, ten former members of the FARC took up their seats in Congress. The seats were granted to the former rebel group as part of the agreement that ended five decades of conflict. That deal is under pressure in a new Congress dominated by the right. See article .

Jair Bolsonaro formally entered the **Brazilian** presidential race. The congressman, a former army officer, is riding high in the polls with his strongman promise to crack down on Brazil's rampant crime and corruption. But he is a controversial candidate; among his many startling remarks, he once said he would not rape a congresswoman because she didn't "deserve it".

Daniel Ortega said he would not step down as president of **Nicaragua** and blamed the opposition and drug gangs for a wave of protests in which 350 people have died since April. Thirteen Latin American countries expressed concern over the violation of "fundamental freedoms" in Nicaragua (ie, Mr Ortega's thugs killing protesters).

The IMF forecast that **Venezuela's** inflation rate will hit 1,000,000% by the end of the year. After years of economic mismanagement under President Nicolás Maduro, the economy is set to shrink by 18% in 2018.

Fire and fury, take two

Donald Trump responded to sabre-rattling comments from the **Iranian** president, Hassan Rouhani, by tweeting that Iran would "suffer consequences the likes of which few...have ever suffered" if it kept provoking America. Iran retaliated by saying it would take "countermeasures" against American plans to block Iranian oil exports. The barrage of barbs briefly rattled oil markets.

The British government waived a protocol that British citizens extradited to America to stand trial for murder should not face the **death penalty**, in the case of two members of an Islamic State death squad. Alexanda Kotey and El Shafee Elsheikh are two alleged members of a cell nicknamed The Beatles who carried out a series of high-profile beheadings in Syria. The pair are being held by Kurdish forces in Syria. See article .

Corporate pressure

In **China**, the chairwoman of a biotech company was among 15 people arrested after hundreds of thousands of vaccines for children were found to be defective. The scandal has elicited outrage. The government said those found responsible would be punished with "zero tolerance". See article .

America's biggest airlines sort-of complied with a demand from the Chinese government to alter the way they describe **Taiwan**. But instead of redesignating Taiwan as part of **China**, as other carriers have done, the American airlines now refer to the airport in Taipei, the Taiwanese capital, in booking and flight information.

The collapse of a dam in **Laos's** Attapeu province killed at least 20 people. Around 100 are missing. Hydroelectric power has become controversial in Laos as the government has ramped up its investment in dam projects. See article .

Election day in **Pakistan** was marred by violence; a suicide-bomb at a polling station in Quetta killed at least 31 people. Supporters of the party led by Imran Khan, a former cricketer, claimed victory, but his opponents alleged that security officials helped rig the vote. See article .

The **Indian** government scrapped its tampon tax. Campaigners argued that, by making it costlier to go out without embarrassment while menstruating, the tax was pushing girls to drop out of school.

KAL’s cartoon

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Business this week

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Tributes were paid to **Sergio Marchionne**, a lauded chief executive of Fiat Chrysler, after he died from complications following surgery. He was 66. The poker-playing, chain-smoking Mr Marchionne was a larger-than-life figure in the car industry. After turning around a lethargic Fiat he engineered a merger in 2009 with Chrysler, with the backing of the American government, and set about restructuring its management and sales practices. Once asked about Fiat's slow conversion to the electric-car revolution, Mr Marchionne replied: "Better late than sorry." Fiat Chrysler's new boss is Mike Manley, the British head of its Jeep division.

Donald Trump met Jean-Claude Juncker, the president of the European Commission, in Washington to discuss **trade**. The two leaders agreed to start a "dialogue" on the tit-for-tat tariffs that each side has recently set in motion, but no schedule for talks was forthcoming. They at least backed away from levying new duties.

Reap what ye sow

America's Department of Agriculture announced that it will extend $12bn in relief to **farmers** who have been hurt by tariffs imposed by China and other countries in retaliation for Mr Trump's trade war. The imposition of duties has unsettled markets in many agricultural goods. Chinese tariffs on American soyabeans, for example, have curtailed America's exports of the commodity, leading to a build-up of domestic stockpiles and falling prices.

General Motors reported that increased commodity costs were partly to blame for lower profit forecasts. Steel and aluminium have become more expensive because of higher tariffs. **Harley-Davidson** said that it expects its incremental costs because of tariffs to be up to $55m this year and could be as high as $100m next year. The motorcycle manufacturer is not just being hit by higher metal costs; it is also moving some production out of America to avoid European duties.

Congress backed down from its threat to reimpose a ban on **ZTE**, a Chinese maker of telecoms equipment, acquiring American semiconductors and other components crucial to its business. The White House lifted the ban after reaching a settlement with ZTE for violating sanctions. Congress wasn't happy with that, but after a round of lobbying by Mr Trump it has softened its position and will instead block companies that work for the government from buying ZTE's equipment.

Qualcomm, a big American chipmaker, ditched its bid to buy **NXP Semiconductors**, a Dutch rival, after failing to get approval for the $44bn deal from regulators in China. The withholding of Chinese approval is seen as another shot in the trade war.

Following a series of strikes by pilots in Ireland, its home country, **Ryanair** warned it might have to cut jobs, cautioning that its reputation for low fares could be affected by the industrial action

Political currency

The **Turkish lira** fell sharply, after the central bank decided to leave its benchmark interest rate on hold, at 17.75%. That unnerved markets hoping for a rate increase to combat inflation, which reached 15.4% in June. It also fuelled worries that Recep Tayyip Erdogan, Turkey's president, who has called interest rates "the mother of all evil", is again encroaching on central-bank policymaking.

Alphabet, **Google's** parent company, reported a 9% drop in quarterly profit compared with the same three months last year, to $3.2bn, as it booked the cost of the EU's recent $5bn fine, levied for abusing the dominance of its Android operating system for smartphones. But Google's advertising revenue, the mainstay of the business, rose by almost a quarter to $28bn, enthusing investors. Alphabet's share price soared to a record high.

By contrast, **Facebook's** share price swooned after it revealed that its user growth was slowing. It gave a downbeat assessment of its business in the medium term, warning that new video formats and data-privacy concerns would hit margins.

Britain's Serious Fraud Office sought to reinstate charges against **Barclays** in relation to a loan it obtained from Qatar's investment company during the financial crisis. A court had dismissed the charges in May.

Papa don't preach

Papa John's adopted a "poison pill" to try to stop John Schnatter from gaining control of the pizza chain, following his resignation as chairman for using a racial slur. Mr Schnatter founded the company and controls around 30% of the shares. He has apologised for the slur but now says it was a mistake to step down. In January Mr Schnatter stood aside as chief executive, after he criticised players in the National Football League for kneeling during the national anthem.

The Belt and Road Initiative
Planet China

All under heaven

China's belt-and-road plans are to be welcomed—and worried about

The "project of the century" may help some economies, but at a political cost

Print edition | Leaders Jul 26th 2018

SHUNNING all false modesty, China's leader, Xi Jinping, calls his idea the "project of the century". The country's fawning media hail it as a gift of "Chinese wisdom" to the world's development. As for the real meaning of the clumsy metaphor to describe it—the Belt and Road Initiative (BRI)—debate rages.

The term itself is confusing. The "road" refers mostly to a sea route; the "belt" is on land. Countries eager for China's financing welcome it as a source of investment in infrastructure between China and Europe via the Middle East and Africa. Those who fear China see it instead as a sinister project to create a new world order in which China is the pre-eminent power.

All roads lead to Beijing

One cause of confusion is that the BRI is not a single plan at all. A visitor to its website would click in vain to find a detailed explanation of its aims. There is no blueprint of the kind that China's leaders love: so many billions of dollars to be spent, so many kilometres of track to be laid or so much new port capacity to be built by such-and-such a date.

Chinese maps show the belt and road as lines that trace the routes of ancient "silk roads" that traversed Eurasia and the seas between China and Africa (see Briefing). That was the original conceit, but these days China talks about BRI as if it were a global project. The rhetoric has expanded to include a "Pacific Silk Road", a "Silk Road on Ice" that crosses the Arctic Ocean and a "Digital Silk Road" through cyberspace.

To the extent that this is all about building infrastructure, the idea is welcome. Trillions of dollars' worth of roads, railways, ports and power stations are needed in countries across Asia, Africa and Europe. China's money and expertise could be a big help in spreading wealth and prosperity.

China says anyone can join in. Countries such as Azerbaijan and Georgia, which stand to benefit immensely from better connections to the world, are wildly enthusiastic. One of China's motives is to strengthen security on its western flank by helping Central Asian countries prosper—thereby, it hopes, preventing them from becoming hotbeds of Islamist terrorism. Everyone would benefit from that, too.

But there are worries. The BRI is bound up with the growing cult around Mr Xi. State media call it "the path of Xi Jinping". It has become shorthand for China's overseas aid, state-led investment abroad and for Mr Xi's much-ballyhooed "great-power diplomacy with Chinese characteristics". China urges other countries to praise the BRI, so that their words can be relayed back home as propaganda. Few Chinese dare offer open criticism; that makes mistakes more likely.

The citizens of countries hosting BRI projects may come to regret their governments' enthusiasm. Like all Chinese cash, the BRI billions come without pesky questions about human rights or corruption. Indeed, the terms are often shrouded in secrecy, raising fears that local politicians may benefit more than their people. Projects tend to require the use of lots of Chinese labour. BRI countries risk piling up dangerous amounts of debt, which some fear is designed to give China a strategic hold over them. Pakistan, one of the most important BRI countries, has just held an election in which candidates vied to take credit for Chinese investment; yet the debts are so large that, before long, Pakistan is likely to need an IMF bail-out.

Then there are possible security risks. In his metaphorical flights, Mr Xi sometimes speaks of his belt and road as a single thoroughfare, a "road of peace". But what if the Chinese navy were to take advantage of ports such as Hambantota? This was repossessed by a Chinese state-owned firm after the Sri Lankan government struggled to repay the debts it had amassed to build it. Military planners worry that China could develop a string of such berths that its ships could use to extend their reach far beyond China's shores.

Analysts in Asia and the West believe that China wants to displace America as the Asian hegemon. The BRI could end up furthering that plan, even if it is not its focus. China's crude maps show the belt and road running through disputed territory, including the bitterly contested waters of the South China Sea where China has been busy building fortresses on reefs.

Some Asian countries, including India and Vietnam, are wary and most Western countries share their unease. Last year America's defence secretary, James Mattis, said that: "No one nation should put itself into a position of dictating [BRI]". In January France's president, Emmanuel Macron, warned that the BRI "cannot be the roads of a new hegemony that will make the countries they traverse into vassal states." He added: "The ancient silk roads were never purely Chinese...These roads are to be shared and they cannot be one-way."

Keep those American signposts

What should the world do about the BRI? For a start, it needs to keep some perspective. Even if China does hope to use it as a political tool to beat back Western influence, Beijing is bound to face difficulties, as projects go awry, debts go bad and people grow hostile to China's presence. History suggests that simply doling out money will not, on its own, usher in a *Pax Sinica*.

The world can also use its influence to make the BRI more beneficial. Even China's billions cannot finance everything on offer. Money coming from the West, from the European Union and from institutions such as the World Bank and the IMF should be lent according to international standards—including on such things as transparency, environmental safeguards, public procurement and debt sustainability. So long as they are good projects, let China include them in the BRI if it wants to.

Last is security. The way to assuage fears about the BRI's threat to the balance of power is not by trying to frustrate China's efforts, let alone by starting a trade war or by pulling America's armed forces out of Asia, as President Donald Trump sometimes seems to contemplate. On the contrary, the balance of risks and benefits of the BRI is related to America's commitment to Asia. If the United States is engaged, the world can mitigate the dangers of BRI and reap its rewards. If not, the risks will outweigh the benefits. The BRI is yet one more argument for America to stay in Asia.

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Breaking the fever

WhatsApp suggests a cure for virality

Other tech firms should watch and learn

Print edition | Leaders Jul 26th 2018

PRIESTS, teachers and parents have for generations advised their wards to think twice before speaking, to count to ten when angry and to get a good night's sleep before making big decisions. Social networks care little for second thoughts. Services such as Facebook and Twitter are built to maximise "virality", making it irresistible to share, like and retweet things. They are getting better at it: fully half of the 40 most-retweeted tweets date from January last year.

When sneezing pandas and dancing cockatoos sweep the internet, no harm is done. But viral content can have grave consequences. In the 2016 presidential election, Americans spread divisive posts that had been planted on Facebook by Russian troublemakers; the social network reckons that about 40% of Americans saw at least one of them. Virality can cost lives. At least two dozen innocent people have been lynched in India this year after bogus rumours warning of child abductors went viral on WhatsApp, a messaging service owned by Facebook. WhatsApp has also been used by political operatives in India, its largest market, to stoke religious and nationalist fury.

Starting this month, however, users of WhatsApp will find it harder to spread content. They will no longer be able to forward messages to more than 20 others in one go, down from more than 100. In India the upper limit is just five and WhatsApp has removed the "quick forward" button from audio, video and images, adding an extra step to the process of sending content. The goal is not to prevent people from sharing information—only to get users to think about what they are passing on. It is an idea other platforms should consider copying.

Sceptics point out that WhatsApp can afford to hinder the spread of information on its platform because it does not rely on the sale of advertisements to make money. Slowing down sharing would be more damaging to social networks such as Facebook and Twitter, which make money by keeping users on their sites and showing them ads. Their shareholders would surely balk at anything that lessens engagement.

Sure enough, Facebook's shares fell by 23% in after-hours trading this week, partly because Mark Zuckerberg, its boss, said that its priority would be to get users to interact more with each other, not to promote viral content. Yet the short-term pain caused by a decline in virality may be in the long-term interests of the social networks. Fake news and concerns about digital addiction, among other things, have already damaged the reputations of tech platforms. Moves to slow sharing could help see off draconian action by regulators and lawmakers.

They could also improve its service. Instagram, a photo-sharing social network also owned by Facebook, shows that you can be successful without resorting to virality. It offers no sharing options and does not allow links but boasts more than a billion monthly users. It has remained relatively free of political content and misinformation. Facebook does not break out Instagram's revenues, but it is thought to make money.

Move slow, don't fake things

The need to curb virality is becoming ever more urgent. About half the world uses the internet today. The next 3.8bn users to go online will be poorer and less familiar with media. The examples of hoaxes, misinformation and violence in India suggest that the capacity to manipulate people online is even greater when they first gain access to digital communications.

Small changes can have big effects: social networks have become expert at making their services compulsive by tweaking shades of blue and the size of buttons. They have the knowledge and the tools to maximise the sharing of information. That gives them the power to limit its virality, too.

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Market power

Like America, Britain suffers from a lack of competition

Finding a remedy may get harder after Brexit

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IN 2016 we decried falling competition in America, where profits have surged as industries have become more concentrated. This week, drawing on our own research and a study by the Resolution Foundation, a think-tank, we report that a similar—if not yet as severe—problem has taken root across the Atlantic (see article). That is bad for ordinary Britons, who pay 25% more for goods and services than they did in 2008, even as wages have grown by just 19%. Moreover, as Britain grapples with what sort of place it should be after Brexit, the whiff of oligopoly risks turning people against capitalism.

If you split the British economy into 250-odd industry sectors, you will find that in nearly 60% of them the four biggest firms claim a larger share of revenues than they did a decade ago. Since the early 2000s the top 100 firms, excluding finance and oil, have seen their share of economy-wide takings creep up, from 18.5% to 23%. Profit margins have risen by nearly four-fifths since 1980, and are above the European average. So far, profits as a whole have not gobbled up a larger share of GDP, perhaps because small firms are doing worse and because the largest companies, such as Apple and Amazon, book profits offshore. But the long-run trend in profit margins is worrying.

Nobody can be sure why the economy is becoming more concentrated. It may be that globalisation and technological advances have enabled world-beating "superstar" firms to see off their lumbering domestic competitors. This could bring some benefits. Shakeouts, in which leading firms grow and laggards shrink, should boost overall productivity. And higher concentration does not always imperil competition. Just look at Britain's big supermarkets, which have been fighting a decade-long price war and eking out only meagre profits. Consumers may benefit from the efficiencies large firms can bring.

But the British trend does not seem benign. There is greater concentration even in non-tradable industries such as housebuilding—in which nobody thinks the quality of output is high. Since the financial crisis, Britain's increase in productivity has been dismal, keeping wage-growth low, too. There is evidence that leading firms, and not laggards, are behind the slowdown. In some industries they may feel they do not need to invest to keep ahead. The tech giants do innovate, but their ideas do not seem to spread through the economy.

Stand back

Regulators should ask themselves whether they have overlooked a growing problem. As in America, Britain's competition tsars scrutinise mergers with a microscope. Though rigorous, their approach means that they can miss the big picture. Following a review in 2016, the government began publishing some indicators of the overall competitive health of markets. But the data are often old and patchy.

After Brexit, it will be vital for Britain to run a robust competition policy in the face of lobbying by some of the world's largest companies. That is because the biggest mergers will be vetted in London rather than Brussels, including some which failed in Europe and return for a second try. By some measures, British regulators already look passive. In 2014 the German authorities concluded 29 competition cases, the French, 22. In Britain the figure was just five. Official estimates suggest that Britain's Competition and Markets Authority needs to grow by nearly 40% to cope with the extra workload.

The danger is that Brexit hands power to vested interests. If Britain leaves the EU's regulatory bodies in concentrated industries such as telecoms and airlines—where profits are high in America but not in Britain—firms might find it easier to raise prices or lower quality. There is a risk that a post-Brexit government eager to demonstrate the success of "Global Britain" will cosy up to big firms in an attempt to get them to invest.

To avoid that fate, Britain must fund its competition authorities adequately and ensure that they continue to champion consumers over producers. They should not shy away from industries—such as utilities—that provoke ire among the public. When monopolies and oligopolies thrive, the critics of free markets jump at the chance to blame liberal capitalism itself. The government not only needs to keep markets competitive. It must also convince a sceptical public that, far from strengthening elites, competition acts as a check on the accumulation of wealth and power.

This article appeared in the Leaders section of the print edition under the headline "Concentration problems"

Taking the pain out of Spain

Lessons from Spain's recovery after the euro crisis

Its admirable economic progress could be hobbled by politics

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JUST six years ago Spain seemed to be the European Union's biggest economic calamity, menacing the survival of the euro itself. As it goes on holiday this week, it is in much brighter shape. Thanks to structural reforms and some good fortune, it is enjoying a sustained recovery. Spanish politics has little of the xenophobia common elsewhere in Europe. Forty years after it became a democracy, on issues of personal liberty such as gay marriage Spain feels Scandinavian rather than southern European. Boasting the world's second-highest life expectancy, a good health service and world-class transport infrastructure, it is in many ways a great place to live.

Yet that is not how many Spaniards see it. The slump in 2009-13 opened wounds that have yet to heal (see Special report). Spain is still more unequal, has more poor and more low-paid workers than in 2008. Real wages have fallen. Many younger Spaniards have had to delay their plans for a career, a house and children. Politics reflects that. A stable two-party system gave way in 2015 to hung parliaments, as public ire fuelled two newish parties: Podemos on the radical left and Ciudadanos, a centrist party a bit like the one running France.

Podemos is one sign that Spain has not wholly been spared populism. Another is that Catalan nationalism has mutated, largely because of the crisis, into intolerant separatism. Both, in different ways, challenge the broad consensus that underlay the democratic constitution of 1978.

Spain does not need refounding. But it does need further reform. That task falls to Pedro Sánchez, the new Socialist prime minister who came to power unexpectedly last month after ousting Mariano Rajoy with a censure motion over corruption scandals that were dogging the conservative People's Party (PP). His first job is to keep the recovery going. Reducing the burden of public debt (98% of GDP) is vital if Spain is not to be caught out by the next downturn. Rather than repeal Mr Rajoy's labour reform, as some Socialists want, Mr Sánchez should curb the abuse of temporary contracts. Education and skills-training need fixing; the welfare state should spend more on the young rather than raise unsustainable pensions.

The trickiest problem is Catalonia, with 7.5m people and a fifth of the Spanish economy. It has been split in two by the actions of its separatists, culminating in an unconstitutional referendum and a unilateral declaration of independence last autumn. That was bound to provoke a harsh reaction from the centre. Like most other European democracies, though not Britain, Spain has a written constitution that upholds national unity. Any referendum on independence risks being copied in other regions, potentially breaking up the country. International law, in effect, recognises no right to self-determination by a region in an advanced democracy. No serious European politician is willing to countenance this; Britain's referendum on Scottish independence is unlikely to be copied elsewhere.

That said, in dealing with Catalonia and the grievances of a large minority of its people, Mr Rajoy never found a balance of firmness, understanding and proportionality. Spain's judiciary, independent but often bovine, has made things worse. Charging Carles Puigdemont, the fugitive former Catalan president, and his colleagues with rebellion, under a law aimed at stopping military coups, was self-defeating. Predictably, a German court ruled that Mr Puigdemont could be extradited only on a lesser charge, prompting the Spanish court to desist. The best course would be to free the Catalan prisoners and charge them all with disobeying the constitution, punishable with lengthy disqualification from office.

Mr Sánchez's instincts on Catalonia are better than Mr Rajoy's. He has opened talks with Mr Puigdemont's successor. He has suggested tweaking Catalonia's statute of home rule and getting Catalans to vote on that. Spain anyway needs to review its system of decentralisation, recognising that a diverse country is best governed in the manner of federal Germany rather than, as is the PP's instinct, centralised France. That requires politically difficult constitutional changes.

Catalans among the Puigdemont

Mr Sánchez says he wants to govern until 2020. With only 84 of the 350 seats in Congress, he would be wise to call an election sooner. Government has lost momentum since the PP lost its majority in 2015. Spain cannot afford two more years of doing nothing. In the Socialists and Ciudadanos it has the elements of a future reformist coalition. That matters: the best way to defeat separatists is to make Spain as a whole more effective and attractive. By contrast, gridlock in Madrid risks reinforcing the stand-off in Catalonia and wasting the chance to turn the economic recovery into a Spanish renaissance.

This article appeared in the Leaders section of the print edition under the headline "Spanish lessons"

Never smile at the crocodile

Emmerson Mnangagwa says he will rescue Zimbabwe. Don't believe it

In the first election since a coup, the party of Robert Mugabe deserves to lose

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FOR the first time since independence in 1980, Zimbabwe goes to the polls on July 30th without Robert Mugabe on the ballot. Instead the old despot's former sidekick, who took his place after a coup last year, is bidding for legitimacy, together with Zanu-PF, the ruling party. Emmerson Mnangagwa (pictured, right), nicknamed the Crocodile for the way, over nearly four decades, he used to bide his time before suddenly crunching Mr Mugabe's enemies, now presents himself as a reformed character. He vows to save the economy from disaster, revive the country's farms and mines, compensate whites whose land was stolen under Mr Mugabe, stamp out corruption and bring back harmony and prosperity. Do not believe it. However honeyed and sensible Mr Mnangagwa's recent words, his record of evil-doing cannot be washed away. The same goes for his party. Almost any alternative is better.

If the elections were free and fair, the opposition Movement for Democratic Change (MDC), led by Nelson Chamisa, a vigorous 40-year-old lawyer (pictured, left), would probably win, as it narrowly did against huge odds in the last meaningful contest in 2008. The MDC's presidential candidate that year, Morgan Tsvangirai, who died in February, defeated Mr Mugabe in the first round but withdrew after hundreds of his supporters had been murdered by Zanu-PF thugs. The campaign to throttle democracy was orchestrated by Mr Mnangagwa.

So far, today's contest has been less violent (see article). The voters' register has fewer obviously dead people on it. The electoral commission, though its staff has too many pro-Zanu-PF military stalwarts, is less flagrantly biased. Western observers have been let in. The MDC is likely, as before, to win the cities. But especially in the countryside, where most Zimbabweans live, shenanigans are rife. Soldiers without uniforms have been warning villagers against voting "the wrong way". Traditional chiefs, most of them in Zanu-PF's pocket, are issuing threats of their own. Millions of rural Zimbabweans still depend on foreign donors' food handouts, their names on lists overseen by the ruling party. Many assume that their vote will not be secret, and that they will be tortured or denied food if they back the opposition. It has happened before, and many of the same thugs are still in charge.

Most experts think Mr Chamisa and his MDC cannot overcome such drawbacks. Many think the army chiefs would never allow Mr Mnangagwa and his party to be defeated. Would-be investors, reassured by Mr Mnangagwa's mantra that Zimbabwe is "open for business", may prefer the status quo. The IMF is said to be poised to help. Besides, the MDC performed poorly during an unhappy stint in coalition. Mr Chamisa, no angel himself, has made some bombastic promises that he is unlikely to keep. The British government, more than other Western powers, apparently sees Mr Mnangagwa as more likely to put Zimbabwe back on the path to stability.

How cheerfully he seems to grin

It is a beguiling argument, but it is false. Mr Mnangagwa's government, shorn of Mr Mugabe and his wife's chief acolytes, is still the same one that ruined a bountiful country, set records for hyperinflation, routinely tortured and murdered its critics, and prompted several million citizens to emigrate. During his eight months in office, Mr Mnangagwa has kept on many of the same band of incompetent crooks. He has promoted brutal, greedy generals. Virtually all his ministers and several judges are the beneficiaries of stolen wealth and land. He has failed to apologise for past horrors. Even if he wanted to turn over a new leaf, his party is irredeemable.

Mr Chamisa, by contrast, has some good lieutenants. Tendai Biti was a gallant finance minister; David Coltart is a fine human-rights lawyer. Zimbabwe's younger generation and its diaspora of several million (who Mr Mnangagwa made sure would not be able to vote) are thirsting to see the back of Zanu-PF. It is just possible that, despite a tilted playing field, the opposition will win. In which case, Mr Mnangagwa's greatest achievement would be to persuade the soldiers to stay in their barracks and let democracy prevail.

This article appeared in the Leaders section of the print edition under the headline "Never smile at the crocodile"

On the electoral college, outsourcing, Taiwan, acronyms, barristers
Letters to the editor

Letters

Letters to the editor

On the electoral college, outsourcing, Taiwan, acronyms, barristers

Print edition | Letters Jul 26th 2018

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

Rebalancing act

" The minority majority " (July 14th) illuminated the perils posed by America's electoral system, which gives rural voters more power than urban voters. However, your main recommendation for reform, ranked-choice voting (RCV), is complex and untried in presidential systems beyond Sri Lanka. By contrast, holding a run-off (a second round if no candidate reaches a specific threshold of the vote, usually 50%) has been adopted in most countries with presidential systems. Like RCV, run-offs encourage candidates to look for common ground with their opponents because they may need these votes in the second round. Also like RCV, run-offs enable new parties to get started. Greater openness is welcome when entrenched parties are infected by tribalism or other poisons.

Run-offs are simple and transparent, with the added advantage of putting the finalists through two tests and giving voters two opportunities. This second opportunity can be especially important when pre-election opinion polls are inaccurate, as was the case in 2016. Research on run-offs in Latin America has shown that it is superior to first-past-the-post. It appears that the banana republics have something to teach us about democracy.

CYNTHIA MCCLINTOCK
Professor of political science
George Washington University
Washington, DC

America is a federal constitutional republic, and all three words count. The Senate embodies the federated part. As each state has two senators, the most populous states cannot steamroll the least populated ones. Otherwise we would be governed by California, New York and a couple of others. The House of Representatives embodies the republic part. The federal government is obliged to balance the interests of high-population and low-population areas. House seats are reapportioned among the states in response to the census, which takes care of the rural-to-urban shift that has you so exercised.

KENNETH JOHNSON
Statesboro, Georgia

If there was a failure in the election of 2016 it was the hubris of the Democratic Party and its flawed candidate, Hillary Clinton. One strength of the electoral-college system is that it forces presidential candidates to consider all of America, not just urban areas.

STEVE HATCH
Albuquerque, New Mexico

A constitutional change that would reduce the rural bias in American politics without obvious political bias would be to give states an extra senator for each 10m people in their populations. After the 2020 census, California would probably have six senators, Texas five, Florida four and New York, Pennsylvania, Illinois, Ohio, Georgia, North Carolina and Michigan three each. The remaining states would continue to have two senators each. There would thus be 116 senators, a number that would slowly increase at ten-year intervals.

RICHARD HARTWIG
Professor emeritus of political science
Texas A&M University-Kingsville

Measuring public services

Your article examining the record of government outsourcing in Britain did not mention risk (" The good, the dumb and the despera
", June 30th). Transferring risk is one of the principal reasons for outsourcing. Local authorities with outsourced rubbish collections, for example, have been protected against the recent increased costs arising from new holiday-pay and pension entitlements.

Moreover, a big difficulty with measuring the performance of outsourced services against in-house alternatives arises from a lack of transparent cost and performance information for the public sector. Outsourced services are measured against clear performance indicators contained in a contract delivered at set prices. This information is not easily available from in-house providers, which also do not need to account for the cost inflation that occurs during the life of a contract.

There are cases in the waste-collection market of councils claiming to find extraordinary efficiency savings from moving their services in-house. A quick way to increase scrutiny of these claims would be to apply the same standards of transparency found in outsourced services to public-sector providers, but this seems sadly remote in today's political climate.

JACOB HAYLER
Executive director
Environmental Services Association

London

All aboard

* Your recent piece about Europe's train network gave examples of railway services in Europe consuming some of the highest levels of subsidies ("Free the rails", June 30th). It is a point worth noting that in Switzerland every municipality with at least 100 inhabitants, no matter how remote, can be accessed by train, bus, ship or cable car. The public transport system is based on the principle of "service public", not (merely) profit. Such a complete network is only possible with the help of subsidies. If the railway sector were to be liberalised, unprofitable lines would disappear faster than Jack Robinson can travel on a high-speed train.

MARINA DÜTSCH
Winterthur, Switzerland

Taiwan and China

Taiwan and China

The international community should neither ignore nor quietly accept China's bullying of international airlines to get them to change their designation of Taiwan ("Drop-down showdown", July 7th). China is using its business and economic clout to coerce international enterprises in order to achieve its political agenda. It is imposing its political ideology on foreign companies, thereby jeopardising their free operations. If airlines do bow to China's pressure, as your article pessimistically concludes they will, it would represent another blow not only to Taiwan but also to other democracies. To protect our democratic values we call on countries around the world to stand together, reaffirm our commitment to freedom and constrain the expansion of China's hegemony.

DAVID LIN
Taipei representative in the United Kingdom
London

One crucial fact about China trying to get Taiwan designated as a part of China is the name of Taiwan's national carrier: China Airlines. Got it?

KIN-MING LIU
Hong Kong

Acronym delight

With much satisfaction, I have employed in conversation new acronyms that I learned in recent issues of *The Economist*. My lexicon now includes HIPPO, meaning "highest-paid person's opinion" ("Taking minutes, wasting hours", June 30th) and VUCA, meaning "volatile, uncertain, complex, and ambiguous" ("The A teams", July 7th).

Now my only question for Bartleby is, when the HIPPO is VUCA are we all FUBAR?

DIANE BERRINGER
Washington, DC

Crumpled at the Bailey

You mentioned an instance of a barrister being admonished by a judge for his attire ("Wigged out", July 7th). Your description of his profession was incorrect. The man in question was a solicitor-advocate who has been subject to disciplinary proceedings.

It was not unknown in my very early career at the Bar for judges to express disapproval at counsel's choice of shirt colour in court. When faced with a colleague of mine appearing in front of him wearing a pale-yellow court shirt, one Crown Court judge repeated the phrase "I can't hear you" until counsel beat a hasty retreat to the robing room for a change of attire.

TIM THOMAS
Woking, Surrey

* Letters appear online only

China's Belt and Road Initiative
Gateway to the globe

Gateway to the globe

China has a vastly ambitious plan to connect the world

What is behind the Belt and Road Initiative?

Print edition | Briefing Jul 26th 2018

GROWING up in a military dictatorship, Than Swe, a young member of Myanmar's business elite, saw the Western world as a protector and model. Even when Western governments imposed ever-tighter trade and travel bans to punish the junta that ran his country from 1988 to 2016, Mr Than Swe, along with many compatriots, saw them as upholders of a moral order. Some swagger about Western values could be grating. Visiting America as a teenager, Mr Than Swe remembers being congratulated on reaching a country with good human rights. But as an alternative to local despotism, the West offered hope.

"The people still think that the Western countries are the best," Mr Than Swe, who is 26, says softly, sitting in a university meeting room in the Chinese port city of Xiamen. As one of the 2.5% of Myanmarese who are ethnic-Chinese, though, he increasingly sees an alternative in investment and assistance from a rising China next door. To his dismay, many in his country disagree. He recalls how a proposal to build dams on the Irrawaddy river was blocked in 2011 amid angry protests about flooding villages and wrecking ecosystems to produce electricity for China, not Myanmar. China was likened to colonial powers that "just take everything and go".

After centuries of uneasy relations, imperial demands for tribute and occasional wars, much of Asia must now reckon with a giant Chinese neighbour that is much more than a trade partner. With wealth and success has come new confidence in a Chinese model and ambitions to share it.

Debate in Myanmar now focuses on plans for a $7.3bn deepwater port at Kyaukphyu on the Bay of Bengal and an adjoining special economic zone. Subsidiaries of CITIC, a state-owned Chinese conglomerate, are taking a 70% stake, and will run the port for half a century. If Kyaukphyu grows large enough to handle 4.9m containers a year, as CITIC hopes, it will match Felixstowe, Britain's largest container port—a startling transformation.

Harbouring ambitions

Western economists struggle to see what Myanmar gains from Kyaukphyu, which is far from the country's commercial capital, Yangon. They have no trouble seeing what China gets: an opening to the sea for its landlocked south-western province of Yunnan. It is already a terminal for oil and gas pipelines capable of bringing in an estimated 10% of China's energy imports, bypassing the Malacca Strait, a strategic choke-point near Singapore.

Foreign diplomats fret that China sees the port as a future haven for its warships. Sceptics in Myanmar shudder at the loans covering the government's 30% stake. They point to the precedent of Hambantota, a port built by China in Sri Lanka that passed into Chinese hands in 2017, along with 69 square kilometres of land, after the Sri Lankan government could not service debts incurred in its construction. Former Sri Lankan officials have told the *New York Times* of other, secret Chinese terms, for instance a demand to share intelligence about all traffic through the port.

The development at Kyaukphyu has been under discussion for years. But now the port, like all sorts of other projects, has been swept into China's sprawling, ambitious "Belt and Road Initiative" (BRI). According to official BRI announcements, Myanmar is one of many friends that lie on a "21st-Century Maritime Silk Road" linking China to far-flung markets and energy reserves from the Arctic to the Indian, Pacific and Atlantic oceans. This is the "road". The belt is the "Silk Road Economic Belt", connecting China overland with Europe, Africa and the Middle East with railways, highways and fibre-optic cables. The two were yoked together in a pair of speeches given by Xi Jinping, China's president and Communist Party chief, in 2013.

Some anxious diplomats and politicians call the BRI a master-plan aimed at turning Eurasian nations into tributary states, dependent on Chinese capital, criss-crossed with Chinese-owned railways, pipelines and roads, and increasingly bound by Chinese rules governing everything from trade to cyber-security. In October 2017 America's defence secretary, James Mattis, questioned the very idea of trade routes designed by one power. "In a globalised world", he said, "there are many belts and many roads." Visiting China in January, the French president, Emmanuel Macron, warned that a modern Silk Road could not be "one way".

Other ambassadors, political leaders and business bosses see something less grandiose. They think China wants to crate up and export surplus cement plants, steel mills and glass works built during years of stimulus spending and reassemble them abroad—along with pollution and greenhouse gases formerly belched into its skies. More obviously, the BRI has secured contracts for Chinese firms. The most cynical see a marketing exercise, rebranding everything that China does abroad under slogans that flatter Mr Xi's global pretensions.

Master-plan or marketing?

On one point all can agree. A lot of money stands behind talk of reviving the Silk Road for the age of the container ship. Add up official announcements on the BRI and they come to 100 Kyaukphyus, maybe more. In January Randal Phillips, a former CIA station chief in China, told the US-China Economic and Security Review Commission (USCC), a congressional body, of conversations in which Chinese officials compared the initiative to the Marshall Plan with which America funded the reconstruction of post-war Europe. Such claims command interest. A BRI forum in Beijing in 2017 drew over two dozen world leaders.

Much about the BRI is reasonable. After transforming China with high-speed rail lines, roads and electricity grids, the country's firms, many state owned, are ready to export their know-how. China has capital to spare, a need to develop its western hinterlands through connections to Eurasia and a desire for closer ties with the 14 countries with which it shares a land border.

Other aspects are more troubling. The scheme is worryingly secretive. No definitive BRI map has been published. The scheme has expanded far beyond its original core of Eurasia and the Middle East, from New Zealand to the Arctic, Africa to Latin America and even outer space. Estimates of the BRI's total intended investment range from $1trn to $8trn. "Hardly a rounding error," notes Jonathan Hillman of the Reconnecting Asia Project, a database of transport and energy projects at the Centre for Strategic and International Studies (CSIS) in Washington, DC.

China does not systematically report lending overseas, which heightens the mystery and unease about goals that may stretch well beyond the economic. In Washington politicians, scholars, soldiers and spies are digging out works by Halford Mackinder, a British geographer who in 1904 argued that global power lies in control of the "Heartland", a pivot region between the Volga and the Yangzi that offers dominance over the "world island", the combined land mass of Europe, Asia and Africa. Mr Phillips told the USCC that the maritime Silk Road is "remarkably similar" to a document that the CIA acquired some 13 years ago, showing the desire of the People's Liberation Army to build a "string of pearls" of military bases far from its shores.

Some pearls would be very far-flung. A new Chinese wharf in the Pacific island of Vanuatu lies in Australia's South Pacific backyard, 1,900km from Brisbane. The terms of Vanuatu's contract with China are not reassuring. It shows a 15-year loan at 2.5% interest with the government-owned China ExIm Bank that can be called in, in full, in the event of non-payment.

Nadège Rolland, author of "China's Eurasian Century?", a book on the BRI, urges those who doubt China's ambitions to read the statements of Mr Xi and other leaders. If even some are sincere, she writes, they reveal a plan for "a risen China sitting at the heart of a Sinocentric regional order". Xiang Lanxin, director of the Centre of One Belt One Road and Eurasian Security, a Shanghai-based think-tank, agrees that the BRI embodies Chinese strategic goals, but says those goals are both clear and respectable. He sees a plan to rebalance China's exposure to the Pacific, by which he mostly means relations with America, by deepening ties with Eurasia. He concedes, though, that clumsy BRI propaganda has alarmed neighbours unnecessarily. When Chinese officials "say there is no geopolitics involved...that's not quite convincing, because it does involve geopolitics, everybody realises that," he says.

Tread softly

The BRI is also a soft-power scheme. Mr Than Swe is proof of that. He is one of 40 officials, military officers and "special foreign talents" from Indonesia, Myanmar, Sri Lanka, Thailand and Turkey enrolled in an 11-month course in Xiamen at Huaqiao University's new Maritime Silk Road Institute studying China's approach to globalisation. China picks up the tab.

Mr Than Swe says his year in Xiamen has changed him. He now sees China as a welcome alternative to a bossy and judgmental West. Events at home have contributed to this shift. After years of international sympathy, the people of Myanmar now face Western criticism for their country's treatment of the Rohingya, a minority whose presence Mr Than Swe blames on British colonial rulers.

Mr Than Swe's change of heart reveals one of China's strengths. It has a genius for befriending those in need of options. As elegantly catalogued by Andrew Small of the German Marshall Fund, a think-tank, sometimes that means pariah-states shunned for corruption or abusing human rights. Sometimes it means bad credit risks, with few other sources of capital. Sometimes it means those looking for a strategic alternative. Thus China woos South Asian nations that want a hedge against India, Central Asian governments that want to keep Russia at bay, and countries on the EU's southern and eastern fringes tired of nagging or cold-shouldering by Brussels.

Mr Than Swe is not the only student at the institute to praise China's reluctance to judge. After some kerfuffle involving his business card, and much scratching out of job titles, a second student, Kamal Bombugalage, concedes that he is a commodore in the Sri Lankan navy. He thanks China for support during his homeland's civil war, and for lending his country billions of dollars to build ports and industrial zones and for other schemes. He defends the development of Hambantota as a sound investment. Colonial powers looted Sri Lanka then left, he grumbles. In contrast China comes to trade and to build. A second Sri Lankan naval officer, Fred Seneviratne, chimes in. Western countries try to impose values by linking aid or loans to strict conditions. "If you compare that with China? No conditions," he says approvingly.

Xu Peiyuan, a bustling, busy economist and the institute's executive vice-president, talks up the BRI's benefits. He quotes a soothing slogan from Mr Xi about China building a global "community of shared destiny and interest". He also names some distinctly ideological choices that he hopes that BRI partners will make. These include treating all political systems as equal and shunning "colour revolutions"— jargon for pro-democracy movements that rocked such countries as Iran and Ukraine.

Asked if the BRI promotes Chinese governance, the students enthusiastically agree. "It will introduce a new model to the world. And we are ready to accept that," says Commodore Seneviratne. Five years into its existence, others are warier—because of politics, and because of debt.

BRIng it on

Start with the money. It can be hard to grasp the aggregate numbers around BRI, as hundred-billion dollar announcements blur one into the next, but nobody doubts that huge investments are needed. The Asian Development Bank, a multilateral organisation, estimates that the continent requires $26trn in infrastructure investment between 2017 and 2030 to maintain today's growth rates and adapt to climate change. Set against those numbers, the size of Chinese investment does not in itself signal a plan for global domination.

Where the BRI causes angst is in its effect on the most vulnerable countries. In March the Centre for Global Development, a think-tank, published a paper naming eight countries at high risk of debt distress thanks to BRI-related lending (see chart). A motorway represents over a quarter of Montenegro's annual GDP. A China-Laos railway, begun in 2016, could cost the equivalent of almost half Laos's GDP.

These loans are not charity. The AidData project at the College of William & Mary, in Virginia in the United States, tracked $354bn in Chinese overseas lending in 2000-14. About three-quarters of the loans were at commercial interest rates. Officials of the Trump administration have called some Chinese loans "predatory". In a speech in Beijing in April Christine Lagarde, the boss of the IMF, raised concerns about problematic debt and urged China to ensure that "the Belt and Road only travels where it is needed."

Needed or not, there are places where BRI has been rejected. Fears of indebtedness and rows over murky payments have led to Chinese-funded projects being cancelled, suspended or referred to anti-corruption watchdogs for review in Nepal, Myanmar and most dramatically in Malaysia. There a recent election saw the incoming government of Mahathir Mohamad suspend BRI projects agreed on by his predecessor. These include a 700km high-speed railway line and oil pipelines worth a total of $20bn. In Pakistan, a longtime friend of China and home to the largest single BRI project, the China-Pakistan Economic Corridor (CPEC), projects have been curtailed, as officials reportedly sought more Chinese lending in recent months, to avoid having to turn to the IMF.

In Sri Lanka rows about China's influence in domestic politics helped topple a government. Even Commodore Bombugalage is disappointed that China's focus on infrastructure led to the building, near Hambantota, of a cricket ground and a little-used airport in the home district of a former president, whose election campaign also benefited from China's largesse. He would like "two or three universities" instead of such white elephants, so Sri Lankans can build a knowledge-based economy: "Otherwise it is not sustainable."

As well as helping favoured locals, projects also help Chinese firms. Using data which, because there is no firm definition of BRI projects, include all known Chinese-funded transport projects in 69 Eurasian countries, the Reconnecting Asia project at CSIS has found a dramatic difference between those funded by Chinese policy banks and state-run funds, and those financed by multilateral development banks. When projects were Chinese funded, CSIS found that 89% of contractors were Chinese companies. In contrast, when projects were funded by multilateral organisations, four in ten contractors were local, less than a third were Chinese and the rest came from third countries.

China did not invent tied aid. Still, the gap between Chinese rhetoric about "community and shared destiny" and projects full of Chinese workers paid for by host-government debt raises hackles.

China knows that it needs to clean up its image. In meetings with Western leaders, Chinese leaders have begun down-playing their ambitions for global expansion. In 2014 China invited foreign governments to join a new Asian Infrastructure Investment Bank, a multilateral lender based in Beijing that won praise for following international norms on everything from public tendering to environmental standards. Alas, the lender has kept its distance from the BRI, its squeaky-clean reputation thereby fuelling, rather than defusing, suspicions. In July the *Financial Times* reported that the China Development Bank, a BRI mainstay, is "actively co-operating" with Western institutions on joint-lending subject to international rules.

David Dollar, who served as the American Treasury's chief envoy to China in 2009-13, sees a logic to some increased lending. "A lot of countries are running trade surpluses with China because they are selling [the Chinese] natural resources. So borrowing from China makes sense." If the BRI is about building infrastructure and exporting surplus capacity, China will grow more cautious about lending to bad risks. But, "If this is primarily geostrategic, then [China] will be willing to take losses," says Mr Dollar, now at the Brookings Institution, a think-tank in Washington.

The road to empire

In truth, there has never been a neat division between the power that allows a country to open and maintain trade routes and the clout that builds empires. The term "Silk Road", much beloved of Chinese leaders, was coined in 1877 by a German geographer, Ferdinand von Richthofen (uncle of the "Red Baron") to describe a skein of ancient trading routes which blended commerce, diplomacy and hard power. Chinese silk was popular in Rome by the time of Julius Caesar. It frequently started its travels as gifts from Chinese rulers to vassal states, before being traded by middlemen from places like India or Parthia, in modern-day Iran. Some trade routes were protected by Chinese garrisons.

Silk Road, iron fist

Chinese leaders have drawn explicit links between national security and BRI infrastructure projects, according to a study by Peter Cai of the Lowy Institute, an Australian think-tank. The study also notes the BRI's role in developing China's west, including the restive region of Xinjiang, where millions of Muslims from the Uighur minority live under harsh repression. Mr Cai quotes Lu Shulin, a former Chinese ambassador to Pakistan, calling improved transport links with Xinjiang "the best medicine" for the real cause of terrorism, "namely poverty". The huge CPEC is designed to connect Xinjiang to the Pakistani port of Gwadar.

That there should be more than one objective is natural. But some people would be happier if those objectives were open to scrutiny. European diplomats in Beijing note that China calls the BRI an open, multilateral "platform", but built it by pressing bilateral memorandums of understanding on 60 or 70 countries—though envoys report that Chinese leaders recently stopped urging other governments to sign such documents, after several western European countries refused. Those countries that did sign are hailed as members of the initiative. "But members of what? There is no founding charter, there are no declarations of principles, everything is defined in Beijing," a European diplomat says.

The EU has urged China to put rules on transparency, labour standards, debt sustainability, open procurement processes and the environment at the heart of the BRI. Money spent building coal-fired power stations, notably in Pakistan, is a particular concern. In April *Handelsblatt*, a German newspaper, revealed that 27 out of 28 EU ambassadors in Beijing had signed a report calling the BRI a challenge to free-trade rules and a boon to subsidised Chinese companies. Illiberal Hungary balked.

Watching China tempt selected European nations with infrastructure schemes, and lucrative shipping flows to chosen ports, leads some European politicians to see the BRI as a plot to divide the EU. Greece, which sold a majority stake in its main port of Piraeus to COSCO, a Chinese shipping giant, for €281m ($312.5m) in 2016, has blocked the EU from taking unified positions on Chinese garrison-building in the South China Sea and on tougher screening of its investments. The European diplomat, though, sees an attempt to bend Europe to China's will, not break it. Unlike Russia, China doesn't have an interest in seeing the EU disintegrate, he says.

China does not just cause alarm by playing on and exacerbating divisions. Its creation of connections is disturbing, too. Western diplomats and business leaders see China challenging the West's near-monopoly in setting standards—the common technical rules that permit high-speed trains, mobile communications or financial payments to flash across continents. China will increasingly write such standards. It will also write trading rules that suit its state-led economy, at first supplementing rather than replacing those of the World Trade Organisation.

Some see such ambitions in the arbitration courts China is setting up to hear cross-border BRI disputes, a move that has set alarms jangling in Washington, Brussels and other capitals. UnionPay, a Chinese rival to Visa and MasterCard, is using the BRI to help its ambitious push into the African payment and debit-card market. Other African infrastructure works have been rebranded as BRI schemes, though they were first planned years ago.

No foreign government is suggesting that China should remain a rule-taker forever. Ordinary Chinese are justly proud of what the BRI symbolises—a chance to share Chinese expertise with the world. Just ask the domestic tourists who throng Xiamen, a wealthy port city of 3.5m people. Fujian, the province in which it sits, has been a trading hub since Arab dhows and Song dynasty junks ferried fragrant hardwoods, tea and porcelain to and from its ports. The province is the ancestral homeland of most of the world's *huaqiao*, or overseas Chinese.

During the late Qing dynasty, European gunboats opened Xiamen to foreigners as a treaty port. An island filled with the colonnaded 19th-century houses of Western merchants and consuls draws millions of Chinese tourists annually. A museum records how Xiamen was connected to the world by Danish telegraph engineers. A customs service was run by British inspectors. Today Xiamen's relations with the world are reversed. The city is officially a "core" province for the Maritime Silk Road. It plans to export technology and train foreign officials. One Chinese speciality is cyber-security software that critics call "autocracy in a box". Ru Peng, director of the Xiamen Municipal Development and Reform Commission and head of its BRI office, hails Meiya Pico, a local information-security firm whose gadgets allow police and security services to break passwords. Meiya Pico exports its kit worldwide, and trains foreign police for such BRI countries as Myanmar, Laos and Vietnam.

Belt driven

The BRI is not yet a frontal challenge to the rules-based liberal order. It is a test of it. Sooner or later the BRI will need non-Chinese money, providing outsiders with bargaining power. Western governments can work within the BRI to make it more benign. After all, several of them once led high-handed campaigns to open markets in far-off lands by working in cahoots with pliant local despots, only to learn hard lessons about colonial hubris. Or the West can compete, selling the merits of a modernised Western way. The West must do more than nag poorer nations not to take Chinese money. At a minimum they should help BRI countries assess schemes and show them how to gain from transparency, high standards and formal contracts. If the West fears a Chinese-led order, its governments have choices. There is no reason why China's entangling belts and roads should be the world's only option.

This article appeared in the Briefing section of the print edition under the headline "Gateway to the globe"

Trade and tariffs
Sealed with a kiss

Sealed with a kiss

Donald Trump agrees to cease fire in the trade war with the EU

But American farmers are already suffering the consequences of his policies

Print edition | United States Jul 28th 2018

PRESIDENT Donald Trump has not been shy about his admiration for tariffs. But on July 25th his love of deals appeared to prevail. Tweeting a picture of Jean-Claude Juncker, the president of the European Commission, kissing his cheek, Mr Trump heralded an advance in trade relations between America and the European Union. “A breakthrough has been quickly made that nobody thought possible!” Mr Juncker was triumphant, too, tweeting: “I came for a deal, we made a deal.”

The two sides agreed to work together towards “zero tariffs, zero non-tariff barriers and zero subsidies on non-auto industrial goods.” Trade barriers in services, chemicals, pharmaceuticals, medical products and soyabeans are on the chopping block, too. Pundits were quick to point out that Mr Trump had, in fact, secured talks to negotiate something that looks remarkably similar to the Transatlantic Trade and Investment Partnership, an accord put on ice when he became president. Such a deal might be possible, but it is a lot more remote than Mr Trump’s jubilation suggests.

The meeting’s other outcomes have more immediate consequences. Mr Trump agreed to “hold off further tariffs”, halting the threat of punitive measures on European cars and avoiding escalation into a nastier tit-for-tat dispute. Remarkably for a man said to be itching to withdraw from the World Trade Organisation (WTO), Mr Trump announced that he would work with the EU to reform it. Rather than mindlessly bashing the WTO, Mr Trump may have realised the benefits of using it to tackle China’s economic misdeeds.

Given Mr Trump’s mercurial personality and his peeves over America’s bilateral trade deficit with the EU, the truce may prove fragile. That means the most lasting policy announcement of the week could yet be the one made on the day before Mr Juncker’s arrival, when Sonny Perdue, Mr Trump’s agriculture secretary, outlined a relief package of up to $12bn for American farmers hit by retaliatory tariffs from America’s trade partners.

American farmers have long worried about their position on the front line of Mr Trump’s trade wars. Around a fifth of their production is exported, leaving them exposed to retaliation from the likes of China, Mexico and the EU; their political heft at home makes them prime targets for foreigners trying to make the Trump administration reverse course.

The Trump-Juncker deal offered American farmers little relief. Not only was agriculture conspicuously absent from their joint statement (beyond a promise to buy more soyabeans), but the EU accounts for less than 4% of the agricultural trade flows affected by the new tariffs. By contrast, $12bn is a big increase in government support for an industry that already gets a lot. The OECD, a club of mostly rich countries, estimates that in 2016 American farms received $33bn in various types of support.

As generous as Mr Perdue’s plan may be, only its outline is clear. Producers of soyabeans, sorghum, corn, wheat, cotton, dairy and pigs can expect payments. They can also expect the government to hoover up unexpected surpluses. Last, some of the cash will be spent on developing new export markets for farm products.

The subsidies are meant to fortify Mr Trump as he attacks foreign partners with tariffs and quotas. Most important, he is trying to pay off the domestic losers from his trade war with China lest they cause trouble for him and the Republican Party in the mid-term elections. So far, the move has attracted a mixed response. Zippy Duvall, president of the American Farm Bureau Federation, has thanked the administration for offering help, but will continue to argue for a “swift and sure end to the trade war”. Jimmy Tosh, a Tennessee farmer, is blunter: “To hell with welfare. I want access to foreign markets.”

The administration says that the farm subsidies will be temporary, and they could yet be. If Mr Trump repeats his dealmaking trick with the Chinese, perhaps after combined pressure with his new European partner, the tariffs could be stripped away as quickly as they came. The question is how much damage will have been done.

Unfortunately, temporary agricultural support programmes tend to become permanent. And lost markets may prove difficult to recapture. Disrupted trade relations can shock countries into the realisation that they rely too heavily on one market. After an American soyabean export embargo in 1973, spooked Japanese companies invested in Brazil, which then grew to become a colossal competitor to America. Like real conflicts, trade wars have unintended consequences.

This article appeared in the United States section of the print edition under the headline ”Sealed with a kiss”

Restaurant criticism

Jonathan Gold, poet of the strip-mall eatery

The first food critic to win a Pulitzer died on July 21st

Print edition | United States Jul 26th 2018

JONATHAN GOLD'S mobile phone had few selfies, but plenty of pictures of tacos. "My inner life," he explained, "tends to be measured out in radishes, meat and limes." Early in his career he annoyed a fellow food critic by claiming to have eaten at every taco stand in Los Angeles. She thought it was bravado; it happened to be true.

Mr Gold was a creature of Los Angeles. Not Tinseltown, or the ritzy suburbs with manicured lawns. But of Los Angeles County, with its vast mosaic of cultures, its population exceeding all but a few American states in size and diversity, and its countless little formica-tabled, fluorescent-lit restaurants whose owners cooked not to please the average American diner but for themselves and their own communities.

He claimed to put 20,000 miles on his battered Dodge pickup truck each year, in search of Oaxacan *tlayudas*, Chengdu bean noodles and Armenian *sujuk*. Unlike many food critics, he abandoned anonymity. Not only did he star in a biopic ("City of Gold"), but with his shoulder-length red hair, toothbrush moustache and well-earned girth, he was hard to miss.

Raised in Los Angeles by a probation-officer father and a librarian mother, Mr Gold began his career as a musician and music critic (the rappers Dr Dre and Snoop Dogg nicknamed him "Nervous Cuz"). His intellect was as voracious and discerning as his appetite. His reviews sparkled with casual references to Gabriel García Márquez, James Turrell and Allen Ginsberg. His prose was vivid, shot through with poetic glimmers: he praised, for instance, "the muscular minerality" of braised beef; a Yemeni pancake with "a hundred levels of wheatiness, a thousand layers of crunch and the taste of clean oil"; a southern Thai "turmeric-rich beef curry that pinned your nervous system far into the red."

His liberal use of the second person made readers feel as though he was talking directly to them. It bound them into a community of Goldians: the sort of people who, for the sake of deliciousness, would drive 45 minutes to an obscure mini-mall rather than lunch on a supermarket salad.

What he really wrote about was less food as food than food as community. He was as interested in who cooked his dinner, where they came from and why, as in what they put in front of him. "I'm trying to democratise food," he said. "I'm trying to get people to be less afraid of their neighbours."

This article appeared in the United States section of the print edition under the headline "I and thou and tacos"

Get Carter

The questions over Carter Page's links with Russia

Donald Trump denounces a "witch hunt", but the surveillance seems justified

Print edition | United States Jul 26th 2018

IN 1978 the Foreign Intelligence Surveillance Act (FISA) established a court to vet applications for warrants from law-enforcement and intelligence agencies that want to watch suspected foreign spies on American soil. The court operates in secret. In fact, its release on July 21st of four applications to keep tabs on Carter Page, a former aide to Donald Trump's campaign, was its first-ever public disclosure. The 412 heavily redacted pages have been thrown into an ongoing fight over the surveillance of Mr Page.

He was one of the stranger figures in a campaign that featured many oddities. In television appearances he has appeared garrulous, twitchy and prone to self-contradiction. A naval officer turned investment banker turned academic turned energy consultant turned foreign-policy adviser, he first piqued the FBI's interest in 2013, when an American-based Russian intelligence officer tried to recruit him.

Mr Page denies having spied for Russia (and the intelligence officer was recorded calling him "an idiot"), though in 2013 he described himself as "an informal adviser to the staff of the Kremlin". In July 2016 he travelled to Russia, where he criticised America's Russia policy. The FISA-warrant applications claim that while there he met Igor Sechin, an associate of Vladimir Putin, and Igor Divyekin, a Russian intelligence agent who reportedly dangled the prospect of providing Mr Trump's campaign with dirt on Hillary Clinton. On July 22nd Mr Page denied having met either man.

Mr Trump and his allies—notably Devin Nunes, who chairs the House Intelligence Committee—claim that the FBI abused its authority in keeping watch on Mr Page. In February Mr Trump declassified a memo written by Mr Nunes that charged the FBI with omitting "material and relevant information" from its warrant requests. Mr Nunes argued that information obtained by Christopher Steele, a former British spy hired to do research for the Democrats on Mr Trump, formed "an essential part" of the application, which "ignored or concealed his anti-Trump financial and ideological motivations".

The newly released documents prove the second part of Mr Nunes's charge false. In the initial application, made in October 2016, and in all three successful renewals in 2017, the FBI explains in lengthy footnotes that Mr Steele was probably hired to provide "information that could be used to discredit Candidate #1's campaign" ("Candidate #1" is Mr Trump). The FBI found Mr Steele to be reliable even so.

As for Mr Steele's information being "essential", that is harder to assess, partly because of the heavy redactions. But Mr Page was on the FBI's radar at least two years before it saw any information from Mr Steele. Every renewal application was longer than the previous one, suggesting that the government was learning more about Mr Page's actions.

One interpretation is that two FBI heads, three deputy attorneys-general (two of them Trump-appointed) and four judges approved the warrants based only on Mr Steele's work. The other is that the redacted sections contain more compelling reasons to suspect Mr Page of being, as the warrants charge, "an agent of a foreign power [who] knowingly engage[d] in clandestine intelligence activities".

Some of Mr Trump's defenders say that the document's charges remain unproven. But warrants do not have to prove charges beyond a reasonable doubt. A FISA warrant must show probable cause to believe the target is spying for a foreign power—and even that is a high bar, requiring several approvals at the FBI and Justice Department before a judge even sees it. The FBI cleared that bar four times, and won approval from four different Republican-appointed federal judges.

To Mr Trump and his supporters, that suggests not thoroughness but "deep state" collusion. Mr Trump urged an end to "the discredited Mueller Witch Hunt". But Robert Mueller's investigation began not with Mr Page or Mr Steele's dossier, but after Mr Trump fired James Comey, the former FBI head, over what the president called "this Russian thing". Far from being discredited, it has produced 32 indictments and five guilty pleas so far.

Mr Trump's supporters are fighting back. On the night of July 25th, two of his congressional allies introduced a resolution to impeach Rod Rosenstein, the deputy attorney-general, who is overseeing Mr Mueller's investigation. The move is symbolic; the House adjourned for five weeks without voting on it. But things could get more heated as the midterms approach.

This article appeared in the United States section of the print edition under the headline "Get Carter"

The president and the Fed

Trump tries a Nixonian move, but lacks Nixon's skill

The independence of rate-setters protects him

Print edition | United States Jul 28th 2018

"JUST kick 'em in the rump a little," demanded President Richard Nixon of Arthur Burns, then chairman of the Federal Reserve, in 1971. With less than a year to go before a presidential election, Nixon wanted the economy's pump primed. Some bruised rumps later, he got his wish. Under Burns's stewardship, the Federal Open Market Committee (FOMC) kept monetary policy loose, stoking a boom to coincide with electoral victory.

President Donald Trump appears to be trying to repeat the trick. On July 19th he criticised the Federal Reserve's move towards higher interest rates, confessing that he was "not happy about it." A White House statement soon clarified that Mr Trump was "not interfering with Fed policy decisions", but in vain. On July 20th Mr Trump tweeted: "Tightening now hurts all that we have done."

The temptation for presidents to meddle in the Federal Reserve's affairs is obvious, given its immense power to heat and cool the economy. Presidents want good times to help their election prospects, and have no one else to blame if the economy sours. But history suggests that political interference can be costly. Aware that monetary policy operates with a lag, Nixon pushed Burns to hold off on tightening until only a few months before the election. By the time the FOMC began to raise rates aggressively, an inflationary boom-bust cycle was under way.

Self-interest rather than pure principle probably explains why presidents have avoided interfering with interest-rate setting over the past quarter of a century. As Robert Rubin, Bill Clinton's treasury secretary, put it, "evident respect for the Fed's independence can bolster the president's credibility." Mr Trump's comments were enough to trigger analysts' reports reminding investors of the Nixon experience.

Besides, presidents have plenty of scope to influence the Fed's policy in other ways. Seven governors of the 12-person FOMC are picked by the president. In theory, they have 14-year terms to provide insulation from politics. But Peter Conti-Brown points out in his book, "The Power and Independence of the Federal Reserve", that since 1930 their median tenure has been only a little over five years. So presidents can stuff the FOMC with appointees who share their views.

There is some evidence that this matters. Klodiana Istrefi of the Banque de France compiled a measure of hawkishness and doveishness for 130 FOMC members serving between 1960 and 2015, based on newspaper records before and during their tenure. Together in a paper with Michael Bordo of Rutgers University, she then found that on average president-appointed governors are more doveish than the regional Fed presidents, who are appointed by their bank's board of directors (see chart). That said, Republican presidents seem slightly more likely than Democrats to appoint inflation-busting hawks to the committee.

So far, Mr Trump's choices have been within the mainstream. Jerome Powell, his pick for chairman and originally an Obama appointee, does not appear notably more doveish than his predecessor, Janet Yellen. And it seems unlikely that Mr Powell will find himself overwhelmed by Mr Trump's other appointees.

Rather, Mr Trump seems keen to pit himself publicly against the central bank when he disagrees with its decisions. This could backfire. The Fed may worry that any hint of looser policy could make it look as if Mr Trump is calling the shots—even if such a turn were justified by economic news. Certainly, it will now be harder to have a sober debate about the limits of central bank independence, a subject that has only grown in importance since the financial crisis. As Mr Conti-Brown points out, "The Fed's legitimacy depends on political oversight." But there are better and worse ways of maintaining it.

Correction (27th July 2018): *This article has been amended to reflect the fact that Klodiana Istrefi's work to compile a measure of hawkishness and doveishness for FOMC members was not coauthored.*

This article appeared in the United States section of the print edition under the headline "Channelling Richard Nixon"

Prosecuting Flint

High-ranking officials claim immunity over poisonous water

The cases will run and run

Print edition | United States Jul 26th 2018

FOR 18 months in 2014 and 2015 the inhabitants of Flint, a poor city in Michigan, drank tap water that was contaminated with lead and potentially lethal bacteria. Now comes the reckoning. Many legal actions have been launched, some of which raise a hard question: to what extent can government officials be held accountable for their actions on the job?

Three types of lawsuits have been filed over the past couple of years. The first consists of actions by citizens and environmental groups focused on government enforcement of the Safe Drinking Water Act (SDWA), a federal law from 1974. The second group includes criminal lawsuits against 15 government employees, including Nick Lyon, the director of Michigan's Department of Health and Human Services. The third type is a civil class-action lawsuit against government officials, which is being heard in a district court.

To almost everyone's surprise, the citizens of Flint prevailed in March 2017, when the government agreed to an expensive settlement in the first type of lawsuit. The state of Michigan agreed to spend at least $87m to replace lead-contaminated water pipes in Flint within three years. The settlement also required the city to run at least two centres where residents could pick up free bottled water and tap-water filters until September 2017, and beyond that if tests continued to show that Flint's water was contaminated. The government stopped the giveaway in April this year, saying the city's water passed the test; Karen Weaver, the mayor of Flint, retorts that many of her constituents still do not trust it.

Can the king do wrong?

The second sort of legal action is stuck for now. After unusually long preliminary hearings, on July 25th a judge decided to delay his ruling on whether Mr Lyon will face trial on charges including involuntary manslaughter and misconduct in office. Prosecutors argued that Mr Lyon's failure to make public his knowledge of an outbreak in Flint of Legionnaires' disease, a nasty form of pneumonia, can be linked to the deaths of two men from the illness in 2015. Mr Lyon's lawyers said he trusted experts who claimed Flint's water was safe. Of the 15 current and former government officials facing criminal charges in connection with Flint's water, four have cut plea deals in return for reduced sentences.

If Mr Lyon's case goes to trial, it will dismay those who face the third kind of legal action—the class-action suit in Ann Arbor. Earlier this month Judge Judith Levy heard six hours of oral arguments in the case against Governor Rick Snyder, his emergency manager for Flint, Darnell Earley, and other officials. Judge Levy is expected to rule in the next few weeks. Her decision will turn on whether she finds that the officials can claim "qualified immunity" from prosecution, a doctrine dating back to the English sovereign's rule over America ("The king can do no wrong"). Qualified immunity does not protect officials from legal liability if their actions violated federal law or citizens' constitutional rights. So the salient question will probably be whether the judge believes that they did.

The civil-rights argument is crucial, says Noah Hall, a special investigator for Bill Schuette, Michigan's attorney-general, who is prosecuting the criminal cases. Until now cases of police brutality, for instance, were considered a violation of constitutional rights, whereas environmental and public-health disasters were dealt with under environmental laws and those governing public health, such as the SDWA. Mr Hall is encouraged by the outcome of another case against state officials, which was allowed to proceed last September. A federal appeals court decided that allegations of violations of constitutional rights against the governor and more than a dozen other officials are admissible arguments.

Judge Levy's decision is likely to be appealed against, and the case could go to the Supreme Court. The Flint suits will keep lawyers busy for years. One side will argue that officials should be punished, and that this will make officialdom more accountable. The other will insist that government officials, like police officers and firefighters, require strong protection against civil or criminal charges, because otherwise they will not do their job. The whole process would have been easier, says Mr Hall, if the state had plainly and quickly admitted that it made a mistake.

This article appeared in the United States section of the print edition under the headline "Prosecuting Flint"

Making guns at home

Soon anyone will be able to learn how to print 3D guns

Gun-control advocates are terrified

Print edition | United States Jul 26th 2018

"THE age of the downloadable gun formally begins," proclaims the website of Defence Distributed, a group founded by Cody Wilson, a self-proclaimed crypto-anarchist. A settlement with the State Department at the end of June, reached after years of litigation, will allow the group to publish online blueprints for the 3D printing of guns and their parts from August 1st.

For gun-control advocates, this is a terrifying scenario. People who cannot pass a background check will be able to print a gun without a serial number, making the weapon impossible to trace, says Adam Skaggs of the Giffords Law Centre to Prevent Gun Violence. (Federal law requires licensed gun shops to run background checks, though this does not apply to private sales at fairs or on the internet.) His law centre is trying to get the courts to delay the settlement, at least.

Gun-rights crusaders such as Alan Gottlieb, whose Second Amendment Foundation helped Mr Wilson sue the federal government, hail the settlement as a victory for the First and Second Amendments. They argue that the government's ban in 2013 of the online publication of the blueprints infringed on both Mr Wilson's right to bear arms and his right to share information freely. Mr Gottlieb claims that background checks do not prevent mass shootings, and says that the guns in Mr Wilson's blueprints include metal, making them detectable by body scanners. "If you can own a gun, you should be allowed to make a gun," he argues.

Why did the government give up after three years of litigation and even agree to pay Mr Wilson's legal fees? Mr Gottlieb thinks it settled because it was worried about losing the case, and because it would have had to disclose details of arms imports and exports if the case had gone to trial. Mr Skaggs argues that the government settled because "this administration will give the gun industry anything it asks for". It is trying to deregulate gun exports. And it is nominating amenable judges whenever it can.

Plastic guns made with 3D printers are not yet very good. But downloadable files will soon be available that include rifles similar to the AR-15, a weapon used in recent mass shootings. Gun-control advocates say that even the simplest 3D-printed "Liberator" gun, which can fire only one shot, could wreak havoc if used against an aeroplane pilot. Moreover, the technology is improving. Soon 3D printers may produce sophisticated plastic guns. They can already print metal guns, although metal 3D printers cost the equivalent of an arsenal of traditional guns, so are unlikely to be widely used.

Democratic politicians such as Senator Chuck Schumer of New York vow to write a bill to suppress 3D-printed guns. But no new law is likely to pass before the mid-term elections. By then, hundreds of thousands of the new blueprints will have been downloaded.

This article appeared in the United States section of the print edition under the headline "Print on demand"

Lexington

Catholic bishops' opposition to Donald Trump emboldens church liberals

They may be disappointed

Print edition | United States Jul 26th 2018

IN 1986 Antonin Scalia became the seventh Catholic appointed to the Supreme Court bench in almost two centuries. Brett Kavanaugh is likely to be the sixth appointed since then (or seventh if you count Neil Gorsuch, who was brought up Catholic but attends an Episcopal church). Besides cementing the court's Catholic majority, Mr Kavanaugh will also continue its conservative drift. This is part of a broader trend: the American right is becoming more Catholic.

In both parties, Catholics are prominent among the elite as once-poor Irish, Italians and Poles rise in the establishment. One in three members of the House of Representatives is Catholic, a record high. Six Catholics contested the Republican presidential nomination in 2016. Previously only three had appeared on the presidential ticket of a major party, including John F. Kennedy, the only Catholic president to date. Catholic voters are also important to both parties. They represent a quarter of the electorate and usually choose the winning presidential candidate, as exit polls suggest they did in 2016. Hispanic Catholics, around a third of the total, mostly vote Democratic, whereas white Catholics lean Republican. Neither group, unlike evangelicals, votes mainly on the basis of religion: Catholics tend to project their politics onto the church, which is divided between right and left, rather than the other way round. Yet a minority of Catholics does vote on religious lines, which generally means favouring anti-abortion candidates, and President Donald Trump may owe his job to them.

That reflects the electoral importance of rustbelt states, which have lots of working-class Catholics. Their most Catholic counties went heavily Republican in 2016, sometimes for the first time. It also reflects the fact that, in an election decided by thin margins, many Catholic bishops, though forbidden to endorse candidates, signalled a preference for Mr Trump. Lexington's parish priest more or less openly endorsed him from the pulpit.

That was despite Mr Trump getting into a spat with Pope Francis, who suggested his promised border wall was "not Christian". America's 300-odd Catholic bishops are mostly conservative and preoccupied by gay marriage and abortion, which Mr Trump railed against. This makes them resistant to Francis's effort to return the church to the radicalism of the Gospels. Yet something odd is happening. Just as the Republicans become more Catholic, the church is moving the other way.

Even the most conservative bishops have denounced Mr Trump's harsh immigration policies. At a gathering in June of over 200 bishops in Fort Lauderdale, Florida, one liberal felt emboldened to suggest imposing "canonical penalties" on people implementing them. Supporters of Mr Trump, such as Stephen Bannon, also a Catholic, sneer that the bishops want bodies to fill the pews. Yet their rebuke to Mr Trump goes far beyond immigration. They have also slammed his regressive tax cuts, efforts to cut health-care benefits and inflammatory recognition of Jerusalem as Israel's capital. Unlike Trump-loving evangelicals, with whom conservative Catholics cemented a political alliance in the 1990s, the bishops appear to have buyer's remorse.

The minority—perhaps a third of the total—who strongly support the reformist pontiff see this as an opportunity to make his case for a broader definition of "life" issues. Francis has described efforts to fight poverty, injustice and pollution, as well as immigration reform, as "pro-life". Migrant lives and those of unborn babies are, he says, "equally sacred". "There are no single-issue saints," quipped one of his supporters, José Gomez, the archbishop of Los Angeles. Though anathema to many bishops (one or two of whom may dream of disproving the quip), this is squarely within Catholic orthodoxy. Indeed, the tradition of social justice that Francis represents was prominent in the American church until recently. In the 1980s its bishops issued important tracts against poverty and nuclear arms. By appointing liberal bishops, Francis aims to restore that more expansive approach.

He may fail. The pool of liberal priests is shallow. Conservative bishops will also resume their opposition to the pope when the border crisis eases. Even at the level of parishes, where pragmatism and a stress on social cohesion are more evident than among the bishops, the church's political rift can cause friction. A priest in Maryland recalls retrieving a note from the offertory plate that read: "I didn't come here to be lectured on immigrants." That there is not more such conflict also reflects how little mixing there is between whites and Hispanics, or conservatives and liberals. Catholics tend to sort themselves into like-minded congregations. Holy Trinity in Washington, DC is known to liberal clergy as the "church of last resort", because of the many liberal fugitives it draws from northern Virginia.

Yet the church is engaged in a self-examination that is demanded from below—by Hispanic and liberal Catholics—as well as by the pope. And it is doing so while managing its conflicts relatively well. There are lessons here for secular conservatives.

Is the pope a Catholic?

For one, abortion-obsessed Catholic politicians, and perhaps jurists, are in danger of finding themselves out of step with Francis's church. That is their business—but if it transpires they should be wary of flaunting their Catholicity for political effect. Another lesson concerns the need to take account, as the church is starting to, of changing demography. The white-resentment politics to which Republicans have devoted themselves will have diminishing returns in a browning America.

A third lesson is relevant to both parties, but to Republicans especially. It is to permit reasonable debate on core beliefs, as on their better days America's Catholic authorities do. The Trump-bullied Republicans are permitted rather less internal dissent. It is a remarkable state of affairs when Republican congressmen are under more pressure to toe the line than a Catholic bishop.

This article appeared in the United States section of the print edition under the headline "The right church"

Cuba's new constitution
Less than meets the eye

Less than meets the eye

Cuba's new constitution preserves Communist power

Its liberalising reforms largely reflect facts on the ground

Print edition | The Americas Jul 26th 2018

CUBA is famous for being a place where time seems to stand still. Its cars and buildings look much the same as they did in 1959. Yet change has been afoot ever since Fidel Castro's brother Raúl succeeded him in 2006. The first reforms were economic. The younger Mr Castro legalised self-employment, and let citizens sell their homes. Next came a thaw with the United States—only partly reversed by Donald Trump—in which the two re-established formal relations.

And what of political reform? In April Mr Castro handed the presidency to Miguel Díaz-Canel, a younger Communist Party official. Raúl has spent the past few months working on a revision to the constitution, passed in 1976 when Cuba was a Soviet satellite. The National Assembly approved the new text on July 22nd. It has not yet been released, but will be sent out for public consultation before being put to a referendum. It can be safely assumed that Yes will win.

To judge from excerpts published in *Granma*, the state newspaper, the revised constitution will write Raúl's "updating" of the Cuban model into law. It will reorganise the national and local governments, legalise private property and pave the way for same-sex marriage. A clause labelling Cuba as progressing towards a "communist society" has been dropped.

Yet for all the headlines Raúl's reforms have yielded, the twin pillars of Fidel Castro's rule—the Communist Party's monopoly on power, and the state's domination of the economy—remain in place. Rather than scrapping the old ways, Mr Castro is trying to preserve as many as possible, given the constraints of an era when Cuba lacks the charismatic leader and foreign patronage (from the Soviet Union and then Venezuela) that sustained it for so long.

Playing catch-up

The new constitution is in one sense a fresh start. Of the current document's 224 articles, 113 have been modified, with 87 added and 11 removed. But many changes merely grant retroactive sanction to facts on the ground. Some 600,000 Cubans already toil as *cuentapropistas* (self-employed workers). From January to October 2017, Cuba received over $2bn in foreign direct investment. In theory, all of this activity was illegal, since the constitution of 1976 banned private property.

The adjustments to the structure of the government are more substantive, but also reflect concessions to reality. Raúl had already announced a rule that future presidents must be between 35 and 60 when inaugurated, and can serve only two five-year terms. The president's powers will be split with a prime minister, a new role. And provinces will get regional governments, with governors chosen by the National Assembly.

All of these changes decentralise and distribute power, reinforcing the transition from a dictatorship built around a strongman to one based on power-sharing among party officials. Raúl Castro himself ruled in a more consensual manner than Fidel did, mediating delicately between young reformers and recalcitrant *fidelistas*. The changes suggest that Mr Díaz-Canel will have little room for personal initiative. There is still no provision for Cuban citizens to vote for their leaders directly.

The most striking change is the redefinition of marriage to encompass any two people. This makes possible a future legalisation of same-sex marriage. Mr Castro's daughter Mariela, who leads the national sex-education agency, asked for this clause. In a calibrated display of tolerance, the government let evangelical groups protest against the policy publicly—a courtesy withheld from demonstrators demanding political freedoms.

Cuba's leaders appear comfortable with social liberalisation, because it does not threaten their power. However, they are backtracking on the economy. They are highly suspicious of the free market, which they associate with corruption, inequality and competition for state-owned firms.

Raúl's economic reforms have encountered problems. Because of an underdeveloped banking system, most transactions are in cash, hindering tax collection. Entrepreneurs cannot raise capital, making those with access to remittances from abroad richer than the rest. And the state's monopoly on wholesale markets obliges individuals and businesses to compete to buy a limited pool of goods. That stops firms from reaping economies of scale, and forces them onto the black market.

Rather than addressing these flaws, the government seems to be souring on its effort to unshackle the private sector. Just a week before the parliamentary vote on the constitution, it issued a fresh set of regulations on *cuentapropistas*. The new rules maintain prohibitions on selling services to foreigners—particularly galling for programmers and web designers—and on commercial imports. Entrepreneurs with means will have to keep visiting Miami, Mexico and Panama for provisions.

Some new regulations are even more restrictive than the old ones were. *Cuentapropistas* are now limited to one type of work, and some fields that were once open to them are now closed. The government has shut a loophole that let restaurants seat more than 50 patrons at once, and set up a tax scheme that makes hiring more than 20 workers prohibitively costly.

By keeping the private sector down, the government is protecting its own loss-making firms, which dominate the economy. During the legislative debate over the constitution, Oscar Luis Hung Pentón, an economist, vowed that "they will continue as the main source of funding upholding the revolution's social advances."

The real challenge for Cuba is how to sustain its grossly inefficient centrally planned economy in the absence of a foreign sponsor. At his speech in the assembly, Mr Díaz-Canel cited America's trade embargo as a cause of Cuba's economic struggles, likening it to "El Dinosaurio", a one-line work of fiction by the writer Augusto Monterroso. "When he woke, the dinosaur was still there," it reads. The same could be said of the Communist Party.

This article appeared in the The Americas section of the print edition under the headline "Less than meets the eye"

Señora senadora

Latin America has embraced quotas for female political candidates

Whether that leads to more female-friendly laws remains unclear

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“WHEN a woman enters politics, it changes her. When many women do, it is politics that changes.” So said Florentina Gómez Miranda, a former Argentine congresswoman. Despite its macho reputation, or perhaps because of it, Latin America is unusually keen on quotas for female political candidates. In 1991 Argentina became the world’s first country to require parties to nominate women in a minimum fraction of races. Today, of the 18 Spanish- or Portuguese-speaking countries in the Americas, 17 have a version of this policy. Elsewhere, around a third do. Five of the world’s nine most female lower houses are Latin American. One of them is in Mexico, which on July 1st elected a near-even split of the sexes in both chambers.

Many Latin countries got rid of dictatorships in the 1980s, creating a group of young democracies unbound by precedent. Yet just 5% of elected legislators that decade were female. Feminists, many of whom had campaigned for democracy, began painting political parties as sexist relics for failing to run female candidates. Argentina responded by imposing quotas on parties, and fellow Latin American states followed suit.

Quotas did not always achieve the intended result. In Brazil, where just 11% of lower-house members are women despite a 30% quota, parties can run multiple candidates for the same seat. They nominate the required share of women, but give more support to men. In some countries the old guard resorted to tricks. In Bolivia, male candidates registered for elections in 1999 with female variants of their names, like “María” for “Mario”. When Mexico introduced a 30% quota in 2002, its parties ran women in unwinnable districts, and put them at the bottom of party lists. In 2009, after the rules were tightened, eight female lawmakers quit within a week of being sworn in. Men took their places.

Only on the third try did Mexican quotas work as planned. In 2014, a constitutional amendment raised the minimum to 50%, and required understudies to be the same sex as the people they would replace. The new rules were applied to both houses for the first time this month.

Critics of quotas contend that they deprive voters of a free choice of candidates, though under the proportional representation (PR) rules that govern many Latin elections they never had that in the first place. Other critics fret that women elected under quotas are likely to be less qualified, or puppets of male relatives. Jennifer Piscopo of Occidental College in Los Angeles says that most studies show the women are as accomplished as men. (In some places, that is a low bar.) Only one country in the Americas, Haiti, reserves seats for women. In the rest of Latin America, women must either win an election to hold office or, under PR, appear high enough on a party list.

Despite the quotas, women still hold a small share of the most important legislative jobs. And the region’s number of female presidents has fallen from four in 2014 to zero today. Unsurprisingly, quotas have increased the number of female lawmakers—especially since those lawmakers tend to vote to raise the quotas still further.

Whether quotas yield laws that improve women’s lives is harder to answer. In the 12 years to 2009, female lawmakers in Mexico were six times more likely than males were to introduce bills invoking women’s rights or children’s well-being. But a study of Argentina found that although the number of female-friendly bills rose as more women entered Congress, the share that became law fell. More female legislators do not necessarily boost women’s voices in civil society or the press, which help to get bills over the line.

Nonetheless, female lawmakers and academics insist that quotas have borne legislative fruit. Argentina’s recent reform to increase access to contraception needed a critical mass of women in Congress to pass, says Ms Piscopo. Similarly, Mexico is on the verge of approving a law aimed at curbing political violence against women. “If women don’t promote it,” says Cristina Díaz Salazar, a senator, “it doesn’t pass.”

This article appeared in the The Americas section of the print edition under the headline ”Señora senadora”

Ghosts from the past

Chile's Catholic church faces new charges of sexual abuse

Allegations of a cover-up have further tarnished its image

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IN MOST of the world, Pope Francis is revered as a liberal reformer. Just across the Andes from his native Argentina, however, his image has taken a blow in the wake of a sexual-abuse scandal that could rival the gravity of those revealed in the United States and Ireland in the 2000s. On July 12th Óscar Muñoz, the former chancellor of the Archdiocese of Santiago, Chile's capital, was arrested on charges of abusing seven children since 2002. Father Muñoz, who had confessed his guilt to church officials in one case in January, was in charge of maintaining archives of clerical-abuse investigations and took testimony from victims in other cases. He was not an isolated bad apple: Chile's national prosecutor's office announced this week that it is investigating 36 accusations of sexual abuse by clergy and church employees. It also summoned the country's highest-ranking Catholic official, Cardinal Ricardo Ezzati, to testify as a defendant in the alleged cover-up of sex crimes. In five cases, church leaders are suspected of having concealed crimes or obstructed justice.

Francis's initial response to the allegations that had arisen in Chile bore unwelcome similarity to the handling of such cases under his predecessors. In 2015 he gave a bishopric to Juan Barros, a priest who had been accused of concealing the crimes of Fernando Karadima—a well-connected priest whom the church found guilty of paedophilia in 2011, seven years after receiving its first complaint against him. Bishop Barros has denied any wrongdoing. On a visit to Chile in January, Francis caused outrage by dismissing the claims against Bishop Barros as "calumnies".

The pope soon recognised his error. After commissioning a 2,300-page report into Bishop Barros, he summoned all 34 of Chile's acting and retired bishops to Rome to address charges of "grave negligence" in handling investigations and even destroying evidence. All of them tendered their resignations, and Francis has accepted five, including Bishop Barros's. In a public mea culpa, Francis called on Chileans to create spaces in which "a critical and questioning attitude is not confused with betrayal."

The church in Chile is also starting to change. For decades, it treated sexual abuse by priests as a sin rather than a crime, conducting its own investigations without telling government authorities. In some cases, it simply reshuffled clergy implicated in sex crimes to different parishes. It has now set up a new protocol, urging victims to take their stories to prosecutors.

Nonetheless, the scandal threatens to accelerate the decline of Catholicism in Chile. According to Latinobarómetro, a pollster, the share of Chileans expressing confidence in the church has collapsed from 80% in 1996 to 34% in 2017, a decline four times as large as the Latin American average during that period. And for the first time, last year Chile ranked first in the region in the proportion of respondents telling Latinobarómetro that they do not profess any faith at all.

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Bello

History will judge Colombia's outgoing president kindly

Voters, however, are unimpressed

Print edition | The Americas Jul 28th 2018

AS HE prepares to step down on August 7th after eight years as Colombia's president, Juan Manuel Santos admits to one regret. "I didn't realise that post-truth, that the propaganda against the [peace] process was much more powerful and much more effective than I imagined... And when I realised, it was too late." This is not the whole story, but it may be one reason why Mr Santos is reviled by so many Colombians, as last month's presidential election showed. The winner, Iván Duque, is the protégé of Mr Santos's predecessor and implacable political foe, Álvaro Uribe, while the runner-up was an opponent on the left. Mr Santos's preferred candidate got just 2% of the vote.

What makes that odd is that Mr Santos leaves his country a better place than he found it. Unemployment, poverty and income inequality are all lower than they were in 2010. His government tripled the motorway network. An area the size of Italy was designated as environmentally protected. The murder rate fell by 35%, and the country's human-rights record has improved, though it remains far from perfect. "Eight years ago Colombia was the black sheep in the region and the world," says Mr Santos. "Today Colombia is respected."

But history, and Colombians, will remember Mr Santos for one thing: the agreement that, after almost five years of talks, put an end to more than 50 years of fighting by the FARC, a leftist guerrilla army, and which won him the Nobel peace prize. The accord has seen some 10,000 former fighters disarm and begin to enter civilian life. Provided their leaders confess to their crimes before a special tribunal, which began its work this month, they will face only symbolic punishment. On July 20th ten former FARC leaders took their seats in Colombia's Congress.

These concessions are unacceptable to many Colombians, who think the FARC's commanders belong in jail. Mr Santos narrowly lost a referendum on the peace agreement in 2016. The government then sat down with the leaders of the No campaign, including Mr Uribe, and acted on most of their suggestions to renegotiate many details of the accord. Nevertheless, Mr Duque promises to undo parts of it. Mr Santos is confident that it cannot be reversed. Others are less sure.

The president is unrepentant. He points out that this is the first peace agreement under which guerrilla commanders will be formally held to account. Because "they are not getting 40 years behind bars in striped uniforms, people think we are being very lax," he told Bello. "They have every right to say that, but if things weren't as they are, there would be no peace."

In any peace process, the aim must be that insurgent leaders swap guns for peaceful politics. The talks stalled for a year on the government's demand that the FARC do some jail time. Their answer was that no insurgent group gives up its arms in order to go to prison. Could Mr Santos have extracted at least some sort of confinement if he had been (even) more patient? Perhaps, but probably not. Many of the critics insist that they are not warmongers. But there is little reason to believe that the much tougher deal they say they wanted was possible.

If so, the alternative was continuing war. The FARC had been weakened, but they were far from defeated. The peace process has already saved some 3,000 lives, reckons the government. Most of those are of poorer Colombians, far from the cities. Saving them may not be a vote-winner, but it is part of building a better, more integrated country.

The process has its flaws. Mr Santos was wrong to offer to pay for farmers to tear up coca fields. He admits this was a "perverse incentive". The result was that coca cultivation soared, and FARC dissidents are battling other armed criminal groups to control the burgeoning drug trade in these areas. But with the bulk of the FARC at peace, the security forces can at least concentrate on the drug mafias.

Why do more Colombians not recognise Mr Santos's achievements? A stable but recently mediocre economy has made them grouchy. The president often over-promised, on everything from roads to peace. He lacks the popular touch. But he is right, at least in part, to blame the implacable and often disloyal opposition of Mr Uribe, who repeatedly accused him of handing Colombia over to communism.

This week Mr Uribe resigned his Senate seat to defend himself before the Supreme Court on charges that he bribed witnesses to give false testimony in a dispute over his alleged links to right-wing paramilitary groups in the 1990s, all of which he denies. Perhaps Mr Santos will have the last laugh. But it may take time.

Correction (27th July 2018): *This article previously stated that the FARC's members in Congress could not vote. That is incorrect. Sorry.*

This article appeared in the The Americas section of the print edition under the headline "Damned is the peacemaker"

North Korea's economy
Ouch? Really?

A numbers game

How badly are sanctions hurting North Korea's Kim Jong Un?

Not as much as people think

Print edition | Asia Jul 26th 2018

THE increasingly severe trade and other sanctions the UN has imposed on North Korea have the aim of getting its dictator, Kim Jong Un, to give up his nuclear weapons. That the sanctions were causing pain plausibly played some part in bringing Mr Kim to suspend his nuclear and missile testing, and to extend a hand first to South Korea and then to the United States, at a summit in Singapore in June with President Donald Trump. Their continuation, say Americans negotiating with North Korea, is essential to maintain pressure on Mr Kim to disarm.

Yet even at the best of times, gauging the state of North Korea's economy is fiendishly hard. Much of it is closed, and the secretive state publishes almost no economic data. It is up to others to try to piece a picture together. Last week South Korea's central bank came up with a striking assessment that suggested sanctions were already biting hard last year, before the most serious ones had time to take effect.

According to the Bank of Korea (BoK), North Korea's GDP shrank by 3.5% in 2017, the biggest contraction since 1997, when the country was in the throes of a terrible famine. The largest effects were observed in sectors that sanctions have directly targeted: mining declined by 11%, heavy industry by 10.4% and construction by 4.4%. Exports to China fell sharply.

This is all consistent with sanctions causing serious economic pain. Most of North Korea's oil and much of its food comes through China. Kim Byong-yeon at Seoul National University says the figures are a reminder that the North's economy is more vulnerable to external shocks than might be expected for such a reclusive country. He expects the economy to shrink even more this year, as less revenue from exports hits imports and consumption.

Yet the story may not be as straightforward as the BoK's numbers suggest. Some indicators commonly used to gauge what is going on do not obviously tally with its assessment. On the black market the North Korean won has barely moved against the dollar since Mr Kim came to power upon his father's death in late 2011. The unofficial price of fuel, tracked by NKPro, a research outfit, implies no great economic strain. And a stroll about Pyongyang, the capital, suggests that a building and consumption boom is under way.

Other reasons to be sceptical include the central bank's crop estimates, which come from South Korea's rural development agency. Its insights about North Korean farm output are little better than anyone else's. Meanwhile, other data come from the national intelligence agency, which gets plenty of other stuff about North Korea wrong. Trade statistics are derived from data provided by China. Having signed on to UN sanctions, it has an interest in downplaying the extent of its economic relationship with North Korea. Last, official calculations make little allowance for the size of an informal economy from which ordinary North Koreans derive a vast chunk of their livelihoods.

Besides, sanctions can be circumvented, and the North is a master of subterfuge. Crabs caught in North Korean waters are sold to Chinese or Russian fishermen at sea or in mid-river. Dried seafood is smuggled out across a land border with China in the far north. To smuggle coal, North Korean ships turn off their transponders when leaving North Korean waters. They fake port calls in China or Russia, loitering outside ports to create the impression that they are loading there, before moving to another port to unload. The financial transactions associated with these sales are disguised through a welter of front companies abroad. Several thousand tonnes of North Korean coal, marked as Russian, made it to ports around Asia last year. Ship-to-ship transfers in the East China Sea or the Sea of Japan are another, albeit riskier, ploy. American and Japanese spooks report 89 transfers of refined oil products between January and May this year, evading UN-imposed caps on fuel imports.

Brotherly love, again

More important than these tactics are shifting views in China. It is the North's biggest trading partner, and the sanctions regime has little bite without its full-hearted participation. Its diplomats at the UN continue to pay lip service to the sanctions. Yet the will to enforce them is flagging now that nuclear tensions on the Korean peninsula have eased and ties are improving. Following meetings between Mr Kim and Xi Jinping, China's leader, Chinese officials are welcome again in Pyongyang. Beijing has reportedly approved a plan by Liaoning province, adjacent to North Korea, to spend 600m yuan ($88m) on new roads on the North Korean side of the "friendship" bridge linking the two countries at Dandong. At his press conference following the Singapore summit, Mr Trump acknowledged that China was easing pressure on North Korea. China, he said, had monitored the border "maybe a little less...over the last couple of months, but that's OK" (putting him at odds with America's official, harder line). People on the Chinese side say trade and smuggling are much less hampered by officials than earlier in the year. Local officials have never liked the sanctions. Now, the authorities in Beijing either deem their enforcement less of a priority, or are directing that they be flouted.

In terms of time, effort and lost trade, any sanctions regime has costs for the enforcers, says Andrea Berger at King's College, London. Last week China and Russia rebuffed an American request at the UN to step up enforcement of sanctions. South Korea has been asking for (and receiving) sanctions exemptions for its own engagement with the North.

So the effectiveness of economic pressure may continue to wane. As it is, on July 22nd the *Washington Post* reported Mr Trump's frustration that little had come of a summit with Mr Kim that he did so much to hype. In follow-up meetings with their North Korean counterparts, administration officials have encountered no end of obfuscation and delay. Predictably, in a tweet this week, the president denied the report. And on July 23rd a North Korea-watching website, 38 North, published satellite images suggesting that North Korea had begun to dismantle a key intercontinental missile launch site. If true, Mr Trump will surely boast that sanctions and his brilliant diplomacy are working. Even as Mr Kim maintains other sites and their missiles—and enjoys the benefits of a loosening sanctions regime.

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Hun Sen’s choice

A “slight correction on democracy” in Cambodia

Abolish the opposition, silence criticism and call it a fair election

Print edition | Asia Jul 26th 2018

ALONG the banks of the swollen Mekong, aspiring politicians lead small convoys of vehicles through the countryside. Loudspeakers in the backs of pickups blast the local population with promises. Party volunteers, some with small children, hop off scooters to hand stickers to prospective voters. The activity is reaching fever pitch: more than 8m Cambodians are eligible to cast ballots in a national election on July 29th. Up for grabs are the 125 seats in Cambodia’s National Assembly, its lower house of parliament. Yet the outcome is hardly in doubt—not least because the ruling party has abolished the main opposition. The prime minister, Hun Sen, in power since 1985, will rule as the country’s strongman for a while longer.

His Cambodian People’s Party (CPP) has left little to chance. Last September Kem Sokha, who led the Cambodian National Rescue Party (CNRP), was arrested on trumped-up treason charges and still awaits trial. Another CNRP leader, Sam Rainsy, cannot return from France without risking arrest. In November the Supreme Court dissolved the CNRP for supposed attempts to stir up a “colour revolution” with America’s help. Its 55 seats in the National Assembly and hundreds of commune chief posts went to the CPP and to FUNCINPEC, a royalist party aligned with the ruling party. It was, the government explained, “a slight correction on democracy for the common public good”.

Campaigns to suppress civil-rights groups and the press also stepped up a gear. One newspaper closed after a sudden tax demand of $6.3m. Dozens of radio stations, which once gave the opposition a voice, have gone off-air. A score of small parties will compete on polling day, but will struggle against the CPP’s might and machinery. Most offer little leadership. The head of the Dharmacracy Party says that a spirit told her to enter politics.

The best of the new parties, the Grassroots Democracy Party (GDP), emerged out of an activism network founded by Kem Ley, a dissident assassinated two years ago. Farmers and students form the GDP’s base, with Facebook its chief medium. One young man training to be a mechanic says he likes its promise of tuition loans. Sam Inn, who is running as a candidate in Phnom Penh, the capital, says the party’s policies of education reform, free health-care schemes and more infrastructure will help it win 42 seats. It sounds optimistic: the GDP boasts barely 10,000 members.

A fig leaf of multiparty democracy probably matters to the 65-year-old autocrat. Mr Hun Sen’s people point to other parties competing as evidence of a legitimate contest. Suos Yara, the CPP spokesman, highlights the many foreign observers flying in to monitor the election. Yet the charade fools few. Mr Sam Rainsy has called for Cambodians to boycott the election: to vote, says the exiled leader, “is to endorse the death of democracy”. Mr Hun Sen would probably read a low turnout as a personal rebuke.

For all its power, the regime seems uneasy. The CNRP nearly won the last general election five years ago. Months of protests then erupted as angry workers from the textile factories on the edges of Phnom Penh demanded better pay and conditions. This time Mr Hun Sen has led a charm offensive among the garment workers, once a CNRP base. He has raised their minimum wage so far that it risks pushing the whole industry to Bangladesh. Whether Mr Hun Sen’s advisers have dared point that out to him is unclear.

Their habit is always to flatter him. Mr Hun Sen and his wife, Bun Rany, sit like the rulers of old Angkor at the heart of cosmic relations, handing out rococo titles and rich sinecures to members of their court. While cronies prosper from logging concessions or licences to set up gambling operations, schools crumble and health care is out of reach for Cambodia’s poorest. Foreign policy is outsourced to China (to the annoyance of other members of ASEAN, the ten-country Association of South-East Asian Nations). Even the offspring of elites enriched by Mr Hun Sen’s rule say in private that it cannot go on like this forever. Some observers suspect Mr Hun Sen, whose right-hand man, Sok An, died last year, is losing a once-sure touch.

Western governments decry Cambodia’s direction of travel. The EU and America withheld funding for this election. Visa bans prevent many of Mr Hun Sen’s cronies from travelling to the United States. Denying Cambodia preferential trade access is another option—the EU alone receives about half of Cambodia’s exports, mostly sugar and clothes. But that would be a draconian action. It would hurt workers in some of the economy’s sunniest spots more than it would Mr Hun Sen, the country’s sun king, himself.

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Not cricket

Imran Khan's unsportsmanlike win in Pakistan

The former cricket star wins an election amid widespread allegations of cheating

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SOME 22 years after Imran Khan founded Pakistan Tehreek-e-Insaf (PTI) to break open the country's corrupt dynastic politics, the 65-year-old former cricket star was waiting, as *The Economist* went to press, for official confirmation that his party had won the most seats in Pakistan's general election. Projections suggested a tally of around 120 seats: short of a majority of the 272 elected seats in the lower house, but enough to form a ruling coalition with independent MPs rather than having to haggle with a serious rival party. Mr Khan looks to be the next prime minister. But his victory is far from sportsmanlike, in as tainted and perilously disputed an election as this one.

The doubts were long there. The outgoing majority party, the Pakistan Muslim League-Nawaz (PML-N), had warned that the army was "engineering" a victory for Mr Khan. The claim was echoed by civil-rights groups, the press and rival parties. The visas of an EU election-monitoring team were mysteriously delayed. Yet few expected widespread ballot-fixing, as in the days when generals used to stuff ballot-boxes full as sandbags.

That now appears naive. The last general election, in 2013, was not free of allegations of foul play. But they were made by just one party, the disappointed PTI, and brushed off by international observers and a subsequent Supreme Court investigation. This time almost every party except Mr Khan's raised accusations of vote-tampering. Groups as utterly opposed as Tehreek-e-Labbaik (a new hardline Islamist outfit) and the Pakistan Peoples Party (a secular group) claimed that security officials ordered their polling agents out of the voting stations before a final tally had been reached. The PML-N alleged particular abuse in constituencies where the race was tight. Shahbaz Sharif, who leads the party while his brother, Nawaz, a three-term former prime minister, watches from a prison cell on a disputed conviction for corruption, said his party "wholly rejects" the result. "Our democratic process has been pushed back by decades," he claimed. A delay in results, blamed by the election commission on a software glitch, did not improve confidence in the result.

The cloud over the outcome may not dissipate soon. The PTI's disappointed rivals could mirror Mr Khan's own past example and take to the streets, as he did in a four-month protest following the last election. That protest, however, enjoyed the sympathy of the army, keen to clip the wings of the Sharif brothers. This time the soldiers have in their sights their ideal outcome: a pliable leader and a minority government that will not be too powerful.

Rival parties may be persuaded to desist, and a tenuous stability take hold. If so, Pakistan's growing current-account crisis may look more manageable. A request before long for the biggest IMF bail-out in Pakistan's history looks unavoidable. It will not be popular, and runs against Mr Khan's promise to create an "Islamic welfare state". Rather him, his rivals may think, to force through IMF demands for austerity, subsidy cuts and further devaluations to the Pakistani rupee. And while the PTI's army-backed victory looks tainted, at least extreme religious parties which might have made common cause with Mr Khan look genuinely to have been trounced.

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Raging waters

A dam disaster in Laos

A deadly flood and a torrent of criticism of Laos's hydroelectric ambitions

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ON THE evening of July 23rd villagers along the Xe Pian river in southern Laos heard the roar of surging water. A dam 5km upstream had collapsed. The torrent inundated six villages. Homes were swept away, and around 7,000 people displaced. At least 20 are known to have died. Rescue attempts are being hampered by poor phone signals and heavy rains.

The dam was under construction when it burst. Fractures were discovered the day before, according to SK Engineering & Construction, a South Korean firm in the $1.2bn hydroelectric venture of which the dam forms a part. Rain had hindered attempts to fix the damage.

The disaster highlights Laos's big bet on hydroelectric power. The communist country is landlocked and cash-strapped. Its solution is to build lots of dams along the Mekong river and its tributaries, with Thai and Chinese backing, and to sell the electricity to neighbours. Last year Laos had 47 projects. It plans to have 100 by 2020. Laos wants to become the "battery of Asia". In 2017 electricity accounted for 23% of its exports, up from 12% in 2010.

The strategy has costs. The dams turn a free-flowing river into a chain of reservoirs, says Maureen Harris of International Rivers, an NGO. That makes it hard for migratory fish to breed, especially the giant catfish and the giant pangasius, two of the Mekong's largest freshwater species. The river also carries nutrient-rich sediments to rice farmers downstream in the Mekong delta in Vietnam. A recent study by the Mekong River Commission estimated that if Laos achieves its dam-building target, the amount of sediment that reaches the delta will fall to only two-thirds of its level in 2007.

Now, to the list of concerns, add the safety of locals. This week's flood is not the first to be caused by such a collapse. In September a dam in Xiangkhouang in the north broke. Happily, no one died then. But if the country's hydroelectric ambitions make flooding worse, then calls to power down the battery of Asia will grow louder.

This article appeared in the Asia section of the print edition under the headline "The same river twice"

Banyan

Why South-East Asia is fertile ground for mini-Trumps

Thaksin Shinawatra, who wrote the book on South-East Asian populism, ponders its next chapter

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GILDED teacups, brocade curtains and public confirmations of private-jet transfers all contribute to the atmosphere in London's poshest hotels. Thaksin Shinawatra, a telecoms tycoon and former prime minister of Thailand, is at home amid the luxury. As he discusses his complicated passport arrangements and the visit he paid Donald Trump during his campaign to become America's president, he seems a fully paid-up member of the international jet set, rather than a politician with time-tested, grassroots appeal. Yet Mr Thaksin is not only among Thailand's most successful politicians ever; he also showed the way for populists elsewhere in South-East Asia. His policies have been mimicked abroad—and even by his fiercest critics at home. Wealth inequalities and ethnic divisions make South-East Asia fertile ground for his style of majoritarian populism.

Parties linked to Mr Thaksin have won every Thai election since 2001. He was deposed by a coup in 2006 and lives in self-imposed exile, dodging a jail sentence at home while monitoring the fortunes of his Pheu Thai party. His sister, Yingluck Shinawatra, took its reins, and those of the country, until she, too, was ousted by a coup in 2014. The generals now in charge represent the military and royal elites on one side of the rift at the heart of the country's politics. The Shinawatras gaze across from the other side, claiming to speak for rural types and the poor.

Rather like Mr Trump, Mr Thaksin pulls off this feat despite his personal billions and elite credentials. His background, as a former police officer and successful ethnic-Chinese businessman, has more in common with his "yellow shirt" opponents in the Thai political and military establishment. Yet he inspires devotion among his "red shirt" followers in Thailand's Lao-speaking north and north-east. He and his sister won the loyalty of the less well-off with big promises and bigger handouts. Millions benefited from costly programmes for rice farmers, scholarship schemes and the introduction of a "30-baht scheme", whereby anyone could pay for a hospital visit with less than $1.

The legacy of such policies stretches across borders; similar health-care systems have been rolled out across South-East Asia. Indonesia's president, Joko Widodo (or Jokowi), will emphasise the success of his version when he campaigns for re-election next year. In Malaysia the administration elected in May, in the country's first-ever transfer of power from one party to another, has abolished a hated sales tax of 6%—which brought in $10.5bn last year. Costly fuel subsidies have also been reintroduced.

But Mr Thaksin's political legacy is about far more than introducing big-spending, pro-poor policies. His rule is also remembered for a brutal and lawless "war on drugs", in which thousands were reported killed (all a bit exaggerated, he now claims; he "used a lot of bluff"). In this sense, a more obvious political heir is Rodrigo Duterte, president of the Philippines. Opposition politicians estimate that as many as 20,000 people have been killed in Mr Duterte's own extrajudicial campaign against alleged drug dealers. Like Mr Thaksin, he seems to enjoy almost inexplicable popularity. In a devoutly Catholic country, even his recent badmouthing of God (whom he called "stupid") seems not to have dented it much. More generally, like Mr Thaksin, he has used that popularity to weaken the rule of law and undermine the country's institutions.

Jokowi—a more plausible man of the people than either Mr Thaksin or Mr Duterte (the son of a cabinet minister)—has neither the personal mandate nor, mercifully, the ruthless hunger for power (at least, on the evidence so far) to follow suit. But neither Indonesia nor many other countries in the region are free of the dangers of a lurch into populist majoritarianism. Indeed, in countries as different as Singapore and Myanmar, that risk has long been cited as an argument against full-fledged democracy.

Populists can exploit two faultlines. One is economic. In most of the region, inequality is stark. Elite families have clung on to their wealth and power through various political transitions. The other is ethnic and communal, exacerbated in many cases by religious differences.

In much of South-East Asia, ethnic-Chinese minorities have dominated commerce and at times suffered resentment, discrimination and violence. In Malaysia for five decades, policy has sought to redress the economic imbalance through privileges given the Muslim-Malay majority. In Indonesia populist appeals to the Muslim majority can sway elections. Last year Basuki Tjahaja Purnama, or Ahok, an ethnic-Chinese Christian who succeeded Jokowi as governor of Jakarta, lost one election and is now in jail on trumped-up blasphemy charges. In Myanmar Muslims are in the minority. State-sanctioned pandering to the Buddhist majority's hatred of the Rohingyas, a Muslim group, has driven about 720,000 from the country following appalling violence.

Finders keepers

Populist leaders undermine democracy by harnessing its mechanisms for their own benefit. They succeed by purporting to have a unique ability to speak for voters disadvantaged in unequal societies. Authoritarianism festers in such conditions. Thailand has a poor way of dealing with unruly politicians: it uses coups. But even the country's ruling generals are flirting with populism ahead of a much-delayed election next year. They still hand out subsidies to rice farmers and have introduced new social-welfare cards to provide the poor with monthly cash. From an ornate sofa, Mr Thaksin laments Thailand's enduring wealth gap. "The economy is only good for a few, not for all," he says. Yet he also claims to have seen the light, and to have turned against majoritarianism. Asked what he would do differently if he had another shot at running the country, he says he would not follow a "winner takes all" policy but an "embrace all" one instead. That is easy for him to say, of course, now that he is not winning.

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Health scares
No inoculation against corruption

No innoculation against corruption

A vaccine scandal shakes trust in China's government

More than 200,000 babies may have been given substandard jabs

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"IT SEEMS Beijing does not have this problem," says a father leaving the Capital Institute of Paediatrics with his two young boys on a sweltering afternoon. The parent, who gives his name as Mr Wu, says Beijing health officials have promised worried local people that they did not purchase any of the medicines involved in China's latest scandal over defective childhood vaccines—namely some 110,000 doses of rabies vaccine for which production data were allegedly faked by Changchun Changsheng Life Sciences, one of China's largest vaccine-makers.

Beijing officials also insist that they did not buy any of a batch of 250,000 doses of jabs for diphtheria, pertussis and tetanus (DPT) sold by the same firm in 2017—which it now emerges were declared "substandard" by regulators, though that finding only became public nine months later, on July 17th. Officials in the eastern province of Shandong, where 215,000 children were given the defective vaccines, told the *Dazhong Daily* that the medicine is not thought to be harmful. But when asked whether he accepted official assurances, Mr Wu looks stricken: "You have to believe the government, there's no other way." A mother fanning a three-month-old baby says she trusts foreign vaccines far more, adding resignedly that such luxuries are for those who can seek treatment abroad.

This mix of helplessness and fear, evident among parents across the country, has prompted China's rulers to make an unusually direct response to the scandal. President Xi Jinping interrupted a red-carpet tour of Africa to call the vaccine-maker's actions "vile" and "shocking". Police detained Changsheng's chairwoman along with 14 other people.

The scenes at the Beijing hospital gates point to why this affair is so damaging. Many urban Chinese grow up with advantages unknown to previous generations. The Capital Institute of Paediatrics draws families from far outside Beijing: sick children brought by grandparents and parents in anxious huddles, shaded with umbrellas from the July sun or bought ice-creams and balloons. But for parents, modern life also feels fragile. They cannot reliably give children clean air to breathe or safe food to eat or know that medicines prescribed for them are genuine—despite repeated promises from their Communist rulers to fight air and water pollution, clean up the food industry and keep dangerous fake products off the market. To this day families that can afford it buy foreign milk and infant formula, though a decade has passed since six babies died and thousands were made ill by Chinese powdered milk adulterated, for profit, with melamine, an industrial chemical.

In 2007 Zheng Xiaoyu, a former head of the State Food and Drug Administration, was executed for taking bribes to approve untested medicines and equipment. Since taking power in 2012 Mr Xi has led a vast and popular anti-corruption campaign. But that hasn't stopped the scandals.

Responding to public outrage, state media have been a bit bolder than usual in covering this fresh crisis. *China Daily* noted that employees of or distributors for Changchun Changsheng Life Sciences and its parent company have been named in at least ten court judgments in the past decade for paying bribes to hospital or health officials. This rarely resulted in prosecutions of bribe-payers, it said, as too many companies were doing the same thing. *Global Times*, a popular tabloid, called for the government to calm the public with more authoritative information, arguing in an editorial that: "many may believe that it is lax supervision and light punishment that led to multiple scandals created by companies like Changchun Changsheng." Social-media users noted revelations that at least two batches of DPT vaccines from the firm had been found defective in 2016 and 2017, leading to 3.4m yuan ($500,000) in fines for Changsheng, which reported 566m yuan in net profits last year.

It is not only domestic drug firms that have incentives to cut corners. Chinese hospitals make much of their revenue from selling medicines. Whistle-blowing is a risky pastime: in 2010 an investigative reporter and his editor lost their posts at the *China Economic Times* for detailing how mishandled vaccines led to the deaths of four children in Shanxi province. Meanwhile in Hong Kong, where a (more or less) free press and independent judiciary hold medical institutions to account, doctors have been told by health officials to brace for an influx of mainlanders seeking safe vaccines for their children.

This article appeared in the China section of the print edition under the headline "No inoculation against corruption"

Birth control: a rule, not a pill

China's two-child policy is having unintended consequences

Reluctant to pay for multiple maternity leaves, companies are choosing not to hire young women

Print edition | China Jul 26th 2018

THE one-child-per-couple policy was horrific for women in China. Many were subjected to forced sterilisations or abortions. Newborn girls were killed, removed by family-planning officials or abandoned by parents desperate that their one permitted baby be a boy. Women from neighbouring countries suffered, too, as victims of human trafficking; a skewed sex-ratio made it more difficult for young men to find Chinese wives. So the government's announcement in late 2015 that it was relaxing the policy, after 35 years, was good news. Yet the two-child-per-couple policy that replaced it may bring different kinds of problems.

For a generation the government assured women that "one is enough" and that "late marriage and late childbirth are worthy." Now state media urge them to marry while still in university and remind them that older mothers are more likely to have babies with birth defects, notes Leta Hong Fincher, an author and academic. Officials are encouraging childbirth because they worry that the fertility rate (the number of children a woman can expect to have during her lifetime) has sunk well below 2.1, the level required to keep the population stable in the long term. They fear a shrinking population will hamper economic growth.

The birth rate increased slightly in 2016 but fell again last year. Rumours suggest that the two-child policy could itself be tossed out soon, allowing couples to have as many kids as they like. Families would doubtless appreciate less meddling from government, but the reform is unlikely to produce very many more babies. Many couples do not want more children because they cannot afford to pay more for housing, health care and education. Decades of being told that small families are glorious has not helped. Helen Gao, a 30-year-old writer who works at China Policy, a think-tank in Beijing, says that having one child has become an ideal in China, just as some Americans might regard a couple with two children and a dog as the perfect-sized unit.

The loosening of family-planning rules is also creating new problems for women. In the past, bosses knew that female staff would take paid maternity leave only once. Now they fret about having to shell out multiple times. A survey by 51job.com, an employment website, found that 75% of companies were more reluctant to hire women after the two-child policy took effect. Another, by the All-China Women's Federation, found that 55% of women had been asked personal questions in job interviews, such as: "Do you have a boyfriend?" or "When do you plan to have children?"

Providing maternity leave has become more costly for employers. Over the past two years most Chinese provinces have extended paid leave beyond the 98-day minimum mandated under national law, hoping this will encourage more families to have a second child. China has laws against sex discrimination, including a rule that bars firms from firing pregnant women until their child is at least one year old, but enforcement is lax. Executives have "zero fear" of punishment, says Sophie Richardson of Human Rights Watch.

In a survey carried out last year by Zhaopin, a jobs website, a third of women reported that their wages fell after giving birth (though for some this may be because they worked fewer hours). Some 36% said they were demoted. At an arbitration court in Beijing, a mother who gives her name as Xiao Wei recently secured a small settlement from a state-owned firm that she says treated her and other pregnant women unfairly. But she says finding a new job while her seven-month-old son is still breastfeeding is likely to be a "hopeless cause".

Meanwhile the government is gradually implementing policies that look as if they could be intended, at least in part, to increase the birth rate. In June the southern province of Jiangxi became the latest of several local authorities to say that it would start requiring women who are more than 14 weeks pregnant to secure the approval of three doctors in order to procure an abortion. (Such policies are ostensibly aimed at preventing the termination of unwanted girls, but cynics think they could be used to drive up births more broadly.) Health officials have taken to discouraging women from having Caesarean sections, arguing that they increase the risk of complications during a second pregnancy. Chinese courts are also beginning to tighten divorce rules by enforcing "cooling-off" periods after applications are filed—including, say critics, in some cases where a woman's safety might be at risk. Whether the government is restricting family sizes or trying to boost them, "it is always about control," says Mei Fong, a journalist and the author of "One Child", a book about China's family-planning policies.

China's leader, Xi Jinping, talks of his "commitment to gender equality and women's development". But since he came to power in 2012, China's ranking in the World Economic Forum's global index of gender parity has fallen from 69th to 100th, above Malawi and India but below Cambodia and Brazil. Women's participation in the workforce is high compared with many Asian countries but is slowly declining; the wage gap has widened too. Like his predecessors, Mr Xi has not appointed any women to China's highest political body, the Politburo Standing Committee. The authorities have stepped up their repression of civil society. This has included the jailing of feminist activists and the shutting down of the most prominent women's-rights blog (this took place on International Women's Day).

If Mr Xi wants women to have more children, he should make it easier for them to do so. A good start would be to enforce anti-discrimination laws and to boost investment in child care. Sometimes fawningly called "Big Daddy Xi", the president might justify the moniker if he better cared for his country’s daughters.

This article appeared in the China section of the print edition under the headline ”The law of unintended consequences”

Zimbabwe's elections
A new start?

Land of the 141-year-old voter

Zimbabwe's opposition is gaining ground ahead of upcoming elections

Will President Mnangagwa rig the vote, or send in the army to stay in power?

Print edition | Middle East and Africa Jul 26th 2018

AS NELSON CHAMISA takes the stage in Karoi, a town in the north of Zimbabwe, he grasps a microphone with one hand and waves with the other. "Bye-bye, Zanu-PF, bye-bye," he says. The 40-year-old leader of the MDC Alliance, Zimbabwe's main opposition bloc, is a cocky speaker with a preacherly vibe. Switching between English and Shona, he scorns the party that has ruled Zimbabwe since he was two years old. He vows that the MDC will win elections on July 30th.

A few months ago most observers would have scoffed at his chances. President Emmerson Mnangagwa, the 75-year-old who succeeded Robert Mugabe after a coup in November, was going strong, strutting around foreign capitals declaring Zimbabwe "open for business". But a poll released on July 20th by Afrobarometer found the MDC had closed the gap on Zanu-PF from 11 to 3 percentage points. The MDC was backed by 37% of respondents, with Mr Mnangagwa's party polling 40% (see chart). Fully 20% were undecided or refused to state a preference. If most of these broke for the MDC it could at least force a run-off vote for the presidency, triggered when no candidate wins a majority in the first round. That outcome would lead to a period of profound nervousness, given how the army and Zanu-PF have previously chosen to murder and torture opponents rather than relinquish power.

Whether Mr Chamisa can upset the odds depends on two factors. The first is whether he is truly gaining support: two polls are a meagre basis for firm conclusions. More important is whether Zanu-PF will successfully rig the election.

There has not been a free and fair election in Zimbabwe for two decades. But hopes have been raised since the coup. Systematic violence is rarer. And freedom of expression has widened, at least in cities. Roland von Nidda, a Jesuit priest, says his congregation no longer shushes him when he preaches about corruption.

Some improvements notwithstanding, the vote does not look free or fair. Few Western observers believe that the Zimbabwe Electoral Commission (ZEC) is independent. The voter roll contains over 250,000 anomalous entries, according to Team Pachedu, a group of analysts. The oldest person in the world is apparently still alive—and keen to vote—at the age of 141. The ballot paper listing the 23 presidential candidates has Mr Mnangagwa conveniently placed at the top of the page.

Even if technical aspects of the vote were fair, Zanu-PF would still be able to use the power of the state to its advantage. It recently announced pay hikes for civil servants (17.5%), police (20%) and soldiers (22.5%). It has bought off or intimidated many traditional leaders. Food is being handed out at rallies. The party is lavishly covered by state television. Visitors to Harare, the capital, would be excused if they thought Mr Mnangagwa were the only candidate for president, such is his ubiquity on billboards.

Then there is intimidation. For example, local party hacks may threaten to harm rural voters if they vote for the opposition. We The People, a human-rights group, has reported at least 100 cases of abuse in each of the past two weeks. Many voters worry that they will lose their land if they back the opposition. According to Afrobarometer, 43% fear falling victim to electoral intimidation or violence.

The presence of observers from the European Union, American NGOs, the African Union and the Southern African Development Community should put a lid on more explicit chicanery. Mr Mnangagwa needs not just to win, but to win in a certified manner if he is to mend financial relations with creditors including the IMF.

The country is in dire financial trouble. Millions of people have emigrated. Between 1.1m and 2.5m of the country's people may require food aid. Just 6% of the working-age population is in formal employment—the third most informalised economy in the world, according to the IMF. It is in arrears to the World Bank and the African Development Bank. Most African capitals are hives of construction; the only cranes in Harare are birds.

And it is beset by a growing currency crisis. Zimbabwe's fiscal deficit was officially 13% of GDP in 2018; the real figure may well be higher, thanks to pre-election handouts. The government hoovers up all the American dollars (the country's main denomination) it can find. In their place it issues "bond notes" and electronic deposits, which the state insists are of equivalent value. In effect, it is printing money while pretending not to. People on the street are not fooled. Bond notes trade at 1.35 to the dollar. Mobile money is worth even less.

"Money, money, money. It's the problem," complains Moleen Dzenge, who buys shoes in Zambia and sells them in Karoi. Her margins are being squeezed as the value of the money used by her buyers falls. So she is raising prices.

Inflation of imported goods is running at over 100%, estimates Eddie Cross, an opposition MP. Shops are raising prices or offering discounts to those with dollars, such as tourists or foreign correspondents.

Despite the mess, some parties think Mr Mnangagwa is best placed to mend the economy. These include the British and Chinese governments, and many commercial farmers and investors. Partly this reflects doubts about the MDC, but some outsiders think Mr Mnangagwa is a real reformer, despite his four decades at the centre of the regime that wrecked Zimbabwe. If he wins, many will declare the election free and fair enough, and move on.

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

For whom the bells toll

Congo's Catholics are standing up for democracy

Church bells urge the unpopular president, Joseph Kabila, to quit. But he may run again

Print edition | Middle East and Africa Jul 28th 2018

THURSDAY nights in Kinshasa are even noisier than usual. At 9pm, above the usual din of traffic and music in the sprawling capital of the Democratic Republic of Congo, bells chime from some 100 churches. Motorbikes toot their horns and people bang pots and blow whistles. They are reminding the president, Joseph Kabila, that his time is up.

Mr Kabila, who came to power in 2001 when his father was murdered, should have stood down in 2016. Yet he has repeatedly delayed holding an election—now rescheduled for December—in which he is constitutionally barred from running.

The weekly rumpus is organised by the Catholic church, one of the few institutions in vast, corrupt Congo that functions well. It does far more than minister to the spiritual needs of its congregants, who make up about 40% of the country's 80m people. It also provides education and health care; and it plays an important role in politics.

Catholic priests were vocal critics of Mobutu Sese Seko, a kleptocrat who ruled from 1965 to 1997. Mobutu impoverished a mineral-rich country by building palaces in the jungle, chartering Concorde jets to go shopping and letting officials at every level plunder with impunity. The church was one of the only organisations to stand up to him. Today, it is annoying Mr Kabila, too. After he postponed elections and refused to stand down, Catholic bishops got his party to promise to allow a vote in 2017. Ever since he broke his word, they have been pressing him to repent.

Between December and February a committee of Catholic activists known as the CLC teamed up with priests to organise three protests. Congregations in Kinshasa and 12 other cities marched out of their churches after Sunday mass. They sang hymns while waving palm fronds and cardboard signs. In the capital, policemen surrounded churches and sprayed the crowds with tear gas and, in some cases, bullets. Local sources say that the police killed 18 people altogether.

The CLC, most of whose members are now in hiding, says it will arrange a protest next month if Mr Kabila declares himself a candidate (all presidential hopefuls must give their names to the electoral commission by August 8th). Many think that Mr Kabila will try to put himself forward by claiming that a constitutional amendment in 2011 restarted the count towards a limit of two presidential terms. His ploy would work only if the constitutional court agrees with this logic. That seems less far-fetched since the president and parliament replaced two judges with regime loyalists in May. Although Mr Kabila is unpopular, the opposition is so fractured that if he is allowed to stand he might well win re-election without too much cheating.

But even organising an election in a dysfunctional country about two-thirds the size of western Europe will not be an easy task. Congo has fewer paved roads than Luxembourg and only 1% of rural areas have electricity. Getting 90,000 polling stations ready for December will require miraculous organisation.

Meanwhile, priests continue to clang their bells. Abbé Vincent Tshomba, the man in charge of co-ordinating the Catholic clergy in Kinshasa, says the government has tried to scare him into keeping quiet. "An MP came to my church, claiming that all the noise had given him a heart attack," he says, amused. "They took me to court but the evidence was inconclusive." If Mr Kabila does indeed run again, there will be a lot more noise.

This article appeared in the Middle East and Africa section of the print edition under the headline "For whom the bells toll"

Democracy's shifting sands

Mali goes to the polls amid huge insecurity

A presidential election may help bring stability

Print edition | Middle East and Africa Jul 26th 2018

A DECADE ago elections in Mali brought a carnival atmosphere to this vast and sparsely populated country. Dozens of candidates vied with one another, handing out T-shirts, sugar and cash to woo voters. By contrast, a presidential election scheduled for July 29th has a grim feel. Memories linger of a military coup, ethnic uprising and jihadist insurgency in 2012, followed by the arrival of thousands of French troops and UN peacekeepers.

The conflict that erupted six years ago still smoulders on, despite a peace deal that was struck between the government (and the various militias that support it) and Tuareg-led rebels in 2015. In it the government agreed to devolve more autonomy to the country's north and to give northerners more representation in the state. But the government fell short of meeting its pledges and fighting has regularly broken out between loyalist and separatist militias.

Since the start of the year some 300 civilians have been killed in intercommunal violence. The UN is struggling to keep a lid on the fighting. It has deployed 12,000 blue helmets, but its peacekeeping mission, known as MINUSMA, is easily its most dangerous anywhere. In all 169 peacekeepers have been killed.

Meanwhile jihadist groups, some of which are aligned with al-Qaeda or Islamic State, have continued to wreak havoc. In recent weeks they have struck repeatedly at Sévaré, a town in the centre of Mali that is home to the headquarters of the G5 Sahel, a regional counter-terrorism force with troops from five countries. In late June a suicide-bomber attacked the headquarters itself, killing two Malian soldiers and several civilians. In late July jihadists struck again, this time hitting the town's airport with mortar fire.

Extrajudicial killings by Malian soldiers are further fanning the flames. In June the defence minister admitted that Malian troops were involved in the murder of 25 civilians found in mass graves.

Insecurity is undercutting support for President Ibrahim Boubacar Keïta, who is running for a second term after winning 77% of the vote in 2013. He still has strong backing in rural areas and is seen as the favourite; west African presidents seldom fail to win re-election.

IBK, as he is known, faces a divided opposition, with 23 rival candidates. He might scrape more than 50% in the first round. If he does, he wins. If not, the run-off could be tricky, since the opposition will doubtless unite around his rival. That could be Soumaïla Cissé, a popular former finance minister, or Moussa Mara, a former prime minister. More important than who wins, however, is whether the election can provide legitimacy to a government that is still widely distrusted in the north. If so, it may provide some impetus to a faltering peace process and help end the killing.

This article appeared in the Middle East and Africa section of the print edition under the headline "Democracy's shifting sands"

Coups, I did it again

Another power grab in the Comoros

The president wants to change the constitution to stay in power longer

Print edition | Middle East and Africa Jul 26th 2018

ON AVERAGE, someone attempts a coup in the Comoros every two years. The impoverished country, consisting of three Indian Ocean islands and 800,000 people, has also weathered secession attempts in its turbulent 43 years since independence. Its two smaller islands, Moheli and Anjouan, broke away in 1997, resentful of domination by the main island, Grande Comore. In desperation, they asked France to recolonise them. France refused.

The flimsy union was stitched back together in 2001 with an agreement to rotate the presidency between the islands. But a referendum to amend the constitution on July 30th has put the country back on edge. It would extend the presidential term limit from one to two five-year stints and do away with the rotating presidency. This would allow President Azali Assoumani, elected in 2016, to rule for another decade.

The opposition regards the referendum as merely a power-grab. It has staged weekly protests in the capital, Moroni, demanding that the vote be called off. Even one of Mr Azali's vice-presidents, Ahmed Said Jaffar, has turned against him. In a letter to the African Union (AU), signed by the governors of Grande Comore and Anjouan, he wrote that the referendum "risks plunging the country into a deep crisis".

Mr Azali's recent behaviour does not inspire confidence. He suspended the constitutional court in April, ostensibly because it was short of judges. Critics say he did it to pre-empt a legal challenge to the referendum. Opponents have been arrested and Mr Azali has suggested that he may call an early election, resetting the clock on his mandate.

Outside observers worry that the country could slip back into turmoil. An assassination attempt on Moustadroine Abdou, another vice-president, on July 21st, is ominous. Renewed instability would be bad news for France, which is trying to stem the flow of Comorian migrants to the nearby French overseas territory of Mayotte. (Its population is already 42% Comorian.)

The AU, which sent a force to invade Anjouan in 2008 to quell a secession attempt, has issued a statement calling for "dialogue without delay"; it "strongly emphasises the need to permanently respect" the 2001 agreement. Of all people, Mr Azali should know that Comorian presidents need to watch their backs. He led a coup himself in 1999.

This article appeared in the Middle East and Africa section of the print edition under the headline "Coups, I did it again"

The Shia Spring

Shias in southern Iraq are fed up with the government

Thousands of Iraqis are protesting against shortages of electricity and water

Print edition | Middle East and Africa Jul 26th 2018

IRAQ'S ruling elite has survived Kurdish separatism and Sunni jihadism. But a challenge from its own Shia base could prove the greatest threat. Since July 8th the oil-rich south has been in tumult. In the searing heat, tens of thousands of Iraqis are protesting against the dearth of electricity and water. They have ransacked government buildings, burnt offices of political parties and blocked roads to oilfields and the port. When the caretaker prime minister, Haider al-Abadi, went to Basra to calm tempers with a promise of 10,000 new jobs, demonstrators chased him away. He has since called in the army and militias, imposed curfews and cut off the internet. Over a dozen people have been killed, many of them shot dead.

The government looks on, as if at a passing summer cloud. Come September, say officials, the outrage will subside with the temperatures. Behind the barricades of Baghdad's vast Green Zone, business continues as usual in air-conditioned palaces. Leaders of Shia factions bicker over the results of May's disputed election. A manual recount drags on. Party hacks haggle over the most lucrative ministries.

But exasperation in the Red Zone—the rest of Iraq—is near breaking point. Parents cool toddlers in buckets filled with what fetid water drips from the taps. Hundreds of thousands of Iraqis graduate annually with little prospect of a formal job.

At stake is the ethno-sectarian system America installed after its invasion in 2003. For 15 years southern Shias kept it working. They gave the ruling factions their votes, oil wealth and men in a war to suppress Sunnis. But corruption, mismanagement and the costs of four years fighting the jihadists of Islamic State have reduced the southern provinces to Iraq's poorest. Now they have had enough. Less than half the electorate voted, with turnout lowest in Baghdad and the south. Muqtada al-Sadr, a populist cleric revered in the shantytowns, emerged as the front-runner. "Iraqis have lost faith in the political system," says Ali Allawi, a former defence minister. "After 15 years it has failed to deliver."

Few of the totems of the new order have been spared. Protesters marched on bases of the *hashd*, the militia that increasingly acts as the elite's praetorian guard. They cried for the expulsion of its backer, Iran, and ripped down the signposts over Basra's Imam Khomeini highway, named after the late leader of Iran's Islamic revolution. They even mocked the ayatollahs in the holy city of Najaf. Images of clerical car parks full of luxury cars circulated on social media with the caption "*kulkum haramiyya*" (you're all thieves).

Officials blithely assume that the protesters lack staying power. The chief rabble-rouser, Mr Sadr, has been too tempted by power to join the protests. Without him they look disorganised. But that also makes them harder to co-opt. And summer unrest in Iraq has an uncomfortable way of heating up. The revolution against the British in 1920, the overthrow of the monarchy in 1958 and the Baathist coup of 1968 all took place in July.

Some in government circles want a top-down overhaul before Iraq erupts from the bottom. The army remains one of the few institutions popular with Sunnis and Shias alike. But its officer class is probably too depoliticised to revolt. A more likely scenario could be a coup in which a Shia politician declares an emergency and grabs power.

In other times America might have scrambled to prop up Iraq's democracy. But to the extent that the Trump administration cares at all, it seems interested in a government that keeps the oil flowing and does its bidding against Iran. It is pleased by the anti-Iranian flavour of the protests, but worries that Iranian-backed ministers will help their neighbour bust American sanctions. Ultimately, Iraqis will have to solve their own problems.

This article appeared in the Middle East and Africa section of the print edition under the headline "The Shia spring"

Israel's identity crisis

Israel's Jewish nationalist identity is outweighing its democratic one

The law seems designed to upset minorities

Print edition | Middle East and Africa Jul 26th 2018

"THIS is a pivotal moment in the history of Zionism and the state of Israel," said Binyamin Netanyahu, Israel's prime minister (pictured), in the early hours of July 19th. Israel's parliament, the Knesset, had just passed a law stating that the right of national self-determination is "unique to the Jewish people". Israel's non-Jewish citizens were excluded. The nation-state law, as it is known, was necessary "to ensure the foundation of our existence", said Mr Netanyahu. But Arab Knesset members called it the "law of Jewish supremacy" and chanted "apartheid".

The nation-state law seems designed to offend Israel's minorities. It repeats clauses from other laws, but eschews the section of the declaration of independence that commits Israel to the "complete equality of social and political rights to all its inhabitants irrespective of religion, race or sex". Israel has always struggled to balance that pledge against its status as a Jewish state. Unofficial discrimination has existed for decades, in that Arabs receive fewer state resources than Jews. What is new is that lawmakers in Mr Netanyahu's coalition are seeking to codify inequality in law.

In fact the nation-state law is not as sweeping as Mr Netanyahu's grandiose language suggests. In lieu of a constitution, the Knesset has, over the years, passed a series of "basic laws". One, from 1992, enshrines the same civil rights for all citizens. The new measure, also a basic law, does not change that. Harder-line drafts were watered down during years of political wrangling. A clause that would have promoted Jewish-only communities was replaced with a vague commitment to "Jewish settlement". Another specifies that Hebrew is Israel's "official language", while Arabic, spoken by a quarter of the population, merely has "special status". Yet the use of Arabic in the public domain has grown on Mr Netanyahu's watch.

In arguing for the nation-state law, Mr Netanyahu may have been motivated by the search for votes rather than by state-building. Anxious to win a fifth term in elections that must be held by late next year, the prime minister looks set on repeating his strategy from 2015, when he exhorted nationalists to "protect the state of Israel" against "the Arab voters moving in droves to the polling stations". To keep his coalition together, he has often acceded to his ultra-Orthodox and nationalist allies. But many are still frustrated. Because the nation-state law is only declaratory, few think it will sway Israel's Supreme Court, which often rules in favour of democratic values over Jewish nationalist ones.

Critics of Mr Netanyahu's government, one of the most right-wing and religious in Israel's history, say the nation-state law is indicative of its efforts to make Israel less democratic and more illiberal. It has passed laws aimed at weakening the courts and stifling the press and civil-rights groups. It has kowtowed to conservative supporters, exacerbating tensions within Israeli society. And it has made little effort to seek peace with the Palestinians. But Mr Netanyahu is under little pressure to change his ways. President Donald Trump has backed him, for example by recognising Jerusalem as Israel's capital. Much of the Arab world is working with Mr Netanyahu to counter Iran. And the Israeli opposition is too weak to pose a credible threat to the government.

Despite the new law, Israel's democracy is robust. The Knesset contains a wide range of views (the nation-state law passed by 62 votes to 55). The legal system holds power to account—in recent years it has sent both a prime minister and a president to prison for criminal offences. Mr Netanyahu himself is facing numerous investigations over corruption. The Israeli press is free and refreshingly irreverent towards politicians. Efforts by the government to stifle dissent have been diluted or failed because of judicial and media opposition and a lack of support within the ruling coalition, which commands a small majority.

On the same morning the new basic law passed, police detained a progressive rabbi in Haifa for carrying out Jewish marriages without the approval of the state Rabbinate, which is ultra-Orthodox. A day earlier Mr Netanyahu was forced to vote against a measure, which he had previously endorsed, that would have allowed gay men to have children with a surrogate mother. His reversal was a sop to his ultra-Orthodox coalition partners. The new law does not resolve these conflicts. Even Israelis themselves cannot agree on what it means to be a Jewish state.

This article appeared in the Middle East and Africa section of the print edition under the headline "Jewish or democratic?"

The Bundeswehr
Outgunned

Buying butter, not guns

Why Germany needs a better army

Generals are worried about Russia. Voters are not

Print edition | Europe Jul 26th 2018

IF A war were to break out in Europe, its early stages might look something like NATO's recent exercise on the Letzlinger Heath, some 100km (60 miles) west of Berlin. The war game imagined an enemy (Russia, say) sweeping across the northern European plain and into a NATO member state (Estonia, say).

In the front line of resistance was NATO's new Very High Readiness Joint Task Force (VJTF), whose rotating leadership will pass to the Bundeswehr, Germany's armed forces, next year. The scenario was earnestly rehearsed by an array of allied forces whose common language was English. A commander's voice crackled over the radio, ordering troops to retake the town of Schnöggersburg and its airport. The air grew thick with dust and cordite as Leopard 2 tanks raced across the scrubby landscape, with howitzer fire providing cover and helicopters circling overhead. Fire-fights broke out across the rooftops, then Norwegian tanks rolled through the cleared streets and on to the airport. "I have spent 30 weeks in training with my troops and I can tell you: we will fulfil our mission," affirmed Brigadier-General Ullrich Spannuth with evident pride.

In a narrow sense, he may be right. Whether supporting French troops in the Sahel, or training Kurdish fighters in Iraq, Germany's soldiers usually rise to the challenge when a few of them are under an international spotlight. But the overall state of the Bundeswehr is dismal. At a time when many other states in the region are girding themselves against possible Russian adventurism, the German armed forces are desperately short of equipment, money and, above all, public support.

Lieutenant-General Jörg Vollmer, the Bundeswehr chief of staff, who reviewed the exercise from a rooftop, admits that fitting out the VJTF will come at a price. As he insisted, the force will now be supplied with the tents and thermal clothing which it was reported, earlier this year, to be missing. But if that goal is achieved, "equipment will be lacking elsewhere," he says.

The contrast with nearby countries is stark. Sweden and Finland, although not even members of NATO, are working hard to boost their defences and galvanise their people as they observe increased Russian activity, above all by submarines, in the Baltic Sea. In May the Swedish government issued leaflets advising citizens what to do in the event of war, a step it has not taken since the 1960s.

As for Germany's NATO partners, Poland and the Baltic states, they need no persuading of the dangers of Russian adventurism, which has been concentrating minds in the alliance since 2014 when President Vladimir Putin annexed Crimea and fomented war in eastern Ukraine.

At least on paper, Germany's armed forces are deeply involved in a reordering of NATO's military structures which are designed, in a measured way, to respond to Russian assertiveness. Some 650 German soldiers are stationed in Lithuania, leading a multinational "tripwire" force which would be in the front line of any Russian incursion. The Bundeswehr and its two armoured divisions are taking shape as the linchpin of a new European defence order, with Dutch, Czech and Romanian units under German command. That, at least, is the theory. But as memories of the cold war fade, the willingness of German citizens to pay for their own defence, let alone anybody else's, seems ever diminishing.

With his erratic outbursts at this month's NATO summit, Donald Trump brought things to a head. He accused the Germans of being cynical spongers because their defence spending amounts only to 1.2% of GDP, compared with a NATO target of 2%—which in his view ought to be doubled.

As the president made thunderously clear, he was unimpressed by pledges from Chancellor Angela Merkel to raise the proportion to 1.5% by 2024. German citizens seem equally cool towards the idea, but for the opposite reason. An opinion poll at the time of the summit found that 36% of Germans thought defence expenditure was already too high, and only 15% approved of Mrs Merkel's promise to raise it.

Defence-watchers in many countries were shocked by a report in February on the state of the Bundeswehr's equipment. Less than half the country's Leopard tanks, 12 out of 50 Tiger helicopters and only 39 out of 128 Typhoon fighter aircraft were fit for action. At the end of last year, none of the country's six submarines was at sea. But German voters seem to shrug; when asked what sort of expenditure should be a priority, defence comes last. It barely featured in last year's election.

The malaise afflicting the German armed forces has deep roots. For most of the time since reunification, the country has been slashing the numbers in uniform, from over 500,000 to 180,000. Current plans for a modest increase in numbers, to a total of about 200,000, will be hard to implement because military careers are so unpopular. Conscription ended in 2011.

In a country which has reason to be wary of militarism, any change of thinking about the country's strategic role takes time to absorb. Only in the mid-1990s did the public leerily accept the idea of German troops being sent on far-flung missions, and even then only so long as just volunteers were dispatched and each operation had parliamentary approval. The country currently has 1,000-strong missions in Mali and Afghanistan, and not much more.

Before 2014, it was assumed that German troops were unlikely to hear shots in anger except on some cautiously chosen expeditions. As the Russian bear growled that year, military staff began planning for old-fashioned territorial defence, which is virtually inseparable from the defence of NATO neighbours. The public did not hear the growl, or chose not to hear it.

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

Extreme weather

A hot summer is giving Europe's populists a boost

In Sweden, Italy and elsewhere, angry politicians are high in the polls

Print edition | Europe Jul 26th 2018

SWEDEN is having a fiery summer. This has been the hottest July on record, and fires have consumed at least 25,000 hectares (62,000 acres) of forest. The political landscape is no less flammable. The Sweden Democrats, an anti-immigrant party founded by neo-Nazis in the 1980s, are in a tie with the governing Social Democrats for first place in some opinion polls, with about 23%. Voters are worried about the country's ability to assimilate refugees and spooked by a rise in gun violence. With an election due on September 9th, Sweden's traditionally consensual, left-leaning politics look set for a conflagration.

Indeed, it has been a remarkably good summer for demagogues across much of Europe. In Italy, a coalition between two populist parties, the right-wing Northern League and the maverick Five Star Movement (M5S), took power in June. Since then Matteo Salvini, the League's leader who is also interior minister, has provoked a string of controversies. He has turned away boats of asylum-seekers, challenged the EU on migration and budget restrictions, and promised to broaden gun owners' rights to use their weapons in self-defence (see Charlemagne column).

Those tactics have won him media attention. A study of newspaper coverage by Marco Valbruzzi of the University of Bologna found that Mr Salvini was mentioned in nearly half of all political articles in the month to July 11th. Luigi di Maio, the 32-year-old novice who heads the M5S, featured in just a third. It is paying off. At the elections in March the League won 17% of the vote compared with 33% for M5S, but opinion polls now show the two parties roughly equal at around 31%.

In Germany, too, nationalism is on the upswing. The anti-immigrant Alternative for Germany (AfD) has risen steadily since last autumn's election. It now sits at around 16%, just two points behind the Social Democrats, and in some polls even scores ahead of them. In the Netherlands, where xenophobic politics have been around for more than a decade, the Party for Freedom of Geert Wilders has a new rival on the Eurosceptic right, the Forum for Democracy, whose youth appeal has increased its support to 8%.

Not all of Europe's populists are enjoying the summer. In France, the slide in President Emmanuel Macron's popularity has done little for Marine Le Pen and her National Rally (formerly the National Front). Instead the benefits have mostly gone to the far-left Unsubmissive France party, which is seen by many voters as the real opposition to Mr Macron. The party's leader, Jean-Luc Mélenchon, who calls Mr Macron the "president of the rich", is seen more favourably than Ms Le Pen.

In Spain, no significant right-wing populist party has emerged. The left-wing populist Podemos movement has been sliding in the polls for two years, and has recently suffered from the revival of the governing Socialists. In Greece, the neo-Nazi Golden Dawn party has been holding steady at about 9% support.

Where nationalists are surging, the reasons are hard to pin down. Their parties incite and benefit from panic over immigration and identity politics, but the flow of migrants into Europe across the Mediterranean has slowed to modest numbers. Crime is rising a bit in Sweden, but falling in Germany and the Netherlands. Europe's economy is growing, inflation is tame and unemployment is relatively low.

Historically, populists have rarely delivered on their promises. But still, the ones in power in Europe retain substantial support. About half the Polish and Hungarian electorates back their illiberal ruling parties. The ANO party of Andrej Babis, the populist billionaire who serves as Czech prime minister, is far ahead of any rival. Even Italy's coalition of two different flavours of populism seems to be viable. While Mr Salvini rails against migrants, Mr Di Maio's promise to roll back labour reforms is supported by over 70% of voters. A government many expected to end in a quick divorce is "still enjoying its honeymoon", marvels Mr Valbruzzi.

This article appeared in the Europe section of the print edition under the headline "Hot under the collar"

Keep your herr on

The quest to make German more gender-neutral

Feminists and traditionalists feud over word endings

Print edition | Europe Jul 26th 2018

GERMAN is more gendered than many other languages. In English, for example, “professor” can describe an academic of either sex, whereas in German “*Professor*” is strictly male and “*Professorin*” is strictly female. German nouns are all male, female or neuter, and the pronouns and adjectives applied to them vary accordingly. The country is now trying to work out how to modernise its language at a time when traditional gender identities are blurring and Facebook, for example, lets its users choose between 60 gender labels.

The two leading authorities on the German language—Duden, its dictionary of record, and the Council for German Orthography—are pondering that question. Last November Duden decided against emulating the Swedish Academy’s recognition in 2015 of a new pronoun (“*hen*”, joining “*hon*”, she, and “*han*”, he) for people identifying as neither female nor male, or for use in a generic sense. And last month the council reviewed calls to formalise the “gender asterisk” (“*Professor*in,*”, meaning “male professor/female professor”). A working group will report back in November. Its task is to find a way to modernise German in a way that is “comprehensible, legible and sayable”.

The options are inelegant. Alongside the gender asterisk there is the gender hyphen (*Professor-in*) and the internal-I (*ProfessorIn*); but none of them solves the problem when said out loud.

Duden and the council are apolitical bodies charged with updating the German language as it evolves. Yet the use of new gender forms is highly political. On the left they are well-developed: the Green Party uses the gender asterisk in all policy statements; Katarina Barley, the Social Democrat justice minister, has urged Duden to include it. At the leftish Leipzig University male and female professors are collectively called “*Professorinnen*”, or “professoresses”. Meanwhile the centre-right *Frankfurter Allgemeine Zeitung* thunders against such “manipulation of usage, manipulation of linguistic norms and ridiculing of grammar” and some campaigners are gathering signatures opposing “orthographical perversions” that normalise “dangerous, anti-family nonsense”. The question of whether to modernise German or to cleave to its gendered traditions is just one battle in a culture war.

This article appeared in the Europe section of the print edition under the headline ”Keep your herr on”

Macron's miscreant muscle

A rogue bodyguard embarrasses France's president

Alexandre Benalla was filmed posing as a cop and thumping protesters

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ONE moment he was basking in glory after France's victory at the World Cup. The next, Emmanuel Macron was up against a scandal that threatens to do serious damage to his year-old presidency. On July 20th, two days after revelations in *Le Monde*, a newspaper, the Elysée Palace fired Mr Macron's most trusted bodyguard. Alexandre Benalla had been caught on video assaulting protesters on May 1st, behaviour later described by the presidency as "shocking". Yet, at the time, he was merely suspended. Was this poor judgment? Or was there a cover-up?

Mr Benalla (pictured, manhandling a young woman) had worked on Mr Macron's security team when he was a presidential candidate. Despite other allegations of violent behaviour, the young bodyguard earned Mr Macron's trust, accompanying him regularly to public campaign events, and was subsequently recruited to the presidential team.

On Labour Day, May 1st, however, Mr Benalla secured permission to observe police operations. Protests in Paris that day degenerated into violence; 283 people were arrested. Video clearly shows Mr Benalla, dressed in a police protective helmet, beating one protester and dragging away another, after projectiles had been thrown at the police. Although wearing a police armband, Mr Benalla was not a policeman, and had no authority to intervene. Two days later, Patrick Strzoda, the director of Mr Macron's office, suspended him.

It was only after *Le Monde* identified Mr Benalla on the video that the affair became public. Angry MPs, including from Mr Macron's own party, demanded explanations. Amid consternation, parliament suspended examination of a bill to reform the constitution. Claiming to be responding to "new facts", notably surveillance video of the incident that Mr Benalla had apparently obtained without authorisation from the police, the Elysée decided to fire the former bodyguard after all. The strange affair became stranger still. Rumours circulated about his various perks, including an official flat, police car and fat pay cheque, as well as his permit to carry a weapon—originally denied to him by the Interior Ministry, but secured by the Elysée. Preliminary charges have been brought against him.

Mr Strzoda defended his initial sanction this week. Taking responsibility for the decision, which he considered to be an internal personnel matter and an appropriate response to Mr Benalla's "shocking" behaviour, he said that Mr Macron, who was in Australia, did not object when informed. Mr Benalla's pay was not as extravagant as reported, he insisted, and his flat and police car were justified by the demands of the job. Yet questions remain unanswered. Why did nobody notify the public prosecutor, given that France's criminal code obliges civil servants to do so if they are aware of a breach of the law?

On July 24th Mr Macron broke his silence and tried to defuse the affair. Laying into the press for failing to seek the full truth, a distinctly Trumpian allegation given that without *Le Monde* the affair would have remained hidden, the president said that, if anybody was ultimately responsible, it was him. He had been "disappointed" and "betrayed", he declared, by Mr Benalla. It is unlikely that his words will calm matters. The Benalla affair has pulled off the remarkable achievement of uniting the far-right's Marine Le Pen and the far-left's Jean-Luc Mélenchon, who likened it, tendentiously, to Watergate. Mr Macron's poll ratings, meanwhile, continue to sink; one this week had him on just 32%. His hot summer is not over yet.

This article appeared in the Europe section of the print edition under the headline "The Benalla affair"

Charlemagne

Matteo Salvini, Italy's de facto leader, is instinctively authoritarian

But he is also an opportunist constrained by Italy's rickety finances

Print edition | Europe Jul 26th 2018

WHEN the Northern League linked up with the Five Star Movement (M5S) to form Western Europe's first all-populist government of recent times, it was clear which was the junior partner. The League had won barely half as many votes at the general election in March. Yet in the absence of the new prime minister, Giuseppe Conte, it was the League's leader, Matteo Salvini, who chaired the new government's first cabinet. That was apparently because, at 45, he was older than his fellow-deputy premier, Luigi Di Maio of the M5S, then aged just 31.

But it was an augury: hyper-active and omnipresent, Mr Salvini has since set the agenda for the media and the government. Pointedly, he has continued to address rallies under his electoral slogan of "Salvini premier" ("Salvini prime minister"). It still adorns his and his party's websites, Facebook and Twitter pages. Only now, almost five months after the vote, is it starting to give way to a new refrain: *Prima gli Italiani* ("Italians first"), an echo, conscious or unconscious, of a Donald Trump slogan.

One criticism of the League's leader is that he acts as if he is still on the hustings. It is not one to which he is likely to pay much heed. Since March 4th, polls suggest, he has closed the gap with the M5S. Both parties now have a following of around 30%. Mr Salvini has achieved this feat by hammering away at the issue of illegal immigration, and deploying a communications strategy that, according to Domenico Ferrara, one of his biographers, Mr Salvini sums up in an acronym: TRT. It stands for Territory, Internet (*rete* in Italian), Television. Unlike many politicians, Mr Salvini has not abandoned either the old media or an even older way of communicating with voters by speaking to them directly, at rallies and on the street. But his use of social media is cannier and more intensive than that of Mr Di Maio of the supposedly technologically astute young M5S. From an iPad he carries everywhere, the League leader keeps up a barrage of tweets and posts to Facebook and Instagram. Mr Ferrara says that Mr Salvini does not use ghostwriters, relying instead on a software programme, dubbed The Beast, written for him by a university lecturer from Verona. It monitors reaction to his output, allowing him to emphasise whatever elicits the most favourable reception.

Sofia Ventura, associate professor of political science at the University of Bologna, points to another characteristic of Mr Salvini's profuse communication: he puts himself forward on the one hand as the strong man who can solve Italy's problems, but on the other as an affectionate chap who loves children and animals. On one recent, 11-tweet day he demanded that other countries take in the rescued migrants he had refused to let enter Italy, while finding time to comment with fatherly pride on his son's good school report.

Increasing the League's following by half since the election is Mr Salvini's second impressive achievement. The first was to save the party from imminent extinction. He took the helm in 2013 after a financial scandal that shattered the League's vaunted image as the party of probity. Its poll ratings were just 3-4%. Since then, he has succeeded in giving nationwide appeal to a movement whose traditional followers regard southerners as idle, backward *terroni* (peasants). He dropped "Northern" from its logos and posters (though it is still part of the party's official title). And in 2014 he founded an offshoot to fish for votes in the south. Today, amazingly enough, Mr Salvini, who used to say he could not identify with the national flag, sits in the Senate as a member for Calabria, the "toe" of Italy.

But then the League has always relied on hostility to an external foe; and what Mr Salvini has done is to switch enemies, replacing the southerner with the immigrant. Not that he is any stranger to ideological acrobatics. A member of the League from the age of 17, he made a name for himself as leader of the communist wing of what was then a very different party. As a young man, he often hung out at a community centre in Milan renowned for its associations with the radical, even violent, far left.

Pass Il Duce on the left hand side

His authoritarian manner and origins on the left; the combination of a nationalist agenda and a lower-middle-class power base; the hostility to outsiders and ethnic minorities: it all adds up to a profile disturbingly reminiscent of the 1920s. So is The Captain, as his devotees call him, a Mussolini in the making? "For electoral reasons, but also out of conviction, he has adopted a language that pleases those who look back nostalgically at fascism," says another of his biographers, Alessandro Franzi. But, he cautions, Mr Salvini is "very cynical and very opportunistic. Maybe, ten years from now, nationalism will no longer 'sell' and he will have dropped it."

That is a long way ahead. In the meantime, Mr Salvini's ability to turn his extremist rhetoric into reality will depend on the degree to which he is circumscribed by his allies and by voters. Before the next election, which he can engineer whenever he wants to, he must decide whether he wants to head a right-wing alliance or stay yoked to M5S. The latter is more moderate, but has so far been unable or unwilling to restrain him. His partners on the right would be Silvio Berlusconi's drastically weakened

Forza Italia and the Brothers of Italy, who are the spiritual heirs of Italian neo-fascism. Neither looks likely to cramp Mr Salvini's style.

A more effective brake may be the fickle mood of the country. If Mr Salvini is to maintain his poll ratings, the government to which he belongs will have to honour at least some of its election pledges, and especially those that promised an improvement in the living standards of its supporters. That means the universal basic income favoured by the M5S and the lower taxes advocated by the League. The snag is that there is not the money to pay for either—at least not if Italy is to respect its euro-zone commitments. Mr Salvini is surely headed for a big bust-up with Brussels.

This article appeared in the Europe section of the print edition under the headline "The Salvini effect"

Business
More money, more problems

More money, more problems

The British economy is becoming more concentrated and less competitive

Consumers are paying higher prices than they should; workers are being paid less

Print edition | Britain Jul 26th 2018

THERE is a growing suspicion among Britons that capitalism is not working as it should. And who can blame them? Average real wages are still lower than they were before the financial crisis of 2007-08. Business investment is measly, productivity growth poor. Jeremy Corbyn, the leader of the Labour Party, says that capitalism is "rigged", a word also used by Michael Gove, a prominent Conservative cabinet minister. They have a point. The biggest firms across a range of industries in Britain have more market power than they used to. That clout may allow them to charge higher prices for poor service, and pay lower wages.

The debate on market power is hottest in America. An analysis in *The Economist* in 2016 showed that two-thirds of American industries became more concentrated in the 2000s. Big firms are taking up a larger share of their industry's total revenue. As American firms have acquired more market power, corporate profits have jumped.

Now we have found evidence that the British case has similarities with the American one. Dividing the British economy into 250-odd sub-industries, from management consultancy to private security, we calculate that over the past decade 55% of these sectors have become more concentrated, with the four biggest firms accounting for a larger share of revenue than before. Break down the economy into over 600 micro-industries—from "activities of real-estate investment trusts" to the "raising of camels and camelids"—and the results are much the same: 58% of these sub-sectors have become more dominated by their biggest firms (camel-rearing has become more concentrated than banking).

A report published on July 26th by the Resolution Foundation, a think-tank, uses a different approach, but it also finds that the economy has become more concentrated since the early 2000s (see chart 1).

Why? One reason, as Jonathan Haskel and Stian Westlake argue in their book, "Capitalism without Capital", is that investment in intangible capital—things like software and management practices—has become a vital part of the modern economy. It is particularly important in Britain, which is dominated by services. Intangible assets allow firms to grow rapidly. A firm writing computer code can export it all over the world at the touch of a button. Less productive outfits struggle to copy such innovations, consigning them to staying small or not entering a market at all.

Mergers may have reinforced the trend towards concentration. In the past 20 years Britain has seen about $5trn-worth of mergers and acquisitions of domestic firms. Adjusting for the size of its economy, that is nearly 50% more than in America (though Britain sees relatively more foreign mergers, which do not increase concentration). Companies may have had an easier time of late. Our analysis suggests that the number of merger inquiries by the competition authorities has fallen.

Concentration is not always bad. Britain's supermarket industry has few big firms, but consumers enjoy low prices, in part because the giants have large economies of scale. Still, the historical evidence is not encouraging. In a paper in 2012 Nicholas Crafts of Warwick University argued that the high concentration seen in Britain from the 1930s to the 1970s partly explained low productivity growth during the period. (Joining the European Economic Community in 1973 helped by injecting foreign competition.)

And, on balance, consumers today appear to be losing out. A paper by Jan De Loecker of the University of Leuven and Jan Eeckhout of University College London looks at the pricing power of a sample of British firms. The researchers examine mark-ups (ie, selling prices divided by production costs). Since the 1980s the average mark-up in Britain has risen by more than in Europe or North America. More firms are charging big mark-ups and fewer merely breaking even (see chart 2). Consumers, in other words, are paying more than they should be. Andrew Tyrie, the new head of the competition regulator, worries about companies in certain sectors "ripping people off and exploiting the vulnerable."

Unlike in America, British firms' greater pricing power is not clearly visible in national-accounts data. The ratio of overall corporate profits to GDP is well above its long-run historical average, but there has not been the large, recent rise in corporate profitability seen across the pond.

The British story is subtler. The distribution of those profits seems to have become more skewed, with successful firms enjoying bigger profits and the rest seeing relative decline. It also seems increasingly tough to break into markets and compete away the high profits enjoyed by an incumbent. In 70% of industries, the rate of entry of new businesses fell in 2007-14. Firms that do not fear competition may not offer the best service or lowest prices.

Ten years from now we'll still be on top

It is less clear how concentration affects workers. Evidence from America suggests that as firms become more powerful they can get away with offering lower wages, since workers have fewer alternative employers. The Resolution Foundation paper suggests that, across Britain as a whole, the biggest firms actually employ a lower share of employees than in the early 2000s. In parts of the country, however, workers do appear to have fewer options than before. Whatever the explanation, wages as a share of GDP have fallen during the same period.

British capitalism could become still more concentrated. Leaving the EU's single market and customs union would reduce trade, easing competitive pressure from abroad. To attract investment the government might look more favourably on proposed mergers—and loosening regulations would be easier outside the EU's competition regime. Britain's concentrated economy is likely to become even less competitive before it becomes more so.

This article appeared in the Britain section of the print edition under the headline "More money, more problems"

High noon in a heatwave

Britain's monopolistic water industry is under fire from all sides

A regulatory crackdown may not quell the calls for nationalisation

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AFTER a summer without rain, Knotts Green is no longer green. Yet the parched yellow grass in this corner of east London got an accidental deluge this week when a leaking pipe sent a torrent gushing over the scrub and down the high street. Wheelchair-using residents of a local nursing home were among the few able to cross the road without getting their feet soaked.

Utility companies such as Thames Water, which runs the offending pipes in London, are notorious for such gushers. In the past four years England and Wales have lost about 3bn litres a day—or a fifth of total supply—through leaks. That is like throwing all the bottled water Britons drink each year down the drain on a daily basis.

Once, British residents might have grumbled at such nonchalance, then shrugged it off as a justification to wallow in deeper baths. No longer.

Since burst pipes left many without water for days during a freeze in March (caused by a storm nicknamed the "beast from the east"), a perception has taken root that England's nine privately run water and sewage monopolies have showered money on their bosses and shareholders in recent decades, while under-investing in basic infrastructure. (Welsh, Scottish and Northern Irish water companies are not profit-oriented utilities, so are spared some of the ire.) As if to prove the point, an arch leaker, United Utilities, has threatened a ban on the use of hosepipes in north-west England starting on August 5th. Two days before, it is due to distribute £181m ($238m) in dividends, its biggest payout to shareholders in a decade.

The public-relations fiasco has helped stoke the fiercest backlash against the industry since privatisation in 1989. Michael Gove, the environment secretary, has lambasted the big English firms for over-paying their bosses, pouring almost all of their £18.8bn of profits in 2007-16 into the pockets of shareholders, and scrimping on taxes. Labour has gone further, advocating nationalisation—a policy that is increasingly backed by the public, according to Mr Gove (though he thinks it would be a "terrible backward step"). Rachel Fletcher, the chief executive of Ofwat, the regulator, says the calls for renationalisation should make the companies "think very seriously about how to improve their reputation."

The screws are tightening. In September the firms must submit to Ofwat their business plans for its 2020-25 price review. In setting its price controls for water, it will make it costlier for them to borrow, which could crimp profits. It also offers incentives for them to moderate the level of debt versus equity on their balance-sheets, making it harder to spruce up returns to shareholders using financial engineering.

This month Ofwat further urged them to explain how they will share benefits with customers when debts are high, increase transparency on dividend policy and tie bosses' pay to better customer service. The regulator is also muscling into the boardroom. Jonson Cox, Ofwat's chairman (and, as a former boss of Anglian Water, a poacher turned gamekeeper), is proposing changes to the companies' licences so that, first and foremost, they act in the interests of customers, and have a majority of independent non-executive directors on the board.

Ms Fletcher argues that the harder line is working. She says companies are already starting to change their behaviour, noting that Thames Water has scrapped a bonus for its chief executive this year and next, as well as dividend payments, after paying £120m in fines and penalties for failing to fix leaks last year. Yet, privately, company bosses continue to treat their unpopularity as if it is fake news—mostly Thames Water's fault, rather than theirs. Executive pay continues to gush.

Dieter Helm, a professor of economics at Oxford University, says the directors of such companies may even feel a fiduciary duty to raise dividends in the next few years, given the threat of nationalisation. He expects Ofwat's interventions to end badly, describing its approach as "regulatory corporatism" that may lead down a slippery slope towards state control. He thinks ownership matters less than introducing more competition. The pressure on the water industry is rising.

This article appeared in the Britain section of the print edition under the headline "High noon in a heatwave"

Capital letter

Britain declines to block the death penalty for two jihadists

Britain will help America to prosecute two former Britons even if it leads to their execution

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ALEXANDA KOTEY and El Shafee Elsheikh are a long way from their west London homes. Like around 850 other Britons, they travelled to Syria to join the Islamic State when the terrorist group was at the height of its power. In Syria they gained notoriety as alleged members of the "Beatles", a gang of four Britons who tortured and beheaded foreign hostages. As the caliphate collapsed, the two men were captured in January by the Syrian Democratic Forces, an American-backed militia, while trying to sneak into Turkey among refugees.

In a letter to Jeff Sessions, America's attorney-general, sent on June 22nd and leaked this week to the *Daily Telegraph*, Sajid Javid, the home secretary, said that the British government did not want to try the two men, who have been stripped of their British citizenship. Instead, he said, the government would prefer the two men to be tried in America, because its tougher anti-terrorism laws make a conviction more likely. In the letter Mr Javid offered to share intelligence with the prosecution, without seeking the usual guarantee that the two would not face the death penalty if convicted. "There are strong reasons for not requiring a death penalty assurance in this specific case, so no such assurances will be sought," he wrote.

News of the letter provoked surprise and, in some quarters, outrage. Ben Wallace, the minister for security, was hauled before Parliament by MPs, who demanded to know whether Britain had departed from its decades-old policy of not assisting prosecutions without assurances that the death penalty would not be used. Mr Wallace cited official guidance, in place since 2011, that in special cases assistance can in fact be provided even without such assurances, and suggested this may have happened before.

Mr Wallace's remarks baffled many, who believed Britain's strategy was to oppose the death penalty in all circumstances. Lord Carlile, the independent reviewer of terrorism legislation from 2001 to 2011, says he cannot think of a case like it during his tenure, and describes Mr Javid's decision—made in secret and without public consultation—as "extraordinary". Dominic Grieve, a former attorney-general who chairs Parliament's security and intelligence committee, is also unaware of a precedent. Home Office sources hinted that Britain had previously helped with a handful of cases without death-penalty assurances, but declined to name them.

Either way, the case of Mr Kotey and Mr Elsheikh is the first to surface publicly. That puts the government in a tricky position. Not only does the episode undermine Britain's opposition to executions overseas and its support for scrapping capital punishment worldwide. It also opens the government up to legal challenges. Mr Kotey and Mr Elsheikh could try to obtain a judicial review into why they were treated as an exception to a long-standing practice, in order to block their transfer to America. One group, the Howard League for Penal Reform, has already said that it is considering legal action.

Meanwhile, there is a squabble at home over who is responsible. Some argue that Mr Javid, who had been home secretary for less than two months at the time, made the wrong call. His allies say that the approach was agreed with Boris Johnson, then foreign secretary, and supported by Theresa May, a prime minister with six years at the Home Office under her belt.

Back in Parliament, Mr Wallace promised to find out when death-penalty assurances have not been sought in the past, and to pass the information to MPs. Given the murky nature of the episode, his findings may not satisfy those wondering whether Mr Javid's letter was a rare exception, or a signal that Britain has discreetly softened its stance on capital punishment.

This article appeared in the Britain section of the print edition under the headline "Capital letter"

Unsteady flight of the hawks

Britain prepares for another rise in interest rates

Traders believe there to be more than a 90% chance of a rate rise on August 2nd

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FOLLOWING the financial crisis in 2008-09, the monetary-policy committee (MPC) of the Bank of England slashed interest rates to 0.5%. The Brexit vote of June 2016 prompted a further cut, to 0.25%. But lately the bank has taken a hawkish turn. It reversed the post-Brexit cut in November. And traders see more than a 90% chance that, when the MPC meets on August 2nd, it will raise rates once again.

Members of the MPC have become more hawkish largely because they are more pessimistic about productivity growth. In plain English, the worry is that the economy is only able to increase its production of goods and services by a very small amount—perhaps 1.5%—each year. As a result, even small increases in the amount of demand in the economy will result in enough extra competition for scarce resources to push price inflation above the bank's 2% target.

Survey data suggest that GDP is growing by about 1.6% a year. A survey of manufacturing on July 24th suggested that output was growing healthily. The latest retail-sales figures were encouraging. On the bank's logic, at this rate of economic growth price pressures are sure to emerge soon. Increasing interest rates would make saving more rewarding and borrowing costlier, reducing demand.

Yet the case for tighter monetary policy is weaker than it looks. The MPC may be too pessimistic about productivity. In a recent blog post, two of the bank's "agents", who speak to firms all over the country, "detect a change in the mindset of business leaders recently, in favour of capital over labour". More firms in industries such as packaging and meat-processing seem to be investing in robots, the blog argues. That may ultimately feed into higher productivity growth.

In any case, so far there is little evidence of growing price pressure. At 2.4%, inflation is above target—yet that reflects the effects of the depreciation of the pound following the Brexit referendum. Inflation in the service sector, largely generated by domestic activity because fewer services than goods are traded, has been falling in the past year. Unemployment is low, but for the past two months wage growth has fallen.

The economy will need higher rates at some point. But pulling the trigger now would have drawbacks. Households seemed to react badly to the rate rise in November, sharply pulling back on spending. Lately Brexit uncertainty has jumped. It seems needlessly risky to shake up monetary policy too.

This article appeared in the Britain section of the print edition under the headline "Unsteady flight of the hawks"

Prejudice in politics

Labour's anti-Semitism row contains lessons for the Tories

Conservatives should learn how not to tackle the Islamophobia in their own party

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IT WAS supposed to draw the row to an end. Labour's new code of conduct on anti-Semitism was the "gold standard", declared Jon Lansman, a prominent Labour activist who sits on the party board that signed off the new rules this month. After an inquiry into anti-Semitism in the party in 2016 that was derided as a whitewash, a 1,000-strong protest outside Parliament in March led by disaffected Jewish members, and a series of expulsions, the new rules would demonstrate that Labour, at last, was taking the problem seriously. Instead, it resulted in Britain's three main Jewish newspapers giving a co-ordinated warning that a Labour government under Jeremy Corbyn would be an "existential threat to Jewish life in this country".

While a Conservative government struggles to stay afloat, Labour has spent the past fortnight drowning in allegations of anti-Semitism—again. Its new guidelines incorporate the widely used definition of anti-Semitism given by the International Holocaust Remembrance Alliance (IHRA). But party bosses altered or omitted some of the alliance's examples of behaviour that could meet the definition. Labour insisted the result was just as rigorous. Jewish groups disagreed, vehemently.

Accusations flew that Labour's code of conduct was designed to protect allies of Mr Corbyn, who before becoming leader dedicated a chunk of his career to the Palestinian cause. Unlike the IHRA text, Labour's code does not say that claiming that "the existence of a State of Israel is a racist endeavour" is anti-Semitic. Some of Mr Corbyn's comrades from his Palestinian campaigning days have veered close to this argument in the past.

Following the outcry over the new code, the party sent its rules out for consultation by Jewish groups. MPs despair. "A lot of Jewish people are genuinely scared of the Labour Party," says one, "and it feels like the leadership don't understand that."

The Conservatives have responded with public condemnation and some private satisfaction. Labour has prided itself on fighting racism; its persistent failure to deal with anti-Semitism torpedoes this reputation. "Do you know what some people call them? The nasty party," Theresa May quipped at the Tory party conference in 2016, using a label she had previously applied to the Conservatives.

Yet some Tories acknowledge that Labour's failings provide lessons for the Conservatives on tackling prejudice in their own ranks. Muslim organisations and politicians have long complained about a strain of Islamophobia in the party. Several Tory councillors have been suspended or investigated for their anti-Muslim views. Zac Goldsmith's campaign for mayor of London in 2016, which repeatedly linked his Muslim opponent to extremism, was widely condemned. A Tory MP, Bob Blackman, was criticised last year for hosting an anti-Muslim extremist, and apologised in March for sharing an article entitled: "Muslim Somali sex gang say raping white British children 'part of their culture'."

The Tories' problem is of a different order to that of Labour, whose leader himself stands accused. But Labour's problems are nonetheless provoking reflection. Lady Warsi, a Conservative former cabinet minister, has demanded an inquiry into Islamophobia in her party, as has Lord Sheikh, a businessman and Tory peer. Outside the party, organisations such as the Muslim Council of Britain and TellMAMA, which records incidents of Islamophobia, have made the same demands, along with the Runnymede Trust, a racial-equality think-tank. So far, they have been ignored. Brandon Lewis, the party chairman, says simply that there is a "zero-tolerance approach" to Islamophobia.

Ducking the topic is a bad strategy, as Mr Corbyn has demonstrated. He failed to answer criticism by the likes of the *Jewish Chronicle*, which repeatedly asked him to explain why he had met a number of people with anti-Semitic views. Being slow to investigate alleged problems does not help. It took the best part of two years for Labour to enact the conclusions of its inquiry into anti-Semitism in 2016 (which was undermined when its author, Shami Chakrabarti, was later granted a peerage and a shadow-cabinet post).

Some Conservatives argue that their party's record of appointing Muslims to senior jobs inoculates it against allegations of Islamophobia. Sajid Javid, the home secretary, is the first holder of a great office of state to come from a Muslim background. Yet this has echoes of Mr Corbyn's defence that, because he has spent his career campaigning against racism, it is impossible that he could endorse an anti-Semitic policy. "The [Tory] party is in denial of the fundamental issue, which is that a large number of British Muslims think the party is anti-Muslim," says Mohammed Amin, the chairman of the Conservative Muslim Forum, a members' group.

Labour ignored repeated warnings from grassroots Jewish organisations about anti-Semitism in the party until it was too late. If the Tories want to shake off the "nasty party" image for good, they should avoid making the same mistake.

This article appeared in the Britain section of the print edition under the headline "Bigotry at the ballot box"

For the record

Body-worn cameras are spreading beyond the police

From bus drivers to dog catchers, officials are filming your every move

Print edition | Britain Jul 28th 2018

SURVEILLANCE cameras have long spied on public spaces across Britain. Now, they increasingly peep from the shoulders of all sorts of officials roaming streets, trains and public buildings. On July 1st the health department announced that the crews of 500-odd ambulances would be equipped with body-worn cameras, in a pilot study that could be expanded to all ambulances and even hospital wards. The move is intended to cut the rising number of attacks on paramedics.

Britain already stands out for its widespread use of body cameras, especially in the public sector. Most of the country's police officers now wear them. They are being rolled out to all prison officers and waste-site inspectors, who often encounter threats from fly-tippers. In 2016 more than half of local authorities had issued body cameras to some of their staff, including traffic wardens, dog catchers, health and safety inspectors, bus drivers and rubbish collectors. In the private sector, they have been taken up by nightclub bouncers, football match stewards, building-management firms and car-park attendants, among others.

The cameras' main job is to record evidence of bad behaviour by members of the public. Hakeem Badru, a security guard at a supermarket in east London, has worn a camera for five years, and finds it indispensable. To prove shoplifting, he must catch the offender with the loot outside the shop, which usually means out of sight of the store's CCTV cameras.

Body-worn cameras help in other ways, says John Biggs, the mayor of Tower Hamlets, a London borough that has given the gadgets to staff who deal with anti-social behaviour. People think twice about misbehaving when they know their actions may be recorded, he says. And when shown video footage of their offence, they are more likely to admit fault, avoiding a costly and time-consuming dispute in court. Officers also spend less time writing up incidents that are caught on camera.

The firmest evidence on whether body cameras change behaviour concerns the police, who were among the first adopters. Many studies in America and Britain have found that cameras can reduce complaints against officers. Results on whether the gadgets affect the amount of violence meted out by or against the police are varied: in some places these went up; in others down. A study in Essex found that cameras led to more charges in domestic-abuse cases, possibly because they captured context, comments and emotions better than officers' notes could. But other recent studies in London and Washington, DC, found no effect on charging decisions.

The worries of civil-liberties campaigners are tempered by the fact that the devices can expose wrongdoing by officials, too. Yet Millie Graham Wood of Privacy International says that the intrusions committed by body cameras are not always justified by their benefits. Victims of crime, or patients in hospital, may be less likely to reveal sensitive information on film.

Police protocols say the gadgets should normally be switched on only in certain situations, such as when entering someone's home by force. But the Surveillance Camera Commissioner's guidelines—which apply to both public and private sector, but are voluntary—are vague about when they should be on. Last year Big Brother Watch, a charity, found that in some local authorities they were left rolling continuously while officials did their rounds. The British Standards Institute, which sets business standards, has also published guidelines, but it is anybody's guess how many firms pay attention.

Police guidelines suggest keeping footage for no longer than a month, unless it is needed in an investigation. Local authorities usually follow that rule. Still, Big Brother Watch found that a fifth of them kept footage for much longer, increasing the risk of it being hacked. In 2013-17 more than a quarter of councils lost confidential data to cyber-attacks. Should the public trust them to keep sensitive recordings safe?

This article appeared in the Britain section of the print edition under the headline "For the record"

AirCofE

Britain’s neglected churches turn themselves into unusual hotels

Campers get the chance to take a pew in underused rural churches

Print edition | Britain Jul 26th 2018

DOZING in church is usually frowned upon, no matter how lengthy the sermon. Yet at St Michael the Archangel, in the Norfolk village of Booton, nodding off is encouraged. In place of pews, there are camp beds and comfy chairs. A table by the pulpit offers tea and coffee and there is a kettle where the choir once stood. For bedtime reading, there are still a few leather-bound hymn books at the back of the nave.

It is one of the first churches to open its doors for “champing”, or church camping. Tourists can hire it overnight from £49 ($64) per adult, though they must share with the 20-odd resident bats, which perch above one of the carved wooden angels on the ceiling. The church closed in 1987, but is now booked by campers on most summer weekends. Gerry Foster, a local shepherd who welcomes guests, is delighted to see the place back in use. “It’s getting people visiting the church and appreciating it,” she says.

England’s 15,700 Anglican churches have plenty of spare pews. Only 740,000 worshippers regularly go to church on Sundays, 52% fewer than in 1970. And more than half of churches are in rural areas, compared with less than a fifth of the population. A quarter of rural churches have fewer than ten regular worshippers. Yet non-churchgoers still want their local church looked after. More than two-fifths of those surveyed by ComRes, a pollster, in 2016 said that churches were an important part of local identity. Others highlighted their architectural merits.

Champing brings new life to neglected buildings, as well as bringing in funds for their upkeep. The Churches Conservation Trust, a charity, welcomed the first sleepovers in two churches in 2015. Campers now have the choice of 21 locations. The Church of England plans to launch a more upmarket version at a church near Hereford in 2020. A wooden “pod” inside the building will offer guests underfloor heating, a wood-burning stove, TV and Wi-Fi. The church will remain open for services. If the pilot is successful, it will be repeated elsewhere.

Some traditionalists grumble. The Rev Simon Lockett, whose parish will host the first pod, admits that some of his parishioners are going along with the scheme only reluctantly. But, he says, “it will save their church in the end.”

Other churches host volunteer-run shops, doctors’ surgeries and post offices. One has its own florist and a gift shop with shelves on castors that are wheeled away for services. Another is planning to open a bakery. Wendy Coombey of Hereford diocese encourages any appropriate initiative. “We’re not going to be allowing a casino to set up or someone to come along and run a lap-dancing club,” she promises.

This article appeared in the Britain section of the print edition under the headline ”AirCofE”

Bagehot

Britain has fretted about decline before, but never like this

Three things make the current mood of despair particularly toxic

Print edition | Britain Jul 28th 2018

IT IS hard to look at British politics these days without worrying that this is a country in decline. In 1900 the British Empire covered two-thirds of the planet, the City of London reigned supreme, and Britain both imported and exported more than any other country. Today Britain is a shadow of its former self: inward-looking and anxiety-ridden, stagnant and expensive, split down the middle and fearful of the future.

You can take refuge in all the usual qualifications and circumnavigations. Britain's decline is relative rather than absolute. The average citizen of today's Little Britain is far richer than was the average citizen of the greatest empire the world has ever seen. Other advanced countries have suffered from years of slow growth. Science and medicine march on. But the evidence of decline is just too big and all-pervasive to ignore.

Britain's core political institutions are in an advanced state of decay. In the past, great crises have thrown up great leaders who have risen above them: Lloyd George during the first world war and Winston Churchill during the second. Today Britain has a choice between a dutiful mediocrity in the form of Theresa May and a professional protester in the form of Jeremy Corbyn. A quarter of Britons say they would back a far-right party because the mainstream ones have let them down.

Relative decline is threatening to turn into absolute decline. Economic growth has been slow since 2015, despite low interest rates and a fall in the value of the pound. Productivity growth has been nugatory. Real wages have been falling for a decade. A growing proportion of the population is trapped in a cut-throat gig economy. The next generation fears that it will be worse off than the baby-boomers.

Public debate is marinated in despair. Much of it is about Brexit, of course. Remainers complain that Brexit is leading to "national suicide", while Brexiteers claim that their dream is being "betrayed". But there is also despair about almost every other aspect of national life, from Britain's defence capabilities ("Belgium with nukes", in the words of Lord Richards, a former head of the defence staff) to its economic potential. Consider two vignettes from think-tank land this week. On July 23rd Policy Exchange held a discussion about "Britain's growth model". Not one of the participants, including Lord Macpherson, a former permanent secretary of the Treasury, had anything very positive to say about it. The next day Tony Blair told the Resolution Foundation that one of the biggest changes he had seen since the financial crisis was a growing pessimism about the ability of government to change lives for the better.

This is not the first time that Britons have been gripped by worries about decline. In the 1890s they worried that America and Germany were replacing Britain as the workshop of the world. In the 1950s they worried that an old-fashioned establishment was strangling the forces of progress. The 1970s saw a particularly fierce debate, as the country was plagued by strikes and three-day weeks. Martin J. Wiener blamed the "decline of the industrial spirit", Correlli Barnett the over-mighty welfare state and Keith Middlemas the power of interest groups.

But three things make today's mood particularly toxic. The first is disappointment. For the past 40 years, Britain felt that it had put decline behind it. Margaret Thatcher slew the dragons identified by the "declinists", and her successors extended and entrenched the new consensus, with Sir John Major's "classless society", Tony Blair's "Cool Britannia" and David Cameron's "Notting Hill Toryism". This was manna from heaven for Britain's new elite, which could congratulate itself on being more progressive than the old one, while stuffing its pockets with gold. But the new consensus also suffered from mounting problems. There was the problem of one-off windfalls: selling off council houses was wonderful for the tenants and the Treasury, but left Britain short of social housing. There was the problem of regional balance, with a boom in financial services pouring money into the south-east as the north remained a shadow of its former self. The Thatcher-Blair consensus was eventually consumed by the twin fires of the financial crisis of 2008 and the Brexit vote of 2016.

Anger without answers

The second thing poisoning the mood is the failure of collective judgment in deciding to leave the European Union. Brexit was driven by a peculiar combination of despair (about the way that the old model had left so many people behind) and optimism (that by freeing itself from the EU Britain would be able to reignite its growth engine). The despair may have been justified, but the optimism certainly wasn't. Most of Britain's problems are internally generated, and there is nothing about membership of the EU that prevents British entrepreneurs from trading with rest of the world—indeed, the EU has just signed a trade deal Japan and agreed to work towards lower trade barriers with America. Most economists predict that any version of Brexit will depress Britain's growth rate. If Britain leaves without any deal, the consequences could be catastrophic. Dominic Raab, the new Brexit secretary, is drawing up contingency plans to stockpile medicine and food, and put electricity generators on barges in the Irish Sea.

The third problem is the law of compounded error. Bad policies may well feed people's appetites for madder music and stronger wine. The Brexit debacle has already injected the poisonous charge of betrayal into the heart of politics. Brexiteers talk about Tory quislings and "Theresa the traitor". It may well provide Mr Corbyn with an opportunity to win an election and implement a policy of nationalising key industries and unleashing his friends in the trade-union movement. Mr Blair argues that politics at the moment is about either riding the anger or finding the answer. The trouble is that fresh answers are getting harder to find—and the anger is mounting by the day.

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Debauchery and public finances
The taxes of sin

The price of vice

"Sin" taxes—eg, on tobacco—are less efficient than they look

But they do help improve public health

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TOBACCO was new to England in the 17th century, but even then, smoking had plenty of critics. The most famous was King James I, who in 1604 described smoking as "a custome lothsome to the eye, hatefull to the Nose, harmful to the braine, dangerous to the Lungs, and in the blacke and stinking fume thereof, nearest resembling the Stigian smoke of the pit that is bottomless". The king increased the import tax on the "noxious weed" by 4,000%.

Sometimes, governments have had compelling financial reasons to tax particular goods. In 1764, when the national finances were drained by wars in North America, Britain's parliament began enforcing tariffs on sugar and molasses imported from outside the empire. In practice, these served as a consumption tax on colonists living in America and threatened to ruin their rum industry. Not long after, parliament also introduced heavy levies on tea. The colonists were not best pleased.

Two-and-a-half centuries later, sugar taxes have returned to policy debates, this time as "sin taxes"—levies on socially harmful practices. These are seen as a double win—useful sources of revenue that also improve public health. Economists think it is not as easy as that.

Governments hope that just as taxes on alcohol and tobacco both generate revenue and reduce smoking and drinking, so sugar taxes will help curb obesity. Hungary, which has the highest rate of obesity in Europe, imposed a tax on food with high levels of sugar and salt in 2011. France did the same for sugary drinks in 2012. Several American cities, Thailand, Britain, Ireland, South Africa and other countries have since followed suit.

Sin taxes do change behaviour. Alcohol and tobacco are addictive, so demand for them is not as responsive to price changes as, say, the demand for airline tickets to fly abroad. But it is still more responsive than for many common household goods. Estimates vary from study to study, but economists find that on average, a 1% increase in prices is associated with a decline of around 0.5% in sales of both alcohol and tobacco (see chart 1).

Clunky sin tax

Data on the efficacy of sugar taxes are scantier, but the available evidence shows that they, too, lower consumption. In March 2015 Berkeley, California, put a tax of one cent per ounce (28 grams) on sugary drinks. A study by researchers at the University of North Carolina (UNC) and the Public Health Institute in Oakland, California, found that sales of sugary drinks fell by 9.6% in a year. It was a similar story in Mexico, which in January 2014 slapped a nationwide tax of 1 peso (then 8 cents) a litre on sugar-sweetened beverages. Sales fell by 5.5% in the first year, and 9.7% in the next. In both places, sales of bottled water rose after the fizzy-drinks tax came in.

Nevertheless, as policy instruments, sin taxes are extremely blunt. People who only occasionally drink or smoke do their bodies little harm, yet are taxed no differently from heavy smokers and drinkers. A study published last year by the Institute for Fiscal Studies (IFS), a think-tank, found that Britons who bought only a few drinks a week were far more sensitive to price fluctuations than heavy drinkers. The IFS suggests that it might make more sense to place higher levies on the tipples more in favour with heavy drinkers, such as spirits.

It is fairly easy to blame particular diseases on tobacco and alcohol. For sugary drinks, which provide only part of consumers' sugar intake, it is harder. Another IFS study finds that, though Britain's new law will lower sales of fizzy drinks, it will have little effect on the behaviour of those who consume the most sugar. In Mexico the data show that the tax did lead poorer households to buy fewer sugar-sweetened drinks. But it had little impact on how much the rich consumed.

John Cawley, an economist at Cornell University, points out that one flaw with many existing sugar taxes is that they are too local in scope. After Berkeley introduced its tax, sales of sugary drinks rose by 6.9% in neighbouring cities. Denmark, which instituted a tax on fat-laden foods in 2011, ran into similar problems. The government got rid of the tax a year later when it discovered that many shoppers were buying butter in neighbouring Germany and Sweden.

Moreover, the impact on public health is unclear. Consumers might simply get their sugar from other sources. Shu Wen Ng, an economist at UNC who studied the taxes in both Berkeley and Mexico, says that one reason for hope is that many people form their dietary habits when they are young. And fizzy drinks are disproportionally drunk by teenagers, who are more sensitive to price changes.

Jonathan Gruber, an economist at the Massachusetts Institute of Technology, points out that taxing foods like sugar and fat is in a different category from taxing tobacco and alcohol, because people need food to live. It presents public-health problems only when people eat too much. Mr Gruber says if he were king, he would target the problem more directly, by supplementing taxes on sugar and fat with a tax based on individuals' body-mass indices.

The point of sin taxes is to make unhealthy goods more expensive on a relative basis, not to make the poor poorer. So a further concern is that they affect low-income households most. The poor spend a higher share of their income on consumption. So they are hit harder by any consumption tax, such as sales taxes in America or the European Union's value-added taxes. Sin taxes are especially regressive, since poorer people are more likely to smoke and tend to drink more alcohol and sugary drinks. In theory, the sin taxes could be offset by earmarking any revenue from them for direct cash transfers or for social programmes aimed at reducing poverty. Philadelphia, for example, has earmarked the revenue from its sugar tax for schools, parks and libraries.

Double negatives

Debate about sin taxes often tends to blur two distinct purposes. One is to deter people from behaviour that does them harm. Another is to pay for the cost to society as a whole of that harmful behaviour—what economists call its "negative externalities". Some examples can be fairly clear-cut. When a driver buys fuel for his car, for example, society as a whole has to suffer the consequences of the higher levels of pollution. Banning fossil fuels is impractical, so economists recommend taxing carbon-dioxide emissions instead.

Similar ideas underpin taxes on plastic bags to combat the growing problem of ocean pollution. In 2015 the British government passed a law forcing big retailers to charge 5p (6.6 cents) for every plastic bag. Use of plastic bags fell by 85%, though ecologists worry some consumers have switched to substitutes that are environmentally even more damaging. Cotton tote bags, for instance, have to be used 131 times to rank as greener than plastic alternatives.

Advocates of taxes on vices such as smoking and obesity argue that they also impose negative externalities on the public, since governments have to spend more to take care of sick people. However, policy papers tend to overstate the economic costs of activities like smoking because they rarely account for what would happen without them. Although unhealthy people tend to cost governments more money while they are alive, this is at least partially offset by the morbid fact that they tend to die earlier, and so draw less from services like pensions.

Different vices have different economic costs since they harm people in different ways. Save for the exceptionally overweight, most obese people do not die much earlier. But they do tend to require more medical attention than their healthier peers, often spanning the course of several decades. So obesity does impose net costs on taxpayers.

The externalities from alcohol are less clear. Only a minority of drinkers are serious alcoholics, which limits the direct health-care costs from drinking. Excessive drinking, however, does cause significant crime. Around 30% of fatal car crashes in America involve a driver who has been drinking. Alcohol is also heavily linked to domestic violence.

Smoking, in contrast, probably saves taxpayers money. Lifelong smoking will bring forward a person's death by about ten years, which means that smokers tend to die just as they would start drawing from state pensions. In a study published in 2002 Kip Viscusi, an economist at Vanderbilt University who has served as an expert witness on behalf of tobacco companies, estimated that even if tobacco were untaxed, Americans could still expect to save the government an average of 32 cents for every pack of cigarettes they smoke.

The Institute of Economic Affairs, a free-market think-tank, has produced a series of reports on the net fiscal costs of drinking, smoking and obesity to the British government (see chart 2). They estimate that, after accounting for sin taxes, welfare costs, crime and early death, tobacco and alcohol are worth £14.7bn ($19.3bn) and £6.5bn a year, respectively, to the Treasury. Obesity, in contrast, costs it £2.5bn a year.

The best argument for sin taxes, however, is still the behavioural one. Economic models assume that people know what they are doing. Flesh-and-blood humans struggle with self-control. Most smokers are well aware of the health risks, but many still find it hard to quit. Tax policy can help. Mr Gruber argues that, once you allow for even a sliver of irrationality in human decision-making, the case for taxing addictive substances becomes clear.

The fizzy-drinks industry is fighting back. Cook County, which includes Chicago, repealed its sugar tax after just two months in part because of retailers' complaints about falling sales. In June, after much lobbying from drinks firms, California's state government passed a law preventing cities from taxing sugar until 2030.

In America, heart disease is linked to one in four deaths, and smoking to one in five. Sin taxes can make people healthier. But since most of the damage smokers, drinkers and the obese do is to themselves, rather than to others, governments need to think carefully about how much they want to interfere. Moreover, any cost-benefit analysis on the social impact of these vices needs to take into account that people do find them enjoyable. There is more to life than living longer.

This article appeared in the International section of the print edition under the headline "The taxes of sin"

Spain
The 40-year itch

The 40-year itch

Spain's democracy is about to turn 40. How well has it worn?

In the 40 years since its democratic constitution was adopted, Spain has achieved much, but it needs an overhaul, says Michael Reid

Print edition | Special report Jul 26th 2018

MANY OF THE photos seem older than they are. In black and white, they show Spaniards wrapped in overcoats, the men with sideburns, the women with perms, voting in a referendum on a new constitution on December 6th 1978. Some 67% of the electorate turned out, of whom 87% voted yes, setting the seal on their country's swift move to democracy after the death of Francisco Franco, its long-standing military dictator.

The constitution has helped to bring Spain the best years since its Golden Age in the 16th and 17th centuries, when it dominated the world. That heyday had been followed by centuries of decline and political instability. Between 1812 and 1975 Spain saw six different constitutions, seven bloodless military coups, four royal abdications, two dictatorships and four civil wars. In the last and worst of those, in 1936-39, around 600,000 people died after General Franco rose against a chaotic parliamentary republic, and Hitler, Mussolini and Stalin intervened.

Since 1978 Spain has transformed itself into a stable and prosperous democracy. Yet the past decade has been difficult. The global financial crisis in 2007-08 hit the country hard, triggering a prolonged slump. Since 2014 the economy has enjoyed a robust recovery. Helped by low European interest rates and (until recently) cheap oil, that is mainly because the conservative government of Mariano Rajoy, elected with an absolute majority in 2011, pushed through sweeping reforms of the labour market and the banks. After a period of unpopular austerity, the economy in mid-2017 surpassed its peak size of 2007. The most promising change is what a group of economic researchers calls "Spain's export miracle". A new, more outward-looking, higher-value economy is emerging.

The social scars of the financial crisis, however, will take longer to heal. "Spain was very egalitarian, with a strong sense of equality of opportunity and constant progress since the 1960s," says Charles Powell of the Elcano Royal Institute, a think-tank in Madrid. "A lot of the middle class now feel that their children will be poorer than them." Their disillusionment has changed politics. Spain is not alone in suffering "a crisis in the governance of representative democracy", according to Felipe González, who served as prime minister in Socialist governments in the 1980s and 1990s. This has given rise to "the politics of rancour", he says. In 2011 crowds of young people (dubbed *los indignados*) occupied city squares across the country, claiming that politicians had become self-serving and corrupt. The indignation was at its most virulent in Catalonia, one of Spain's richest regions, where nationalist parties embraced separatism.

Public anger eventually spawned two new parties: Podemos (We Can) on the populist left and, on the centre-right, Ciudadanos (Citizens), which began as an anti-nationalist party in Catalonia. They ate away at the votes of the two main parties, the Socialists (PSOE) and Mr Rajoy's People's Party (PP). Elections in 2015 and 2016 returned hung parliaments. To avoid yet another election, the Socialists in 2016 allowed Mr Rajoy to form a minority government, with help from Ciudadanos.

Though he applied himself doggedly to hauling Spain out of its economic slump, Mr Rajoy paid little attention to anything else, including discontent in Catalonia. Following a string of corruption scandals within the PP, on May 24th a court concluded that the party had benefited from illegal financing and that Mr Rajoy's evidence as a witness lacked credibility. The Socialist leader, Pedro Sánchez, seized the opportunity to file a censure motion. With the backing of Podemos and the Catalan and Basque nationalists, it passed with 180 to 169 votes. Mr Sánchez was swept to prime-ministerial office, heading a Socialist government with just 84 seats.

Because of his age (46) and his fresh approach, Mr Sánchez can claim to represent political renewal. Until a few months ago he was widely regarded as an erratic apparatchik. Yet in his clinical dispatch of Mr Rajoy he showed daring and shrewd political instincts. He has appointed 12 women to a cabinet of 17. He has said he wants to govern for the remainder of the parliament, until June 2020, and can probably count on broad support from Podemos. But he could opt to call an election much sooner.

Whenever that comes, it seems unlikely that Mr Sánchez can win a majority for the Socialists even if he makes a success of his term in office. Across the political spectrum, many believe that the new four-party system is here to stay. That will require national politicians to learn the habit of coalition politics, which is already being practised at regional and municipal levels.

Continuing political deadlock would come at great cost. Spain needs further reforms. It suffers from skills mismatches, a flawed education system, a generation gap and an ageing population. Its public administration, at all levels, is marred by cronyism and inefficiency. Above all, the politicians must deal with Catalan separatism and, more broadly, some accumulated flaws in the sweeping decentralisation mandated by the constitution.

Dissolving the indissoluble

In September 2017 Carles Puigdemont, the president of the Generalitat (the Catalan government), pushed laws to "disconnect" Catalonia from Spain through his parliament, calling a "binding" referendum on independence for October 1st. These laws violated both Catalonia's statute of autonomy (home rule) and the constitution, article 2 of which proclaims "the indissoluble unity of the Spanish nation".

Mr Rajoy's response was to send in riot police to try to stop the referendum, a public-relations disaster for Spanish democracy. According to the Catalan authorities' (unverifiable) count, 43% of the electorate turned out, of whom 92% (or over 2m people) voted in favour of leaving. The Catalan parliament declared independence on October 27th. Even as a euphoric crowd celebrated in Barcelona, the Senate in Madrid approved direct rule in Catalonia under article 155 of the constitution—an unprecedented step. Mr Puigdemont and some of his councillors fled abroad.

The half of Catalonia's population that wants to stay in Spain took to the streets to protest against independence, and more than 4,000 businesses moved their legal domicile out of Catalonia. A Supreme Court justice has charged Mr Puigdemont and 24 other separatist leaders with offences ranging from rebellion to misuse of public funds. Nine are in jail, pending trial. But the case all but collapsed this month after a German court rejected a request to extradite Mr Puigdemont for rebellion.

All this smacked of a wild judicial overreaction by the Spanish state, but Mr Puigdemont's actions had been highly provocative. Officials in Madrid insist that no other continental European democracy would have acted differently if faced with such defiance. But many in Spain also blame Mr Rajoy for failing to come up with a more imaginative political response, and for allowing things to get so far out of hand in the first place.

Catalonia poses questions that matter for Europe as well as for Spain. It represents a clash of two conceptions of democracy. Mr Puigdemont's is plebiscitarian and based on popular mobilisation, whereas Spain's constitutionalist politicians defend a representative democracy that is anchored in the rule of law and respects minority rights. At issue, too, is what it means to be a nation, and whether that should be an overriding identity in 21st-century Europe. "The right to decide" is a simple and seductive slogan. But international law recognises a right to self-determination only in cases of colonisation, invasion or gross denial of human rights. None of these applies in Catalonia.

This article appeared in the Special report section of the print edition under the headline "The 40-year itch"

In two minds

The Catalan question continues to divide

Aspirations of independence cause headaches in Madrid

Print edition | Special report Jul 26th 2018

VIC, A PROSPEROUS town of 43,000 people about 90 minutes north of Barcelona, is sometimes called "the capital of Catalan Catalonia". Almost every building in its medieval town square has a banner calling for "democracy" and the release of the detained separatist leaders. "They think that with prison and repression they will make us disappear," says Anna Erra, the mayor, who is from Mr Puigdemont's Catalan Democratic Party (PdeCAT). "With this they make the breach bigger." It is hard to find a sign in Vic that is not in Catalan. When speaking Spanish Ms Erra, a teacher, sometimes searches for words.

At the other end of the railway line is L'Hospitalet, Catalonia's second-most-populous municipality, wedged between Barcelona and its airport. It was long a densely packed dormitory for factory workers who had migrated from the rest of Spain. Now it also has an ultra-modern quarter of gleaming offices and hotels, along with Barcelona's new trade fair, host to the Mobile World Congress. The new municipal library, housed in a former textile factory, has an exhibition of Andalusian mantillas. As elsewhere in Catalonia, children are taught in Catalan, but here they speak Castilian (Spanish) in the playground and at home. "We won't forget the contempt" the separatists showed for those who disagree with them, says Nuria Marín, L'Hospitalet's Socialist mayor. "Levels of trust have fallen a lot."

Today, there are two Catalonias that increasingly do not talk or listen to each other. When Mr Rajoy, then Spain's prime minister, imposed article 155 in October last year, with the support of the Socialists and Ciudadanos, he dissolved the Catalan parliament and called a regional election which was held in December. That merely confirmed the battle lines. The three separatist parties won 48% of the vote and retained a narrow majority in parliament. Ciudadanos, the most combative anti-separatist voice, emerged as the single biggest force, with 25% of the vote. "Society is split in two," says Ines Arrimadas, the leader of Ciudadanos in Catalonia. Mr Puigdemont's claim to represent "a single people" is hollow.

The separatists are right in saying that the drive for independence has been broadly peaceful, but there is an undertone of intimidation and intolerance. Ms Arrimadas has been declared persona non grata in several towns and her party's offices suffer constant vandalism. In June separatist demonstrators broke up an academic conference on Cervantes at Barcelona University. Many, on both sides, worry that it will be hard to restore social harmony, and they disagree on how to set about it.

Supporters of independence list a jumble of grievances, ranging from claims that "Spain robs us" and does not invest in infrastructure in Catalonia to the Spanish courts knocking down Catalan laws. Such instrumental arguments are potentially negotiable, but there is an emotional separation too. "At bottom, they [other Spaniards] don't like us," says Ms Erra. That has become a self-fulfilling prophecy. Many Spaniards now see the separatists as bent on breaking up their country and on using their control over education and the public media in Catalonia for indoctrination.

"This is a dispute between political elites over power and money, not a clash between ethnic communities," says José Álvarez Junco, a historian of nationalism at Madrid's Complutense University. Nevertheless, many of the Catalan separatist leaders talk the language of identity. In some cases that borders on racism. Take Quim Torra, Mr Puigdemont's nominee and replacement as president of the Generalitat. In 2012 he wrote: "It's not natural to speak Spanish in Catalonia. And when someone decides not to speak in Catalan they are turning their back on Catalonia." He went on to describe Spaniards as "wild beasts in human form" (he recently apologised). Others put it less tempestuously. "We are a people who have a language, a history, a culture," says Ms Erra. "We are already a nation." In cultural terms, that is true. But like Spain itself, Catalonia has a plurinational culture, and its history is contested.

Unlike Scotland, Catalonia was never an independent nation state. Its origins lie in the County of Barcelona, a Frankish principality established as part of the Carolingian empire during the reconquest of Spain from Muslim rule. In 1137 it was merged by dynastic marriage into the Kingdom of Aragon, and in 1479, under Ferdinand and Isabella, into Habsburg Spain. The separatists make much of the War of the Spanish Succession, when the victorious Bourbon monarch, Philip V, conquered Barcelona after a gruelling siege and abolished Aragon's feudal "constitutions". But in the war Catalonia was divided between the Austrian and French side. In due course it would thrive as an integral part of Bourbon Spain.

The contemporary idea of the Catalan nation was born in the 19th century, when nationalism and popular sovereignty emerged as organising principles in Europe. The Spanish state, having lost most of its empire and been invaded by Napoleon, was weak and penniless. "A weak state can't eliminate local differences," Mr Álvarez Junco points out. There were few schools to impose linguistic uniformity or inculcate the idea of the Spanish nation. Geography added to the difficulty of nation-building: after Switzerland, Spain is western Europe's most mountainous country. Madrid was a court more than a capital, surrounded by the barren tablelands of Castile. The economically dynamic and industrialising regions in the 19th century, especially Catalonia and the Basque country, were on the coast.

It was that industrial bourgeoisie which created Catalan nationalism. It wanted trade protection from Madrid but was also influenced by German Romanticism, especially the ideas of Johann Gottfried Herder, who believed that a nation was an organic essence defined by language rather than a cultural and political construct, as theorists today think. Artur Mas, Mr Puigdemont's predecessor, defined Catalans as "more Germanic than Roman" (despite their abundant Roman ruins). From the mid-19th century, as migrants began to flood in from southern Spain to work in Catalonia's factories, a cultural renaissance rescued the Catalan language from slow decline and promoted Catalan history and culture. In the early 20th century that movement turned into a political demand for home rule, which was achieved briefly from the early 1930s but snuffed out by Franco, who barred the public use of Catalan. The Basque country went through a similar process.

Centrifugal v centripetal

Spain has found it almost impossible to strike the right balance between unity and diversity. Historically, the pendulum has swung back and forth. The 1978 constitution came down firmly on the side of recognising diversity. It created 19 "autonomous communities" which included both historic "nationalities" (the Basque country, Catalonia and Galicia) and newly created regions elsewhere. Today Spain is the most decentralised country in Europe. The regions are responsible for education, health, much economic regulation and even a good chunk of overseas aid, and have their own television and radio stations. Catalonia and the Basque country have their own police forces, and Catalonia runs its own prisons.

The regions have the power to vary the rates of income, wealth and inheritance taxes. In most cases the central government collects taxes on their behalf. But the Basque country and Navarre do their own tax-collecting, under an arrangement dating back to the 19th century. Many economists believe they hand over too little revenue to the central government.

The Catalan government insists on all teaching in state schools being in Catalan, with Spanish taught as a foreign language, which some parents find vexing. A ruling by the Supreme Court in 2015 that at least 25% of teaching should be in Spanish has been ignored. The history taught in Catalan schools has a nationalist tinge.

Catalans voted overwhelmingly for the new Spanish constitution 40 years ago. Basques did not, though mainly because of political competition between the terrorist separatists of ETA and moderate nationalists. Catalans and Basques might have felt happier if they alone had been granted self-government, but Spain has, or has developed, other strong regional identities. Andalusia, for example, insisted on being treated much the same as Catalonia during the transition to democracy. In half a dozen regions Castilian Spanish is not the only language.

Decentralisation has had its successes, helping to reduce regional inequalities, but over time the fudges in the constitution's provisions for what Spaniards call "the territorial model" have come back to haunt the country. The decentralisation process was left open-ended and the distribution of powers is ambiguous, partly because the regional governments were set up after the constitution was introduced (except for the Generalitat in Catalonia). This has led to constant wrangles at the constitutional tribunal. The PP, Ciudadanos and many voters now think that decentralisation has gone far enough (or even too far). To make things worse, the system for financing regional governments is opaque and widely seen as unfair (see article).

When Spain still had a predominantly two-party system, the Basque and Catalan nationalists were able to exert leverage over minority governments in Madrid, always extracting more powers or money for their votes. Jordi Pujol, Catalonia's nationalist president from 1980 to 2003, was a master of this. He rejected offers to join Spanish governments, preferring to build a nation at home. He wanted to sharpen the constitution's fudged distinction between "nationalities" and "regions". But the PP governments of 1996-2004 leant in the opposite direction. Their investment in a radial network of high-speed trains and motorways was seen in Catalonia as favouring Madrid.

Still, support for independence in Catalonia ran at only around 15% until 2006, when a centre-left government in Barcelona tried to reform Catalonia's statute of autonomy. The reform was approved by the Catalan and national parliaments and by Catalans in a referendum (in which only 49% voted). But in 2010 the constitutional tribunal knocked out several of the key changes as incompatible with the constitution, including those that indirectly recognised Catalonia as a nation and granted it control over the courts. That exposed a flaw in the constitution, which failed to stipulate that any proposition put to referendum must first command agreement that it is constitutional. In Catalonia the ruling was seen as a victory for Spanish nationalism.

The desire for independence was magnified by the economic crisis. Protesters took to the streets of Barcelona to demonstrate against austerity, for which the Catalan government blamed Madrid. Critics also point to a scandal over illegal commissions on public contracts in Catalonia, claiming that the drive for independence was a way of distracting attention from this.

The Basque country offers a variation on the Catalan theme. ETA's terrorism stripped Basque calls for independence of all democratic legitimacy. After a request for a referendum on Basque self-determination was rejected in the Spanish parliament in 2005, the hard-headed Basque National Party (PNV) has devoted itself to achieving the best possible economic deal. It starts from a strong position because the Basque country has fiscal autonomy. The PNV's current leadership is realistic. "The Basque national cause is not incompatible with Spain," says Andoni Ortuzar, the party's president. "A nation doesn't have to have a state, not in Europe today." Nevertheless, some in Spain are suspicious of the PNV's long-term intentions.

In Catalonia, the nationalist camp is now split between maximalists, led by Mr Puigdemont, and a more moderate group of realists who think they should bank their gains. "History has speeded up," says Joan Tarda, a congressman in Madrid for Esquerra Republicana, the PdeCAT's coalition partner. "We've never come so far nor been so many." But to win independence, "we need there to be more of us." After months in which Mr Puigdemont insisted on naming people who were in prison as potential Catalan presidents, Esquerra eventually got him to agree to the formation of an "effective" government in Barcelona in May under Mr Torra.

The maximalists want to "fulfil the mandate of October 1st" and "build the republic", as Mr Torra put it. Whether that will involve further defiance of the constitution is unclear. It will certainly focus on the battle for European public opinion. There the separatists have recently suffered setbacks. Mr Torra and his past statements highlight that Catalan nationalism has always contained an ugly, identitarian right wing as well as progressive moderates. Second, whereas Mr Rajoy was a toxic figure in

Catalonia, Mr Sánchez, Spain's new prime minister, speaks soothingly of dialogue and detente. They would be good for both Catalonia and Spain—not least because the Catalan crisis has diverted energy from other urgent problems.

This article appeared in the Special report section of the print edition under the headline "In two minds"

Unfair shares

The problems of Spain's decentralisation

Regional finance is a murky battleground

Print edition | Special report Jul 26th 2018

FOR A DIFFERENT view of the problems of decentralisation, head to Valencia, Spain's third city and the capital of a region of 5m people. The PP governed the region from 1995 until 2015 and pursued a grandiose dream of turning it into a Spanish Florida. It brought in Formula 1 motor racing and America's Cup sailing, and invested billions in the City of Arts and Sciences, a controversial complex of fantasy buildings designed by Santiago Calatrava, a local boy who became a famous architect.

Elsewhere in the region, it spent €265m ($310) on film studios in Alicante which were subsequently closed down because they violated European law on public subsidies. In Castellón it spent €150m on an international airport with only a small handful of flights every day. Several of the PP's regional leaders are in jail for corruption and others face trial.

Ximo Puig, a Socialist who won office as head of a left-wing coalition in 2015, is picking up the pieces. The Valencian community was "a paradigm of waste and corruption during the great property bubble", he says. "Now we are in a process of recovery, above all of our reputation."

But that recovery is not helped by Spain's regional financing system, under which Valencia fares badly. Given the size of its population, it should have received an extra €1.3bn a year since 2000, says Mr Puig. He has been pushing for the system to be overhauled, but this is unlikely to happen before the next election.

The way money is shared out among the regions is governed by complex criteria. One is to help even out the differences between richer and poorer. Some, and not just in Catalonia, think this has gone too far. Tax revenues per person in Madrid, for example, are twice those in Extremadura, Spain's poorest region. But after redistribution Extremadura gets 15% more money per person than Madrid (adjusting for the cost of service provision), according to Ángel de la Fuente, a regional-finance specialist at Fedea, a think-tank. The Basque country ends up with 228% of the adjusted average per person, whereas Valencia gets only 93% and Catalonia 98%.

Another big problem is an overall lack of resources. The system as a whole needs €17bn more if the regions are to provide services at the same standard as they did before the crisis, according to Mr Puig. A second difficulty is that even regions governed by the same political party often have different preferences. Most technocrats reckon there should be a cap on the degree of redistribution, as do moderate nationalists in Catalonia. But Andalusia disagrees, so good luck with that.

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Making it in Burgos and Seville

Spain's economy is changing

High-tech companies with global ambitions are emerging

Print edition | Special report Jul 26th 2018

A LARGE, FEATURELESS shed by the motorway between the Castilian towns of Burgos and Lerma is home to ASTI Mobile Robotics. Inside, on the main shop floor, a score of workers armed with iPads test driverless contraptions mounted on red and orange steel frames. The automatic guided vehicles (AGVs) they are designing, building and controlling with customised software already operate in factories and warehouses in 16 countries around the world, including some belonging to Fiat, Airbus and Nestlé. The robots deliver parts to production lines, bringing more flexibility and efficiency to the jobs that conveyor belts, forklifts and tractors used to do.

They are the brainchild of Veronica Pascual, a 39-year-old aeronautical engineer who took over her parents' small conveyor-belt firm when it ran into trouble 15 years ago. At the time the customers were mainly confined to northern Spain, but now 70% of sales are abroad. She is confident that turnover this year will rise to €35m ($41m), from €25m in 2017, and will reach €100m by 2020. Her staff has expanded more than tenfold, to 210, of whom 25 are working at an innovation centre in Madrid. One hundred new staff joined last year alone. The business is highly profitable, says Ms Pascual, and continuously reinvests those profits in growth. "We're thinking always of where we want to be in five years," she explains.

As a research-intensive high-tech company with global ambitions, growing fast and run by a woman, ASTI is everything that Spanish business is traditionally not. Before the financial crisis Spain had a clutch of multinationals, most of them in Madrid in regulated sectors such as banking, telecoms and infrastructure (the big exception was and is Inditex, a fast-fashion giant based in Galicia). Catalonia and the Basque country had medium-sized industrial firms, most of them family-owned. Below that came hundreds of thousands of small family businesses.

The crisis brought wrenching change. Between 2008 and 2013 Spain lost 9% of its GDP in real terms, private consumption fell by 14% and unemployment surged. The subsequent recovery owed much to Mr Rajoy's reforms. The previously rigid labour market became more flexible. Wage bargaining was devolved to firm level, which helped make companies more competitive. Redundancy pay was cut from 45 days per year worked to a still-generous 33 days, making lay-offs more bearable for companies.

Helped by the promise of a €100bn loan from the EU (of which only €40bn was used), the government also cleaned up the financial system, merging or shutting down scores of broken *cajas* (savings banks) which had made reckless property loans. The non-performing loan ratio is still slightly above the EU average but has declined steadily, and credit is flowing again. The collapse of Banco Popular in 2017 (and its absorption by Santander, a bigger rival) was a delayed effect of the crisis, not a sign of new problems ahead. The government also paid off the arrears that regional governments had run up with their suppliers, which added up to 5% of GDP. That saved many small businesses.

Mr Rajoy also consolidated the public finances, cutting the budget deficit from a peak of 11% of GDP in 2009 to 3.1% in 2017. His approach was politically crafty. The first and boldest decision he took was to reject advice from many quarters to seek a general Greek-style bail-out of the economy. That gave him the freedom to hold pensions steady (the PP relies heavily on the over-60s vote) and extend the period for which unemployment benefit is paid. He brought down the deficit gradually by slashing public investment and squeezing other spending.

Recovery was helped by favourable external conditions, including low interest rates and oil prices (almost all the country's oil is imported). Both are now rising, but Spain's economy has changed since the crisis. It has proved more flexible than Italy's or France's, says José Luis Escrivá, director of a new independent fiscal authority appointed by Congress. Compared with 1999, a cyclically neutral year, he sees many differences. Back then, Spain had a current-account deficit of 3.3% of GDP; now it enjoys a current-account surplus of close to 2% of GDP. Before the crisis, inflation and labour costs in Spain were uncomfortably high. Since then unit labour costs have been well below the euro-zone average in every year except 2015, and inflation is currently slightly lower than in Germany.

Yet in 1999 public debt was 61% of GDP and falling; that year the government posted a primary fiscal surplus (before interest payments) of 2% of GDP. Now the public debt stands at 98% of GDP, and the government will not achieve a primary fiscal surplus until next year at the earliest. Still, companies and households are far less indebted than before the crisis.

Mr Sánchez's government faces a delicate balancing act. It would like to reverse Mr Rajoy's public-spending cuts, but has promised to stick with his budget for this year. In theory, this aimed at a fiscal deficit of 2.2% of GDP, but in fact 2.7%, according to European officials. Nadia Calviño, Mr Sánchez's economy minister has adopted the latter figure. But she insists: "We are a country committed to fiscal balance." Since interest rates are likely to rise, it would be prudent to cut public debt faster, so some taxes may have to go up.

Can it last?

To overcome the social problems left by the crisis, several more years of steady growth are needed. The recovery is already in its fourth year, so how long can it continue? Rafael Doménech, head of macroeconomic analysis at BBVA, a bank, thinks that the economy can go on growing faster than the euro-zone average for some time because unemployment is still high. The question, he says, is just how long it can carry on doing so without starting to generate the sort of cost pressures experienced in the past. Raymond Torres of Funcas, a think-tank, does not see growth continuing at its current pace much beyond 2020 without further reforms, especially in education, skills and regulation.

Spain enjoys a world-class infrastructure, as seen in its high-speed trains, motorway network and modern ports and airports. Its fibre-optic network for high-speed data transmission covers 76% of the population, the biggest proportion in Europe, and will reach 95% by 2021, according to José Maria Lasalle, who was responsible for digital policy under Mr Rajoy. But the software often falls short, and Spain still wraps everything in red tape. In the World Economic Forum's competitiveness index, Spain ranks 12th out of 137 countries on infrastructure but a shameful 113th for the burden of government regulation, well below countries such as Guatemala and Paraguay. Decentralisation has added an extra layer of regulation; for example, business permits for one region are not automatically valid in others.

The country's tax system manages to be both punitive and lax. A headline corporate-tax rate of 25% is mitigated by myriad deductions and exemptions (though efforts are being made to prune these). Buy a bottle of beer or a soft drink in a supermarket, and you will pay value-added tax at 21%; buy the same thing in a bar, and you pay 10%. That is why Spain has more bars per person than any other European country (which fans would say is part of what makes it such a civilised place). And by some reckonings, the "black" economy amounts to 17% of GDP.

The chief cause for optimism is the change that has taken place in business. Construction is no longer the driver of the economy, as it was before the crisis. Tourism remains important, but it is no longer just about sun- and sangria-seekers; cities such as Bilbao, Valencia and Seville are now attracting better-heeled visitors. Total exports of goods and services in 2016 were up by 46% on 2009, accounting for 33% of GDP. Spain produces more cars than any other European country except Germany; it is also starting to sell business services abroad. The number of exporting firms has increased by almost one-third since 2011, according to the Círculo de Empresarios, a business think-tank.

Companies like ASTI have sprung up across the country, led by a new generation of entrepreneurs, many of them educated abroad and more internationally minded than their parents. The Basque country is a hive of innovation. In the Automotive Intelligence Centre outside Bilbao, 31 companies, mainly component-makers, engage in "collaborative innovation" on things such as driverless vehicles, lighter parts and shorter time to market for new products. They are selling to the whole of Europe and beyond, according to Ines Anitua, the centre's manager.

A business incubator at Vizcaya Technology Park, near Bilbao airport, houses 23 start-ups, mainly in advanced manufacturing and biosciences. One is the Art of Discovery, whose founder, Iñigo Angulo-Barturen, used to head the unit for therapeuticeffectiveness studies of GSK, a big drug company. With a staff of ten, it is now working on new medicines for prolonging life, as well as doing not-for-profit work on malaria.

Barcelona has several good universities and a clutch of tech start-ups. More surprisingly, perhaps, such companies can be found across Spain, according to Adrián García-Aranyos of Endeavour, an entrepreneurship foundation. He points to Cabify, a Madrid-based rival to Uber, that has become Spain's first "unicorn", with a valuation of over $1bn. Or take Glamping Hub, a global booking site for luxury camping holidays, a Silicon Valley-style startup based in offices in the heart of Seville. With 75 staff (and 25 in a second office in Denver) and triple-digit annual sales growth since it was founded in 2013, it is the creation of David Troya. He grew up in Triana, a Seville district famous for flamenco, and did an MBA in San Francisco on a grant from the regional government of Andalusia. Raising finance has taken longer than it does in California, he says. But venture-capital funds and the supply of risk capital are now expanding fast in Spain.

The transformation of the economy is still a work in progress. The mass of small firms with low productivity is still there. Under 1% of firms have more than 50 workers, compared with 3% in Germany and 1.8% in Britain, according to the Círculo. Cristina Garmendia, a former science minister who now heads a foundation to promote innovation, sees a "systematic deficit" in investment in research and development and in software. Public spending on R&D was cut hard in the crisis; it now totals only around 1.2% of GDP, half the average in the OECD group of mainly rich countries. Yet people like Mr Troya say their biggest problem is finding the right people to work for them, even in a country with 3.3m registered unemployed.

This article appeared in the Special report section of the print edition under the headline "Making it in Burgos and Seville"

A flawed safety net

Spanish public money could be much better spent

The welfare state is not very good at helping the neediest

Print edition | Special report Jul 26th 2018

IN THE HELIOPOLIS further-education college in Seville, a class of 15 students dressed in black trousers, white shirts and black-and-white striped ties stand around a table set with spirits and liqueurs. They are training to become head waiters. Normally they would be in their teens, but this group ranges in age from 19 to 42. Most are confident they will get a job locally when they finish the two-year course. They are lucky to have got in. "There is always more demand than places," says Ildefonso Rodríguez, the college's director. "The problem is those who don't get here."

Spain's education and training system has long been failing many of its students, and the economic crisis has made things worse. "Skill levels in Spain are like an hourglass," says Marcel Jansen, a labour economist at Fedea, a think-tank. The proportion of graduates at the top is in line with the European average; at the bottom is a bulge of people with few or no qualifications. There is only a slender middle of well-trained technicians.

Almost one in five students drops out of school early, and many others stay on only until they can legally leave at 16. During the construction boom in the 2000s the number of school dropouts surged further. An unskilled building worker could take home €1,000 ($1,170) a month after tax whereas a university professor got only €1,300, notes Fátima Báñez, the labour minister under Mr Rajoy. That was one reason why around half of Spain's 3.3m jobless never finished secondary school, she says. Almost 2m of those 3.3m have been out of work for more than a year. Youth unemployment is particularly high, though now falling. Some 23% of 20- to 34-year-olds are not in work, education or training, well above the EU average of 18%. Another large group consists of men in their 40s and 50s, including many former building labourers who may never work again.

Since the turn of the millennium Spain has absorbed some 4.5m immigrants with remarkably little trouble. It helps that around a third of them are Latin Americans

This social problem is "quite invisible", says Xavier Coller, a sociologist at Pablo de Olavide University in Seville. "People demonstrate for other things but not over unemployment." That is because the jobless are poor but "not dying of hunger". They receive €400 a month from the government, with top-ups from extended families and the black economy. The European Commission found in 2016 that some 28% of Spaniards were suffering, or were likely to suffer, from poverty and social exclusion. Income inequality has risen above the OECD average, mainly because those at the bottom have become worse off. "The costs of the crisis were shared out very unequally and the recovery has also been very unequal," says Carlos Martín, chief economist of Comisiones Obreras, one of the two big trade unions.

Mr Jansen thinks that "it's difficult to see a convergence with the rest of Europe without ambitious post-crisis measures." But few have materialised. The unemployed, for example, receive little public help to get back into work. The government received European money to tackle youth unemployment but spent much of it on subsidies for hiring new workers, which often did not lead to permanent jobs. Both the public employment service and responsibility for skills training are decentralised. The Basque country and, to a lesser extent, Catalonia and Madrid do these things well. Many other regions do not. Andalusia's retraining courses were shut for three years because of spending cuts and allegations of corruption.

Public retraining schemes used to be run jointly by unions and bosses' organisations. At the insistence of Ciudadanos, the Rajoy government introduced a voucher scheme that allowed jobless people to choose private training providers, but many regional governments have blocked this. Few other active labour-market policies are in place. Public employment services fill only 3% of job vacancies, compared with a European average of 10%.

Education has undergone some reform, but needs more. Much teaching still involves learning by rote. In theory all political parties favour a national pact to improve schools and teacher training, but they have not been able to reach agreement. Spain's education system starkly contrasts with its health service, which is generally agreed to be efficient and of high quality. Luis Garicano, the chief economic adviser to Ciudadanos, explains that hospitals have professional managers and doctors have flexible contracts, but head teachers have little autonomy and schools are not subject to proper evaluation. Ms Báñez introduced results-based financing for vocational education and a new dual training system for young people modelled on German apprenticeships, but this has only just begun. In general, vocational education continues to be seen as a poor relation.

Many new jobs involve temporary contracts and low wages, creating a "precariat". Some 27% of jobs in Spain are temporary, the highest figure in the EU. On average, it takes ten years to get a permanent contract because job protection for insiders is so strong, says José Ignacio García Pérez, an economist at Pablo de Olavide University. This problem predates the labour reform. Even if Mr Sánchez wanted to repeal that, he lacks the necessary votes. Officials say the new government will focus on tweaks acceptable to both bosses and unions. Ciudadanos wants a single contract instead of the present two-tier labour market, with lower severance pay but portable retraining credits for those laid off. Others consider this impractical because seasonal industries, such as tourism and farming, are big employers. But there is scope to crack down on the abuse of rolling temporary contracts.

Even for those in work, jobs are no longer a secure route out of poverty. Starting pay for young people fell by about 35% in real terms between 2007 and 2014, according to Mr Jansen. No wonder that many talented young Spaniards have moved abroad in the past decade.

Spain's welfare state is not just smaller than the European average; it is not very redistributive and not particularly good at helping the neediest. It "collects taxes from the middle class and spends them on the middle class", says Pablo Simón, a political scientist at Carlos III University in Madrid. Its backbone is pensions, which are generous, averaging 80% of final salaries. That is one reason why a yawning generation gap in incomes has opened up. Not surprisingly, age has become a powerful determinant of voting behaviour, with younger voters much likelier to support the new parties.

Generation game

Earlier this year pensioners across the country turned out to protest against a pension reform introduced in 2013 that restricted the rise in pensions to 0.25% a year and would have allowed for rising life expectancy in calculating pensions from 2019 onwards. The protests, and the need to win parliamentary support for his budget, prompted Mr Rajoy to move the 2019 deadline to 2023 and promise to raise pensions in line with inflation, a commitment that remains unfunded.

Relatively speaking, pensioners have done well in recent years. The average annual pre-tax income of households headed by 65- to 74-year-olds rose from €27,000 in 2008 to €29,700 in 2014, whereas for those under 35 it fell from €34,300 to €25,500. On present trends many of the baby-boom generation will retire on the maximum pension of €36,600 a year, in a country where 72% of the workforce earns less than €27,600.

This financial generation gap comes on top of a demographic problem. Young women in Spain are having far fewer children, and later, than their mothers. The same is true in many other rich countries, but Spain's total fertility rate (the number of children a woman can expect to have during her child-bearing years), at 1.3, is among the lowest in the EU.

The country also has the world's second-highest life expectancy after Japan. As a result, by 2050 the number of pensioners will rise to 76 for every 100 workers (from 30-plus now), according to the OECD. The pay-as-you-go pension system, which in 2011 had reserves of almost €70bn, now depends on government top-ups to fund its annual deficit of €18bn. That is partly because fewer jobs and lower pay have kept contributions down, but with more people retiring and pensioners living longer, economic recovery will not easily reverse the trend.

Spain needs policies to promote a higher birth rate or immigration, or both. Since the turn of the millennium it has absorbed some 4.5m immigrants with remarkably little trouble. It helps that around a third of them are Latin Americans, speaking the same language (outside Catalonia) and with a similar culture. And over much of the past century many Spaniards have been emigrants themselves. Moreover, many immigrants work in social care, as maids or nannies. "We have experienced them in our homes," explains Belén Barreiro of MyWord, a social-research company.

When Mr Sánchez invited the *Aquarius*, a rescue ship carrying hundreds of migrants from Africa, to dock in Valencia last month after Italy had turned it away, the Spanish public generally favoured this humanitarian gesture. But if many more Africans arrive, that welcome may not last.

This article appeared in the Special report section of the print edition under the headline "A flawed welfare state"

Civics lesson

Spanish institutions are still a work in progress

And there is plenty of mutual back-scratching among the ruling class

Print edition | Special report Jul 26th 2018

CRISTINA CIFUENTES, THE PP president of the Madrid regional government since 2015, had vowed "zero tolerance" of corruption, and facilitated a judicial investigation of her predecessor for alleged kickbacks involving the regional water company. In April she resigned, mainly because of the revelation that she had obtained a master's degree from King Juan Carlos University in Madrid without doing any work for it.

In all, more than 900 PP politicians have faced corruption probes, Mr Sánchez claimed when he proposed the censure motion against Mr Rajoy. In most cases the charges related to something they did when they were in regional government. The Socialists themselves are not without sin: several of their ministers who had served in the 1980s were charged, and two former presidents of Andalusia and an ex-minister are on trial over fraudulent payment of subsidies (all deny the charges). Even the royal family is not spotless: last month Iñaki Urdangarin, King Felipe's estranged brother-in-law, began a jail sentence for influencepeddling, together with a former PP president of the Balearics.

An opinion poll in 2017 by Eurobarometro found that 94% of Spanish respondents thought corruption was widespread in their country. But in the same poll only 2% said that they had been asked to pay a bribe in the past year, half the EU average. Spain's particular problem is the sense of entitlement throughout its political class, as illustrated by Ms Cifuentes's bogus degree. This is more marked in regional and municipal governments, which are often the fiefs of a single party or leader.

The authors of Spain's constitution sought to create strong political parties because they were mindful that weak ones had played a part in Franco's overthrow of the second republic. In the eyes of its critics, the two-party system turned into a "partidocracy", capturing institutions from universities to public broadcasters and regulatory bodies that should be independent. That is compounded by another Spanish vice, *amiguismo*—a culture of mutual back-scratching among friends. "The partidocracy counts on the complicity of newspapers, unions, big companies and so forth," says Victor Pérez Díaz, a sociologist. "It's not just the politicians that have created the Spain we have." The left-wingers of Podemos call it *la casta*, the ruling caste.

Take the universities, which are run by the regional governments. Spain has two private business schools in the world's top 20 (in the FT Global MBA ranking) but no public universities in the top 100 (in the QS ranking). They have suffered funding cuts, but their main problem is governance. With the tacit consent of the politicians, they have used their legal autonomy to turn themselves into closed shops. Mr Garicano points out that 73% of university teachers work where they graduated. Only 2% of faculty are foreign. The universities do not collect data that would allow their performance to be evaluated, such as how their graduates fare in the jobs market.

The judiciary's image, too, has been damaged by the suspicion of political capture. The constitution insists on a strict separation of powers, but a Socialist government in the 1980s pushed through a change under which the General Council of the Judiciary, which picks judges, is chosen by Congress (meaning the two main parties). The government also appoints the attorney-general. In practice, the vast majority of judges and prosecutors are fiercely independent. But the judiciary is slow and understaffed, and judges tend to be conservative box-tickers.

The civil service suffers from similar problems. It is both bureaucratised and politicised, according to a recent study on the quality of Spanish institutions for the Círculo de Empresarios. A big reason for the red tape highlighted by the World Economic Forum is that civil servants are trained to apply rules blindly rather than consider outcomes. The bureaucratic elite are *abogados del estado* (state lawyers) rather than public-sector managers. Mr Rajoy's cabinet was full of them.

The mirror image of strong parties is a relatively weak civil society. Spaniards are good at demonstrating. Recent months have seen big, peaceful demonstrations by pensioners, by both sides in Catalonia and by women protesting against machismo. But there is a gap between the parties and the street. The two main parties carry out many tasks that in other countries would fall to think-tanks, NGOs or civic groups. That is partly because there are few tax incentives for charitable donations. "For a strong civil society you need money," says Eduardo Serra, a former chairman of the Prado art museum.

Who wants to be a politician?

By common consent, the quality of both political leadership and the public administration has declined since the early years of democracy, not least because Spain's opening to the world has offered plenty of alternative careers for the ambitious. The two main parties have also become more inward-looking. Both Mr Rajoy and Mr Sánchez brought in rule changes that make it harder for party committees to eject leaders. A former party leader says that the current crop of politicians value loyalty over quality and initiative. It does not help that they are much less well paid than many of their high-flying peers. A backbench legislator is paid €4,600 a month, including expenses.

The emergence of Ciudadanos and Podemos has shaken up this cosy world. It is a good sign that the public anger created by the economic crisis has thus been institutionalised rather than allowed to fester. No powerful right-wing populist movement has appeared (though some would say that Catalan nationalism is playing that role), partly because there is little anti-immigrant feeling, but also because the PP leaves little space to its right. A far-right Spanish nationalist group, Vox, has grown a bit as a result of the Catalan crisis, but not much.

A third reason is Podemos. “In Spain there isn’t an extreme right that is electorally important, to a large extent because we [Podemos] were born, because we have channelled part of the political and social frustration,” says Iñigo Errejón, one of the party’s leaders. They did it, he adds, “not in a xenophobic, reactionary and anti-democratic sense but with a clear patriotic will…of a fatherland understood as a civic project.” In a slightly different way, Ciudadanos would say the same.

This article appeared in the Special report section of the print edition under the headline ”Civics lesson”

Better together

Can Spain become a normal European country?

There are few better places to live, but still plenty of problems to solve

Print edition | Special report Jul 26th 2018

JOSEP BORRELL, MR SÁNCHEZ'S foreign minister, reflects that in the course of the past two years Spain's constitution has passed three unprecedented tests: "We were unable to form a government and had to repeat elections; we've applied article 155; and we had a censure motion...These things happened in complete normality."

Over the past decade Spain's democracy has been tested, too. The country responded to the financial crisis with structural reforms that were painful but paid off with the vigorous economic recovery. Its political system has absorbed the populist assault of Podemos. However, the third problem, Catalan separatism, remains unresolved, and little of substance has been achieved since the PP lost its majority in 2015.

Mr Sánchez's first task is to nurture the economic recovery. To tackle the social problems left by the crisis and restore the trust of the middle class will require several more years of uninterrupted growth. That may not come automatically. As this report has shown, many public policies—especially on education, training and employment, pensions, the civil service and the organisation of political life—need reform. From the 1980s to 2007 Spain benefited from having joined the European Union and from the German-level interest rates that the euro brought in its wake. Now it must become more efficient.

Reforms depend on a strong government with a majority. That can only come from a general election, and in all probability will require another first: a formal coalition government at national level. Who might form it? The PP is still licking its wounds and seems unlikely to recover in time. Some in Podemos are moving towards social democracy, but the party does not look ready yet. Ciudadanos is offering many good technocratic solutions to Spain's problems, but its young leader, Albert Rivera, was the biggest loser from the change of government. His party, a robust defender of Spain's unity, rose to the top of the opinion polls on the back of public anger directed at the Catalan separatists, but Mr Sánchez stole the moment. Still, a coalition between the Socialists and Ciudadanos (in either order) looks like the best chance of a reformist government.

Although the constitution has generally held up well, some parts of it need fixing. In return for approving direct rule in Catalonia under article 155 last year, Mr Sánchez insisted on a congressional committee being set up to review the constitution's title VIII on decentralisation. The committee is now at work, though the nationalists and Podemos have so far refused to take part. Its chairman, José Enrique Serrano, hopes to come up with recommendations after municipal, regional and European elections next May. The proposals will probably focus on clarifying the distribution of power and money among different levels of government and perhaps on reforming the Senate to turn it into a body representing the regions.

To deal with the Catalan crisis, the governments in both Madrid and Barcelona will have to reach some agreements. But public opinion is unwilling to reward what is widely seen as an illegal power grab by the separatists, who are accused of betraying the unwritten pact of loyalty that underpins any democratic constitution. Equally, though, the central government cannot simply ignore the 2.1m people in Catalonia who want to leave Spain. The forthcoming trials of the separatist leaders will inflame emotions. The first step will have to be confidence-building both within Catalonia and in the rest of Spain. That may have begun with a meeting this month between Mr Sánchez and Mr Torra.

Politically and constitutionally, Spain will find it almost impossible to recognise Catalonia's "right to decide". Few serious politicians in the European Union want to help break up its constituent countries by recognising a right to self-determination where none exists under international law. (In Germany and Italy, proposed separatist referendums in Bavaria and Veneto have been turned down as unconstitutional.) Besides, referendums are crude instruments that invite polarisation.

Spain is a country that respects human rights, believes in the separation of powers and is high on the list of the world's advanced democracies

History shows that Spain is better governed as a networked rather than a radial nation, more like Germany than France. Sensible reform would take account of that. Rather than further administrative decentralisation, this would imply greater recognition of Catalonia as a cultural nation within Spain and a more wholehearted acceptance of the country's diversity.

The consensus underlying the 1978 constitution was that Spain should become a normal European country. It was a rejection of the idea that "Spain is different", in the words of a Franco-era tourist poster. That idea was revived by the separatists in a propaganda battle in which they proved themselves far more adept than Mr Rajoy's government, leading many abroad to believe that Spain remains a *franquista* state. It is not. As Mr Borrell (who is Catalan) points out, Spain is a country that respects human rights, believes in the separation of powers and is high on the list of the world's advanced democracies. It is increasingly feminist and tolerant of immigration, and it upholds gay rights. There are few better places in which to live. If it can fix some of the problems that have arisen over the past decade, it will have a better chance of convincing all its citizens of that.

This article appeared in the Special report section of the print edition under the headline "Better together"

Fiat Chrysler
After Sergio Marchionne

Fiat Chrysler

The death of Sergio Marchionne leaves a big gap at FCA

Will Mike Manley measure up to his predecessor?

Print edition | Business Jul 26th 2018

THE question of who would replace Sergio Marchionne has been in the air for a year or more, ever since the chief executive of Fiat Chrysler Automobiles (FCA) announced that he would step down in 2019. But the way the answer came was both shocking and sad. Mr Marchionne's death, at the age of 66, was announced on July 25th, the result of complications after an operation. A sudden deterioration in his health had already forced FCA's board to meet on July 21st to confirm that Mike Manley, boss of the Jeep and Ram brands, would take his place.

Mr Manley had little time to establish himself before coming under scrutiny. He opened a presentation of the firm's second-quarter results on July 25th with a tribute to a "special, unique man". Although he had to explain falling revenues and profits and a cut in forecasts for 2018 that sent the firm's shares into a steep slide, he also confirmed that it was at last free of debt, one of Mr Marchionne's main aims for FCA. The former CEO had described getting rid of the nearly $13bn debt pile as a "healing process" for Fiat and Chrysler.

Mr Marchionne will be a difficult act to follow. He is regarded as one of the all-time stars of the car industry. Having rescued Fiat from near-bankruptcy in 2004, he then repeated the trick at Chrysler, acquired in the wake of the financial crisis in 2009. Hard-working even by the standards of big-name chief executives, he claimed that his customary garb of a crumpled black sweater saved him wasting time choosing a suit. He could be blunt, but he was also erudite, witty and outspoken in an era when bosses have become ever more wary of courting controversy.

Coming from outside the car industry—he trained as an accountant rather than working his way up through the ranks—helped him bring a fresh eye to its financial shortcomings. Profits in the mass market are slender at best, the result of too much duplicated investment under the bonnet on technologies that are indistinguishable to car buyers, he reckoned.

His proposed solution was mega-mergers to share costs, ending up in a world with only a few vast carmakers. Other car bosses, though sharing his diagnosis, have preferred alliances, which can yield savings but not on the same scale as mergers. The failure of big deals in the past helps explain their reticence. Mr Marchionne was one of the few bosses to pull one off, merging Fiat and Chrysler. Always on the lookout (almost every large carmaker has been rumoured as a merger partner over the years) some analysts had suggested he had one last big deal in the works before he stepped down.

Any such transformation will now fall to Mr Manley. FCA had always promised that Mr Marchionne's successor would come from within. Mr Manley, a British former car salesman, has worked his way up through the company to head the Jeep division, one of the best-performing parts of FCA. He was heavily involved in the latest five-year plan, unveiled in June, which calls for big leaps in sales and profitability, particularly at Jeep.

Such is Mr Marchionne's achievement that Mr Manley will not have as tough a task as his predecessor. Through good management, cost-cutting and canny capital allocation, much of the drama has been taken out of FCA. He spun off businesses such as CNH, Fiat's industrial arm, and Ferrari, a maker of pricey sports cars; he had been preparing Magneti Marelli, the firm's parts business, for life on its own. He exited the business of making saloon cars in America in favour of popular, profitable SUVs well before Ford and General Motors did. And he converted factories in Italy that made barely profitable small cars into plants producing premium Alfa Romeos, Maseratis and Jeeps. In short, he turned FCA into what Jefferies, a bank, calls a "normal" carmaker.

That does not mean Mr Manley's job is easy. The five-year plan calls for selling many more Jeeps and Ram pickups, which already generate two-thirds of revenues and most of the profits. It also includes a big expansion of the premium Alfa and Maserati brands, which have for years remained tantalisingly on the verge of a comeback. Like all other car bosses, Mr Manley also has to face the threat of a global trade war as well as negotiating an expected future of electric cars, mobility services and autonomous cars, requiring vast investments with uncertain outcomes.

He will do so without the assistance of Alfredo Altavilla, the firm's European chief and one of his rivals for the top job, who announced his departure on July 23rd. Richard Palmer, the firm's well-respected CFO and another candidate for the chief executive role, will stay on.

Mr Manley's elevation was not the only decision for John Elkann, chairman of Exor, the Agnelli family's investment firm which controls FCA. (Mr Elkann also sits on the board of *The Economist*'s parent company.) He had to find a new boss for

Ferrari, which Mr Marchionne had been expected to lead until at least 2021. Louis Camilleri, a former tobacco executive, will run it. The job of chairing CNH has gone to Suzanne Heywood (who is also on the board of The Economist Group).

FCA's new leadership and Mr Elkann have more big decisions ahead, above all whether the world's seventh-largest carmaker is big enough to survive in an era of autonomy and electrification. The list of potential partners is dwindling. Most of the big Western carmakers already have enough on their plates to consider a mega-merger as well; China's emergent giants lack the cash to buy FCA. Mr Marchionne's feat is that he built a group that is for now strong enough to stand alone, if it has to.

This article appeared in the Business section of the print edition under the headline "After Sergio Marchionne"

Bartleby

Open offices can lead to closed minds

Some workplace designs are more about cost-cutting than collaboration

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"LONELINESS is a crowded room," as Bryan Ferry of the band Roxy Music once warbled, adding that everyone was "all together, all alone". The open-plan office might have been designed to make his point. That is not the rationale for the layout, of course. The supposed aim of open-plan offices is to ensure that workers will have more contact with their colleagues, and that the resulting collaboration will lead to greater productivity.

Ethan Bernstein and Stephen Turban, two Harvard Business School academics, set out to test this proposition*. The authors surveyed interactions between colleagues in two unnamed multinational companies which had switched to open-plan offices. They did so by recruiting workers to wear "sociometric" badges. These used infra-red sensors to detect when people were interacting, microphones to determine when they were speaking or listening to each other, another device to monitor their body movement and posture and a Bluetooth sensor to capture their location.

At the first company, the authors found that face-to-face interactions were more than three times higher in the old, cubicle-based office than in an open-plan space where employees have clear lines of sight to each other. In contrast, the number of e-mails people sent to each other increased by 56% when they switched to open-plan. In the second company, face-to-face interactions decreased by two-thirds after the switch to open-plan, whereas e-mail traffic increased by between 22% and 50%.

Why did this shift occur? The authors suggest that employees value their privacy and find new ways to preserve it in an open-plan office. They shut themselves off by wearing large headphones to keep out the distractions caused by nearby colleagues. Indeed, those who champion open-plan offices seem to have forgotten the importance of being able to concentrate on your work.

Employees also find other ways of communicating with their fellow workers. Rather than have a chat in front of a large audience, employees simply send an e-mail; the result (as measured at one of the two companies surveyed) was that productivity declined.

Cubicles do not offer a great work environment either; they are still noisy and cut off employees from natural light. But at least workers have more of a chance to give their work area a personal touch. Allowing plenty of room for pictures of children, office plants, novelty coffee mugs—these are ways of making people feel more relaxed and happy in their jobs.

Such comforts are completely denied when companies shift to "hot-desking", as 45% of multinationals plan by 2020, according to CBRE, a property firm, up from 30% of such companies now. Workers roam the building in search of a desk, like commuters hunting the last rush-hour seat or tourists looking for a poolside lounger. If you planned to spend a morning quietly reading a research paper or a management tome, tough luck; the last desk was nabbed by Jenkins in accounts.

Hot-desking is a clear message to low-level office workers that they are seen as disposable cogs in a machine. Combine this with the lack of privacy and the office becomes a depressing place to work. Workers could stay at home but that negates the intended benefits of collaboration that open-plan offices bring.

The drive for such offices is reminiscent of the British enthusiasm for residential tower blocks after the second world war. One British wartime survey found that 49% wanted to live in a small house with a garden; only 5% wanted a flat. But flats they got. Architects, who fancied themselves as visionaries like Howard Roark, the "hero" of Ayn Rand's "The Fountainhead", competed to create concrete temples for the masses to occupy. As David Kynaston, in his book "Austerity Britain" recounts, the desires of the actual residents were dismissed.

The real reason post-war architects built flats rather than homes is that it was a lot cheaper. And the same reason, not the supposed benefits of mingling with colleagues, is why open-plan offices are all the rage. More workers can be crammed into any given space.

Some people like them, of course, just as some like living in tower blocks. The only option for everyone else is to kick up a stink until executives change their minds and provide some personal space. In other words: workers of the world, unite. So you can separate again.

* "The impact of the 'open' workspace on human collaboration", Philosophical Transactions, The Royal Society

Correction (August 8th 2018): *This article has been changed to reflect that face-to-face interaction decreased by two-thirds, not one-third, in the second company.*

This article appeared in the Business section of the print edition under the headline "Open office, closed minds"

Sun, sea and surgery

How the medical-tourism business thrives

More people are going under the knife abroad

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IN THE tiny Croatian town of Zabok patients arrive in their thousands each year from across Europe and the Middle East, seeking replacement hips or knees at the St Catherine hospital, which specialises in orthopaedic work. Some come for treatment they cannot get at home, others to escape long waiting-lists for public health care or high prices for private operations. Croatia is one of a number of treatment hotspots in the medical-tourism industry. Babies are made in Barbados, sexes are changed in Bangkok, teeth are replaced in Hungary or Mexico and hair is transplanted in Turkey (see map).

Precise numbers are hard to pin down, partly because of differences between countries in what is counted as medical tourism. Some national statistics include a mere spa visit or a tourist who falls sick. Allied Market Research, a research firm, puts the industry's value at $61bn in 2016. Keith Pollard, head of LaingBuisson, a health-care research outfit that specialises in medical-tourism data, reckons it is much smaller, at around $10bn-15bn.

Rising numbers of middle-class patients in Asian and African countries mean more people willing to spend if they cannot find what they need at home. And consumers are incentivised to travel by substantial price differences across borders for the same treatment. The average heart-valve replacement, for example, costs €30,000 ($35,000) in Germany but only €15,000 next door in Austria, with little or no drop in quality. A hip operation can be had for €12,000 in Britain, €10,000 in Turkey and only €4,725 in Poland.

Governments are responding to rising demand. South Korea, Malaysia and Dubai have all invested heavily in creating regional centres of medical expertise to attract foreign patients. The Dubai Healthcare City seeks to attract patients from Gulf nations who have in the past been sent further afield by their health systems, to Europe or America. Some niche areas are showing particularly strong growth. Mr Pollard says that international travel for in vitro fertilisation (IVF) is increasing rapidly because many wealthy countries have restricted access to free treatment. A number of European countries, such as Germany, offer only three rounds of IVF and limit access to those with medical conditions or to younger women.

Medical tourism is still hampered, however, by a lack of detailed, reliable information on the quality of hospitals and clinics and of their doctors and surgeons, notes Valorie Crooks, a professor of geography at Simon Fraser University in British Columbia. International hospitals are often verified by the Joint Commission, a non-profit organisation that awards accreditation to medical-services providers. These aside, patients have had to rely solely on reputation or on intermediaries that grease the wheels of medical travel. Patients often do not realise that these "facilitators" may be working exclusively with certain clinics; some receive undisclosed commissions. If things go wrong, patients may have little recourse to help. Doctors have long complained about people who return from treatment abroad with complications.

Two newish online firms, Qunomedical and Medigo, both based in Berlin, hope to improve matters. They allow patients to search for medical treatments from a large selection of providers, offering clear information about pricing and the quality of staff and services. Both take fees from the hospitals and clinics that they list, as disclosed on their websites; Medigo also earns money from patients and corporate customers in the form of fees. Patients write reviews, and human advisers are available to help with choosing where to receive treatment. Such information should make foreign medical treatments more appealing.

But making money out of medical tourism can still be hard. Variations in exchange rates can instantly make a destination less appealing. The market for "scalpel safaris" in South Africa has proved volatile, say people in the business, due to currency fluctuations. Sometimes demand fails to materialise. When work first started on a 2,000-bed hospital called Health City Cayman Islands, the $2bn project was expected to attract more than 17,000 foreign patients annually, mostly from America. But when the first wing of the hospital opened in 2014, the *International Medical Travel Journal* reported that fewer than 1,000 overseas patients arrived in its first year. One reason was that its backers based projections of customer numbers on a flawed study, according to a subsequent investigation by a government public-accounts committee. Fewer American patients came than expected partly because health insurers were not interested in sending people overseas.

In time, health-care providers are likely themselves to travel to serve patients. Vikram Kapur, a partner at Bain & Company, says that China has in the past been an exporter of patients but now American hospitals, such as Johns Hopkins, the Cleveland Clinic and the University of Pittsburgh Medical Center, are undertaking joint ventures with local Chinese hospitals to deliver services to patients closer to their homes. One way or another, health care is becoming more footloose.

This article appeared in the Business section of the print edition under the headline "Sun, sea and surgery"

Into the breach

Defence companies target the cyber-security market

Demand for cyber-products is growing at twice the rate of that for military hardware

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AIR shows are where the world's defence giants show off. This year's Farnborough Air Show, which ended on July 22nd, was no exception. The roar of the engines on Lockheed Martin's F-35 stealth fighters overhead drowned out many a sales pitch on the ground. But pride of place at Raytheon's display area went not to a weapon but to a "cyber dome"—a slick 3D cinema showing how hacking works. Its message was clear: governments and firms cannot afford to ignore cyber-attacks. Nor, indeed, can defence firms themselves.

The size of the military and civil cyber-security market is an obvious reason why—it grew from $3.5bn in 2004 to $120bn in 2017. The market will expand by an annual 12-15% in the next three years, or twice as fast as global defence-equipment budgets, reckons Cybersecurity Ventures, a research firm. Spurred on by Russian internet attacks against the West, defence departments are considering spending far more on cyber-defences. In America, Congress is emphasising the importance of cyber-security; Britain's government reportedly plans to shift some of the Ministry of Defence's budget towards repelling cyber-threats. Private-sector companies routinely put cyber-security among their top worries.

Defence firms are no strangers to the market. They have had to fight off cyber-assaults on their own weapons and IT systems since the internet took off in the 1990s. About a decade ago they started to use this expertise to sell services to governments and private companies.

Yet the industry has struggled. Accustomed to dealing with huge defence departments with long procurement cycles, firms lacked experience in appealing to picky private firms with shorter time horizons. Many underestimated the level of competition in the industry. Only half a dozen firms assemble military jets whereas over 3,000 firms offer commercial cyber-security services. Defence companies then compounded this error by concentrating on making software that puts walls around systems to protect against attacks, which tech firms are better at.

Some firms chose to exit the market, bolstered by a booming business for conventional weapons; global military budgets this year will reach a new post-cold war high, reckons IHS Markit, a research firm. In 2015 Boeing sold off Narus, a software company, to Symantec, a rival tech firm. The same year General Dynamics sold its Fidelis commercial-cyber arm to a private-equity company.

Now, however, the market is shifting in their favour. Demand is rising for cyber-security services in which defence firms have more of an edge, from the active identification of threats to providing executives with strategies about how to manage the fallout from attacks. It is also becoming easier for them to leverage their historical expertise in military intelligence, now that both governments and companies are suffering similar sorts of cyber-attacks.

Firms are going back in. In April General Dynamics bought CSRA, a cyber-security specialist, for $9.7bn, in an effort to become the American government's largest IT-services provider. Lockheed has thrown money at startups including Cybereason, a specialist in AI, as has L3 Technologies, a rapidly-growing American defence group.

Weapons companies reckon that their main customers, defence departments, see commercial cyber-security businesses as a type of credential. American officials have threatened to stop awarding contracts to firms whose weapons are deemed vulnerable to cyber-attacks. That came after a series of embarrassing hacks, including the theft early this year by China of American plans for a supersonic anti-ship missile from a naval contractor. Without its Applied Intelligence division, advisers to BAE Systems, Europe's largest defence group, say it would have "serious trouble" selling further planes and missiles to Saudi Arabia, its main export customer.

And although they are currently making hay from hardware, defence giants worry that demand will fall after a two-year budget boost in America expires in 2020. They want to build cyber-security businesses to diversify while the "sun is shining", says Frank Ford of Bain & Company, a consultancy. Executives still remember the 1990s, when military budgets plunged after the end of the cold war and many defence firms were forced to shut as they had little else to do. Cyber-security looks like being a lot less volatile.

This article appeared in the Business section of the print edition under the headline "Into the breach"

Horrible bosses

More misbehaving American executives get the boot

Boards are scrutinising not only how bosses treat people but how they talk

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THEY are falling like dominoes. Executives caught behaving badly might once have been slapped on the wrist. Today they are shown the door. On July 19th Paramount Television fired its president, Amy Powell, over reports of insensitive comments about race (she strongly denies these and is hiring lawyers). A week earlier saw the forced resignation of John Schnatter (pictured), founder of Papa John's, a pizza chain, for using the "n-word" during a training session. In June, Jonathan Friedland of Netflix got sacked for using the same word in front of colleagues at least twice (he was, of all things, chief communications officer).

These are only the latest bigwigs to go in a line of departures linked to "personal misconduct", a term that covers a multitude of sins. The dismissal of Harvey Weinstein last October from the Weinstein Company, a studio, over allegations of sexual assault, has sparked a string of sackings related to sexual misconduct, including the dismissal of 12 executives at Nike, several senior men in entertainment and at least one executive at Bank of America (who is now suing the firm.) This year the trigger for action seems to be moving into greyer areas, such as obnoxious behaviour and insensitive language. "Boards are now holding executives to higher standards, looking not just at how they treat people but also how they talk to and about them," says Pam Jeffords of Mercer, a consultancy.

Some firms have kept details surrounding departures close to their chests. On July 3rd Barnes & Noble, a bookseller, wrote that its boss had been fired "for violations of the company's policies". Last week Texas Instruments, a technology firm, said its boss resigned over violations "related to personal behaviour that is not consistent with our ethics and core values".

The thread connecting these incidents is that all are about perceptions of executive integrity, and by extension, trust. Since trust violations are particularly hard for firms to overcome, often more so than incompetence, says Peter Kim of the University of Southern California, firms may believe that firing an errant executive can be the safest, most pragmatic course of action.

Executives were never all angels. What has changed is that boards are now far less willing to overlook bad behaviour for the sake of superior performance, says Brian Tayan of Stanford University. Although the Weinstein scandal certainly accelerated this shift, it preceded him. A 2017 report from PwC, a professional-services firm, found that the share of chief-executive dismissals that were due to ethical lapses increased between 2007-11 and 2012-2016, not because bosses were behaving worse but because they were held more accountable.

Boards seem to be acting thus for two reasons. First, to protect employees and create a safe and inclusive work environment (oh, and not get sued). Second, to protect their brands' reputations. A 2016 study from researchers at Stanford showed that the fallout from chief executives behaving badly, but not unlawfully, was large and lasting. On average each of the 38 incidents studied garnered 250 news stories, with media attention lasting 4.9 years. Shares usually suffered, though not always. And in a third of cases firms faced further damage, including loss of major clients, federal investigations, shareholder lawsuits or proxy battles.

Not all bosses leave quietly. Shareholders of Papa John's are learning this lesson the hard way. Mr Schnatter's recent comment that leaving was a mistake has fed rumours that he may try to force his way back in—he owns nearly a third of the company. Shares of the pizza chain fell by 10% after the board announced that it would take the unusual step of issuing a "poison pill" in order to block him from taking a bigger stake.

Should an executive's words be judged as harshly as their actions? From the perspective of protecting the brand, as well as discouraging a toxic work environment, they probably should. The power of social media to turn a whispered comment into a Twitterstorm, and the fact that everyone now has a mobile recording device, demands a decisive response.

But boards and the media also risk rushing to judgment and painting miscreants with too broad a brush. A past consensual relationship with a subordinate, the reason for the departure of Intel's boss in June, does not fall into the same category as sexual assault. An insensitive remark made long ago or as a one-off is not the same as one made as the face of the firm or as part of a consistent pattern. Disney's firing of James Gunn, a director, last week over tweets from a decade ago, before he was hired and for which he has apologised, seems to be one instance in which such distinctions have been papered over. And plenty of companies benefit from environments where people can speak openly and brainstorm out loud.

Once the fallen dominos have been counted, some firms may turn out to have been too gung-ho in responding to the "Weinstein effect". Many, perhaps most, exits will be justified. But all?

This article appeared in the Business section of the print edition under the headline "Horrible bosses"

Betting big

Japan finally gets casinos

Yet owing to fears about addiction and crime they will be tightly regulated

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THE sun beats down on a queue of punters outside the Espace pachinko parlour in central Tokyo. Inside is an air-conditioned oasis. Japanese people wage over ¥20trn ($180bn) a year on this pinball derivative, fleeing the tedium of office and home life for its noisy thrills. Now it is to have competition.

On July 20th the Diet (parliament) ended years of wrangling when it passed a bill allowing the establishment of casinos in three Japanese cities. A pet project of Shinzo Abe, the prime minister, the casinos will be embedded in family-friendly resorts, partly in a bid to counter their seedy image. Tempers ran high as the bill inched toward law. An attempt by the government to cut off debate sparked scuffles among lawmakers.

Most Japanese have little enthusiasm for casinos, which they associate with gambling addiction and *yakuza* gangsters. Nearly two-thirds of the population oppose them. Yet it is not hard to see why the country sets the hearts of casino operators aflutter. Greater Tokyo, with legions of wealthy retirees among its 35m residents, could handily outstrip tiny Singapore as a gambling hub. Sheldon Adelson, the boss of Las Vegas Sands, calls it the "ultimate business opportunity". Hard Rock Café and MGM Resorts have spent years cultivating local partners in the hopes of getting some of the expected ¥2trn in annual revenue.

Firms anticipate juicy construction contracts to build the resorts. Pachinko companies may benefit, too. Some have already branched into making slot machines. At the head of the pack is Konami, which supplies about a tenth of America's slot machines and holds hundreds of gaming licences in America, Australia, Singapore and South Africa.

Yet the bumpy Diet ride means the operators themselves will be kept on a tight leash. The bill limits customers to three visits a week and specifies charges of ¥6,000 to get in the door (foreigners will go free). Identity cards containing microchips will ensure compliance, a Big Brother touch that makes some nervous. The target customers are well-heeled Japanese and foreign high-rollers, says Susumu Hamamura, a politician from Komeito, Mr Abe's coalition partner.

The government wants to stick the casinos in new resorts alongside hotels, shops and conference facilities. Casinos will be the engine for revenues, says Ichiro Tanioka of Osaka University, but they will be limited to 3% of floor space. Operators will face stiff taxes of up to 30%, higher than competitors in Las Vegas or Singapore. The police will watch closely to ease concerns about crime.

Done well, the resorts will attract tourists and generate local wealth, says Toru Mihara, an academic who sat on a government panel last year. What will give them an edge over places such as Singapore and Macau, says Mr Tanioka, is Japanese hospitality. Once the resorts are up and running unsavoury perceptions around them will change, agrees Jay Defibaugh, a research analyst with CLSA, a securities firm. But it will take time before the bet pays off.

This article appeared in the Business section of the print edition under the headline "Betting big"

Schumpeter

Tech firms are suddenly the corporate world's biggest investors

Apple's new headquarters has created 13,000 new construction jobs

Print edition | Business Jul 28th 2018

A COMMON way to describe the history of the technology industry is by product cycles. The 1990s was the era of the PC; then came the internet and related services, followed by mobile; and now artificial intelligence looms. But there is a different way to think about tech: it is switching from an era of hoarding profits to one of reinvestment. Take a crude yardstick of spending: the physical footprint of the five most valuable American tech firms. A decade ago if you added up all the land they occupied, you got to an area one and a half times the size of Central Park. Now an ongoing splurge means they use ten times more space, or 600m square feet (55m square metres), roughly the size of all of Manhattan. This shift to redeploying profits is seismic.

Amazon accounts for two-fifths of that space—the equivalent to anything south of Grand Central. Way back in 1998, its boss, Jeff Bezos, had a different message, telling his shareholders that its business model was "cash-favoured and capital efficient". The capital-light approach was in vogue in China, too, until recently. At the end of last year Alibaba's market value was similar to the total for China's biggest 700 industrial firms, yet it had 12% of their assets. Investors loved tech firms' ability to crank out huge profits with tiny balance-sheets, but economists were alarmed by it. Two years ago Lawrence Summers fretted that tech might depress overall investment. Digital disrupters would sap incumbent firms' confidence to invest while spending little themselves. This was part of a wider malaise he called "secular stagnation".

But over the past two years it has become clear that tech firms no longer skimp. Mr Bezos's firm had capital expenditure of $25bn last year (including leases), making it the fourth-biggest spender in the world, just above Gazprom, a Russian energy monster with 172,000km of pipelines. America's national accounts take a broader view of investment than company accounts do, by including research and development (R&D) and content creation. Using this definition, total investment by a sample of the ten biggest American and Chinese tech firms has tripled over five years, to $160bn. If you include acquisitions and stakes bought in smaller firms, this rises to $215bn. Of this figure, two-fifths was spent on intangible assets, a third on physical plant, and the rest on deals. Overall, these firms now have the same propensity to reinvest as other listed companies.

It is not just the giants. Xiaomi, a Chinese smartphone company, spent $2bn over the past three years. WeWork, an office-rental operation that is viewed by some as a technology play, invested a billion dollars on physical assets in 2017. In America, if you include all firms, public and private, tech accounts for an estimated fifth of all investment across the economy and at least half of the absolute growth in investment.

The boom has four causes. First, tech firms are undertaking activity on behalf of other companies. Instead of building data centres, non-tech companies lease capacity from cloud-based providers such as Amazon Web Services (AWS, the giant's cloud arm) and Microsoft, and in China, from Alibaba and Tencent. AWS is investing $9bn a year, or about the same as General Motors. Second, the online and physical worlds are blurring. Chinese consumers roam between e-commerce sites and shops, so tech firms there are building retail outlets. Alibaba has a chain called Hema. Amazon bought Whole Foods last year. As tech sprawls into the old economy, it is acquiring more heft. Alphabet's "other bets division", which includes its self-driving cars, contains over $2bn of physical assets.

A third trend is that tech firms are acquiring access to technology and data. Microsoft bought LinkedIn for $24bn in 2016. Chinese firms are obsessed with taking non-controlling stakes in startups. Alibaba and Tencent have spent $21bn in the past five years, making them dominant in China's venture-capital scene. A final probable cause of the investment boom is sheer indiscipline. One warning sign is a rash of flash property activity. Apple's new headquarters in California reportedly cost $5bn. Finalising the doorknob designs took a year and a half.

For investors, tech's pivot is a conundrum. Monopolies that crank out profits on little investment are very valuable. If they can reinvest those profits at high returns they are even more so. But the danger is a loss of focus. For the sample of ten big tech firms each dollar of fixed assets cranks out five dollars of sales, half the level of a decade ago. The more diverse firms get, the more ordinary the returns may be. Longtime big spenders such as Shell and Intel are experts at allocating capital. Compare that to Facebook. Its annual investment (including R&D) has gone from $3bn to $14bn in five years. Based on its approach to customer privacy, it is easy to imagine that behind the scenes things are slapdash.

Hey big spenders

For the economy, tech's pivot has plenty of benefits. Apple's headquarters has created at least 13,000 full-time construction jobs, according to Reuters. And the big tech firms' savings are no longer rising as a share of the economy. Take Alphabet, Amazon, Apple, Facebook, Microsoft and Netflix. Their free cashflow (the cash they have left over after investment), has dropped slightly as a share of American GDP, to about 0.6%. Some blue-chip firms such as Ford and Walmart are fighting back by investing heavily in new technologies, too. The last tech craze, in 1998-2001, created a glut of network capacity that ultimately boosted productivity.

In the long run the drawback is that the more the tech giants reinvest, the larger they will get, amplifying an already glaring antitrust problem. In the short run the catch is that the tech boom, which is already frothy, could burst, and a sudden cutback in capital spending could hurt the economy more deeply than most people realise. Tech is already integral to America's news cycle, its political cycle and the rhythms of its stockmarket. Now it may have a large sway over the investment cycle, too.

This article appeared in the Business section of the print edition under the headline "A wall of money"

Private equity (1)
Barbarians grow up

Barbarians grow up

As private-equity firms mature, the way they buy and sell is changing

They are reshaping Wall Street's ecosystem

Print edition | Finance and economics Jul 26th 2018

"SELL in May and go away," say the denizens of Wall Street, and to the usual summer lethargy is added the excuse of a heatwave. But for those working in private equity, there is no let-up. The "shops", as private-equity funds like to call themselves, are stuffed with money and raising more: $1.1trn in "dry powder" ready to spend around the world, according to Preqin, a consultancy, with another $950bn being raised by 3,050 firms.

So hot is the market that there are rumours of money being turned away. Even the firms themselves, which receive fees linked to assets under management, cannot fathom how to use all that may come their way. It is not for want of trying. The year to date has seen nearly 1,000 acquisitions (see chart 1). Health care has been particularly vibrant (see next article).

Even more noteworthy than the volume of money pouring into private equity is the way the business is maturing. Banks are reconfiguring their operations to serve such a transaction-heavy clientele. Limited partners—the public-pension schemes, sovereign-wealth funds, endowments and family offices that provide the bulk of private-equity investment—are playing more active roles. It all adds up to a stealthy, but significant, reshaping of the financial ecosystem.

Data on returns are patchy. Odd measures are often used to gauge performance and disclosure is intermittent. But there is plenty of reason to believe that private-equity funds have done well in the past decade. Low interest rates have favoured their debt-heavy business model. Rising asset prices have made it easy to sell for large gains.

And some recent clouds on the horizon have dissipated. Mooted tax reforms would have stopped private-equity firms from deducting the interest they pay on debt from their taxable income and forced their managers to pay the personal-tax rate on their investment profits (or "carried interest"), rather than the lower capital-gains rate. In the event, however, the new rules brought in last year did not touch carried interest at all and only slightly reduced the benefits of debt.

Another fear had been that regulations would become less supportive. Jay Clayton, who took over at the Securities and Exchange Commission (SEC) last year, made it clear that he wanted to see a shift towards public markets. He noted that the loss of companies to private equity had denied opportunities to small investors. A flurry of public offerings followed his appointment, including sales by private-equity firms. But the burdens of being listed remain heavy. These include onerous filing requirements and the knowledge that routine business decisions may become the subject of caustic public debate.

The result is that the value of public companies being taken private continues to rise (see chart 2). The figures understate the trend, since they omit the growing number of large companies selling off divisions to private-equity firms. These deals attract little attention—which is partly the point. Headquarters do not move; senior executives keep their jobs. Recent examples include the decision by J.M. Smucker, a food company, to sell its baking business to Brynwood Partners and GE's move to sell its industrial-engines division to Advent International. Similarly unremarked is the rising number of transactions in which one private-equity firm sells to another, rather than listing an asset on the public markets.

Private equity's growing heft has knock-on effects throughout the financial sector. Goldman Sachs has 25 merger bankers assigned to private-equity firms, working on deals alongside colleagues who focus on specific industries. Its analysts monitor 5,500 private-equity holdings—50% more than the number of listings on the American public markets. The other big institutional banks, such as Morgan Stanley and JPMorgan Chase, are just as attentive to private equity.

The most significant change may be in private equity's investor base. In the past two years the number of limited partners with more than $1bn invested has grown from 304 to 359. Together they account for $1.5trn—half of all private-equity money, according to Preqin. And this statistic does not fully capture their growing activism. As well as placing cash in private-equity funds, they increasingly "co-invest"—ie, take direct stakes in a buy-out.

The advantage for limited partners is that they avoid management fees—often 2% annually, plus 20% of profits. Private-equity funds gain from being less reliant on each other. Not long ago, large deals often required several funds to collaborate. The purchase of Nielsen Media in 2006, for example, involved seven. That alarmed antitrust regulators, complicated management and made it hard to exit from investments, since many potential buyers were already co-owners. The value of deals done by more than one private-equity firm has fallen by half since the Nielsen deal. Even when firms work together, the average number involved is smaller than it was.

For the biggest deals, private-equity firms are today making acquisitions solo and then syndicating large stakes through co-investments to limited partners. Notable among numerous recent examples are Blackstone's purchase of Thomson Reuters' finance and risk division in January for $20bn, and Carlyle's of the specialty-chemicals division of Akzo Nobel, a Dutch multinational, in March for $12bn. The process often begins with a phone call by a private-equity firm to big, sophisticated investors such as GIC, Singapore's sovereign-wealth fund, or CPP Investment Board, a giant Canadian pension fund. They can quickly put together teams to analyse transactions. Smaller limited partners are brought in later if needed, along with select outsiders, notably family offices.

This trend does not just reduce risk for private-equity managers. It also underlines a change in financial markets. Why should companies accept the costs and scrutiny that come with selling shares to the general public when there is a sophisticated, rich, private alternative? And when the time comes for one private-equity owner to sell, another private-equity fund can put together such a network to buy. Brokers and exchanges developed a century ago to help companies tap money where it lay—in individual pockets. Today that capital increasingly lies elsewhere.

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

Healthy returns

Private equity is piling into health care

High prices and stiff competition mean investors must think creatively

Print edition | Finance and economics Jul 26th 2018

LAST month KKR, a private-equity firm, announced that it would buy Envision Healthcare, one of America's largest providers of doctors to hospitals. The deal was valued at $9.9bn, including debt. If shareholders agree to the sale, it will be the largest in a string of health-care investments by KKR, including an ambulance service, a company that helps treat children with autism and a maker of medical devices.

"Ten years ago only a few private-equity houses had dedicated health-care teams," says Dmitry Podpolny of McKinsey, a consultancy. "Today nearly everyone does." Last year saw a frenzy of deal activity, the highest by value since the go-go year of 2007.

Private-equity funds are not the only ones keen on the industry. Institutional investors, tech-focused funds, generalist asset managers and corporate buyers are sniffing around, too. As they chase a limited number of targets, they are pushing up prices. Not high enough to dampen interest, however: health care is loved by investors for its resilience in downturns. It held up in 2000, when the dotcom bubble burst, and in 2008, during the financial crisis. People who need medical care rarely wait for an economic recovery. "Particularly late in the cycle, or if you're leveraged, the sector can offer stability," says Jim Momtazee of KKR.

But interest is not merely defensive. America's health-care market has grown faster than GDP for decades and annual spending is now $3.5trn. Further growth worldwide will be fuelled by ageing populations, the rising prevalence of chronic diseases, new treatments and an expanding middle class. According to McKinsey, in 1990-2015 health care offered shareholders higher total returns than any other sector.

Health care has an added appeal for private-equity investors, says Bain, another consultancy. It has been comparatively untouched by the innovation, disruption and consolidation that have driven costs down elsewhere. Investors argue that they can add value by consolidating assets and making companies more efficient, for example with technology or better joint purchasing. Laboratories are a case in point. A decade ago most labs in America and Europe were small; now megalabs dominate. Dentists, radiologists, ophthalmologists and care homes are consolidating, too.

Investors are less vocal about complex systems of reimbursement, though they are another draw. Those receiving health care are rarely those who pay for it, which helps providers be opaque about charges. As payers try to control costs, particularly in America, they are shifting from reimbursing by treatment to reimbursing by outcome. In response, health-care firms are seeking to reposition themselves through mergers and acquisitions.

Recent months have seen a string of deals between payers and providers, such as the buy-out of Kindred Healthcare by Humana, a large American health insurer, together with TPG and Welsh Carson, two private-equity firms. During such corporate shake-ups, being private can be useful. "Public markets are impatient and focused on quarterly results," says Kara Murphy of Bain. "With private capital you can bet on what a company could become rather than what it is." The particular sensitivities associated with the industry are another consideration. "Given the extra scrutiny that the health-care industry gets, it's often better for the company to be private," she adds.

Corporate buyers looking to expand into new products or markets offer private-equity firms an exit route. An example is the sale in 2016 of Truven Health Analytics, a health-data cruncher, by Veritas Capital to IBM for $2.6bn. The tech giant paid more than double what Veritas had paid four years earlier. But the data firm was well matched with Watson, IBM's artificial-intelligence platform, which it is promoting as a diagnostic tool.

High prices and stiff competition mean investors must think creatively. "When everything is expensive we look for quality assets in niche markets with high barriers to entry and high growth opportunities," says Philippe Poletti of Ardian, a European private-equity firm. Lateral thinking led it to disinfectants. In 2013 it co-invested in Laboratoires Anios, a French maker of hand-sanitisers, cleaning materials for hospital equipment and the like. After bulking up the sales team and investing in innovation, it made five acquisitions, in Brazil, Turkey and elsewhere. And it identified a niche within a niche—products for cleaning and disinfecting endoscopes—which it thought it could dominate, for example by buying a producer of endoscope-cleaning machines (which in turn use Anios's chemicals). When Ardian cashed out last year, turnover had expanded by 25% and earnings by 50%.

Public scrutiny of health-care provision, not to mention complex webs of national regulations and payments systems, mean that investors have often preferred products to services. It is easier to sell latex gloves or bandages than surgery across borders. This also helps explain why private equity has made greater inroads into American health care than into Europe's smaller, more varied markets (where public systems have also often resisted private investment). But that very fragmentation may mean that Europe's health-care market is next to fall.

Budget constraints are making governments there more open to private capital. Several countries, including Finland and Spain, are turning towards public-private partnerships and some investors hope that Britain��s struggling National Health Service will become more welcoming. “In Europe almost every country faces ageing populations and in 10-20 years they will need health care,” says one fund manager. “There’s a huge challenge in providing for that growing demand while increasing efficiency. PE can help solve that problem.”

Scarce assets, stiff competition, cheap debt and large amounts of “dry powder” make a volatile mix. “Valuations are very high, but I really can’t see an end in sight,” says Martin Gouldstone of Results Healthcare, an advisory firm. Such remarks normally suggest bubbles. But health care is not normal. Some parts may be hyped (bits of biotech and med-tech spring to mind). There will be disruption as big new actors such as Amazon barge in. But as long as human bodies fail, they will need fixing.

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Security screening

America and the EU are both toughening up on foreign capital

Donald Trump and Jean-Claude Juncker share suspicions of Chinese investment

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“DEAR Donald, let’s remember our common history,” wrote Jean-Claude Juncker, the president of the European Commission, on a picture of a military cemetery in Europe that he presented to President Donald Trump during talks on July 25th. The reminder of shared values and sacrifices may have helped nudge the two men towards a truce in the incipient transatlantic trade war (see article). That truce will help America and Europe to co-operate on another front.

Both suspect that investment from China is a ploy to gain access to advanced technology and undermine domestic security. European officials are thrashing out the details of an EU-wide investment-screening mechanism, proposed by Mr Juncker in 2017. A government white paper on national security and investment published on July 24th suggests that post-Brexit Britain will be no soft touch, either: it was widely seen as intended to increase scrutiny of Chinese buyers. But it is the Trump administration that is moving fastest.

Mr Trump had considered raising barriers to Chinese inward investment in sectors targeted by the “Made in China 2025” development policy. But he decided instead to support a plan to strengthen an existing investment-screening mechanism, the Committee on Foreign Investment in the United States (CFIUS). With votes in both houses of Congress expected shortly, and bipartisan support, he could soon be signing it into law.

CFIUS is already powerful. If it thinks a deal threatens national security, it can propose remedies or recommend that the president blocks the transaction. But security threats have evolved since it was set up in 1975, says Heath Tarbert, assistant secretary of the Treasury. The line between commercial and defence technologies has blurred, and the explosion in personal data has created new vulnerabilities. CFIUS’s workload has more than doubled in a decade. Lawyers complain that even uncontroversial deals are being held up.

The Foreign Investment Risk Review Modernisation Act would give CFIUS greater authority to examine deals where foreign investors gain control of critical infrastructure or technology, or of personal data. Minority investments would be covered if they give investors access to sensitive information. It allows for CFIUS’s budget to be increased. And it tightens export-control rules, which prevent sensitive technology being transferred abroad.

Early drafts were seen by businesses and former CFIUS officials as too draconian. Lawmakers have been surprisingly willing to listen to critics, and unusually bipartisan, says Kevin Wolf, a former assistant secretary to the commerce department under Barack Obama. The latest version should, he reckons, give businesses more clarity on the kinds of technology that will come under CFIUS review.

Other aspects are hazier. Without further regulations, businesses that store personal data may not always know if their deals need review. CFIUS’s remit will expand to include more small firms receiving early-stage investment. Reviews are costly, since would-be buyers and sellers usually hire lawyers and CFIUS is to be allowed to start charging fees. Some fret that the costs could put startups off foreign investment.

Although the new rules set out the kinds of deals that should be scrutinised, CFIUS alone decides if a deal poses a security risk. Among its members are officials from both security-oriented defence and justice agencies, and business-facing departments such as commerce and treasury. That split used to allow CFIUS both to protect national security and to promote foreign investment, says Clay Lowery, a former assistant secretary of the Treasury. Under Mr Trump, though, the economic protectionists now line up alongside the security hawks.

Investment from China has already fallen (see chart). That partly reflects capital controls and crackdowns on dealmaking back home. CFIUS blocked several high-profile deals in the past year, and Mr Trump’s threats on trade and investment will not have helped.

Flows of capital to Europe have held up a bit better. But it too is becoming less welcoming to Chinese investment. Mr Juncker’s proposals, which officials are hoping to finalise by the end of the year, would allow EU countries to share information on the national-security impact of foreign deals. With the tough guys in charge in America and Europe, Chinese investors may have to look elsewhere.

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Fistfuls of dollars

Japanese banks' foreign exposure may threaten financial stability

TOKYOAfter sailing through the financial crisis, they are taking risks with foreign loans

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THE maelstrom that hit global financial markets a decade ago is known in Japan as the Lehman Shock, after the bankruptcy of the American investment bank that caused it. Japanese banks themselves escaped relatively unscathed, owing to defences built during the 1990s, when the country struggled with deflation and excessive debt. But they seem to have forgotten the lesson. Risk-taking is back.

Squeezed at home by razor-thin margins and negative interest rates, both major and regional banks have been on a spree abroad. Banks have more than doubled borrowing and lending in dollars since 2007. Dollar-denominated assets of Japanese banks topped $3.5trn at the end of 2016, according to the Bank for International Settlements (BIS) in Basel. That leaves them vulnerable to currency swings and external shocks, it warns.

Pantheon, a consultancy, compares the way the foreign-currency balance-sheet of the Japanese banking system has evolved with those of five other rich countries with internationally active banks: Britain, Canada, France, Germany and Switzerland (see chart). France and Germany still have a smaller safety margin, but only Japan's liquidity ratio (ability to cover funding outflows in a short period of stress) has worsened since 2006. Japan has "bucked the global banking trend of greater caution in foreign activities", it says.

The BIS describes a game of financial musical chairs. Japanese banks were heavily exposed in the Asian meltdown of 1997-98. When they cut down on credit, European competitors stepped in. The crash in 2008 and the European sovereign-debt crisis that kicked off in 2010 sent the interlopers scurrying for cover. Japanese banks, less exposed to those crises, expanded their lending, relying heavily on volatile swap-market funding to do so.

National regulators are worried. The Financial Services Agency has repeatedly issued warnings about banks' exposure to dollar holdings, fearful that a strengthening dollar would make foreign debt dearer to service and harder to roll over. The Bank of Japan (BoJ) has prodded institutions to prepare for imported shocks, such as an exchange-rate shift or financial crisis. Domestic activities are less of a concern. Most banks still bear the imprint of their painful restructuring two decades ago after a property bubble burst, says Shinobu Nakagawa of the BoJ. "Foreign currency—US funding—continues to be the main worry."

Such fears were among the reasons why the BoJ introduced "yield-curve control" two years ago, says Freya Beamish of Pantheon. This policy aims to keep long-term rates higher than short-term rates, easing the pressure on banks to seek higher returns abroad. Though at first it seemed to work, banks and insurers have begun building up foreign exposures again. This week was marked by speculation that the BoJ is considering further tweaks, and that it may taper its quantitative-easing policy sometime this year—much earlier than had been expected. That pushed up Japanese bond yields, with an effect that rippled out to America and Europe.

The BoJ may stay its hand for now: inflation remains stubbornly below its target of 2%. But Japanese banks' foreign adventures are certainly complicating its task. Ms Beamish sees the potential for "several vicious spirals". Japanese institutions could find themselves unable to roll over short-term dollar funding, forcing them to sell assets quickly to repay loans. That would damage their balance-sheets, raising the interest rates demanded of them and further weakening their position. If they were to liquidate yen assets to repay loans, this would drive the dollar up further, again squeezing global liquidity.

Nobody is predicting imminent meltdown. Banks in Japan are flush with liquidity, notes Takuji Okubo of Japan Macro Advisor, a consultancy. But five years of exotic financial engineering, from quantitative easing to negative interest rates to yield-curve control, have left the yen "abnormally" weak, says Mr Okubo. They have also left the BoJ with fewer options.

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Auto motive

Car dealerships have become targets for cross-border investment

Big investors are snapping up small franchises. Why?

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DARREN GUIVER started out as a trainee at a Ford dealership in 1986. He moved quickly up through management, buying dealerships until he had created Spire Automotive group, a network of 12 across south-east England. Two years ago Group 1, America's third-largest dealership network, made him an offer he couldn't resist. So Mr Guiver joined thousands of small dealers selling out to global investors and dealership groups.

Since 2014 around 1,000 such dealerships have been bought or sold in America. According to Kerrigan Advisors, a firm that helps sellers, around 200 more will change hands this year. The largest deal to date came in 2015, when Warren Buffett bought Van Tuyl Group, a network of 78 dealerships with over $8bn in annual revenue. Holding companies such as South Africa's Imperial and Super Group have been buying showrooms across England. Penske, an American group, has become the largest dealer network in Europe by revenue.

Car showrooms might seem an unlikely asset class to go global. For decades manufacturers relied on individual franchise-holders to sell and repair vehicles in local markets. Carmakers liked this fragmented market, because dealers lacked the clout to demand large discounts. For franchise-holders, the advantage was having a local monopoly on the brands they sold.

But the car market is changing in ways that favour consolidation. The spread of ride-hailing means fewer young city-dwellers are buying cars. Larger networks will be better placed to survive, says Andy Bruce, the boss of Lookers, since they have the scale to offer better deals on high-margin financing and insurance. Moreover, says Gianluca Camplone, a partner at McKinsey, a consulting firm, only the biggest dealerships will have the capital to invest in the equipment and training needed to service high-tech electric and, one day, autonomous vehicles.

For manufacturers, consolidation may mean a loss of pricing power. But there is a consolation, says David Kendrick, who specialises in dealership transactions at UHY Hacker Young, an accountancy firm. Interacting with a few dozen networks will be more straightforward than dealing with lots of individual ones—though carmakers still usually seek to ensure that no retailer has more than 10% of a national market.

The appeal of dealerships as an investment is boosted by their location, generally on major roads near retail centres. Such prime plots lend themselves to repurposing as industrial warehouses or e-commerce fulfilment centres, says Tim Savage of CBRE, a property company. Although interiors are tailored to the brands sold, the structure is frequently made of steel portal frames with internal partitioning that is easily redesigned. And it is often a condition of franchises that car showrooms are refurbished every three to five years, meaning they stay in excellent condition.

For small franchises, the main reason for selling may be that they would struggle to find enough capital on their own. Carmakers want their products sold in bigger, more luxurious outlets than they used to, says Mr Guiver. This year he became managing director of Group 1's British operations, overseeing 53 dealerships across the country. Though he no longer owns the business he built piece by piece, he will still see the investment pour in.

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Buttonwood

Why simple rules are best when spreading your investment bets

Rebalancing stops portfolios becoming riskier or safer than desired

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BENJAMIN GRAHAM is considered the father of value investing, the business of picking stocks that are cheap. He might also fairly be described as the father of not trying to pick stocks at all. In his book "The Intelligent Investor", Graham distinguished between two archetypes. Enterprising investors are willing to devote time and care to stock-picking. Defensive investors want a quiet life. So they should simply buy a diversified list of leading stocks instead.

The emergence of low-cost indexed funds has made it easy to be this kind of know-nothing investor. Yet there is still a decision to make, namely asset allocation. How much of a portfolio should be in risky stocks and how much in safe bonds? In theory the split depends on expected returns, volatility (how much asset prices fluctuate), the investor's appetite for such volatility—and even the investor's age and job. Thankfully Graham had a simpler answer: a 50-50 split between stocks and bonds, maintained by adjusting as required by market prices.

The merit of this approach—or indeed the 60-40 rule favoured by many pension funds—is simplicity. There is a better chance of sticking to a simple, fixed-weights rule than a complex one. Deciding on the right portfolio weights is not the most important part of asset allocation. What matters is sticking to whatever weights are chosen. And that requires regularly rebalancing your portfolio.

Rebalancing has many plusses. For a start, it prevents the portfolio becoming riskier or safer than desired. If stockmarkets boom while bond prices drift, a 50-50 split can quickly become 70-30. A timely rebalancing would mean selling shares and buying bonds to restore parity. This is also a crude way of taking account of changing valuations. To say a security is cheap is to say it has a high expected return. When prices rise a lot, expected returns go down. Investors should want to hold more cheap assets and fewer dear ones. Rebalancing is helpful in this regard. It requires the shedding of assets whose expected returns have fallen most in favour of those that are cheaper.

All this would seem to go against a lot of market wisdom. "Cut your losses and let your winners ride" is a doctrine for the hedge-fund traders who bet on short-term shifts in market prices. Rebalancing does the opposite. Recent winners are cut in favour of more exposure to recent losers.

The long and the short of it

Yet the two approaches can be reconciled. Short-term "directional" trades—that the dollar will fall or oil prices surge, say—are highly speculative. The premise behind them might be wrong. So it is best to cut losses quickly. If a forecast is right and prices veer in a new direction, they often travel a long way. In which case, it is best to let winning trades run. Rebalancing, in contrast, is a strategy for the long term. It is a bet that extremes in market prices will be corrected eventually.

Andrew Ang of BlackRock offers an example of how rebalancing works, drawing on the 15 years between 1926 and 1940, which included the 1929 crash and the Depression. A $1 investment in stocks in January 1926 was worth $1.81 by December 1940 (after some extreme ups and downs). Bonds did better. A dollar invested in 1926 was worth $2.08 by 1940. A buy-and-hold portfolio of 60% stocks and 40% bonds in 1926 left untouched would be worth just $1.92. But a 60-40 portfolio, rebalanced every quarter, would be worth $2.46, beating both stocks and bonds (see chart). Rebalancing pays off because it cuts back on equities when they become dear and adds to them when they become cheap.

This is not an easy policy to follow. It goes against instinct to buy assets that have fallen heavily in price. But having a clear and simple strategy helps. It has parallels with other goals that require personal discipline, such as staying fit. "It doesn't really matter whether you are swimming, playing tennis or running," says Mr Ang. "What's really important is getting into the habit of making a regular time to exercise." If a rebalancing habit is established in calm markets, it will be much easier to follow when markets become stormy. How often should you do it? It is best to put a date in your diary for once a quarter, says Victor Haghani of Elm Partners. Indexed funds can be traded quite cheaply. But a lot of rebalancing can be done by diverting the flow of regular savings into the underweighted asset.

Not everyone can manage this. Indeed, rebalancing is effective because it works against the boom-bust cycle. Different weights will lead to different paths of returns. But what really matters is not the nature of an investment rule. It is whether you can stick to it. So keep it simple.

This article appeared in the Finance and economics section of the print edition under the headline "Balancing act"

Free exchange

Bond yields reliably predict recessions. Why?

An inverted yield curve may mean a few things, none of them cheering

Print edition | Finance and economics Jul 26th 2018

AS NAMES for market phenomena go, "inverted yield curve" lacks a certain punch. It is no "death cross" or "vomiting camel". But what it lacks in panache, the inverted yield curve more than makes up for in predictive potency. Just before each of America's most recent three recessions the yield curve for government bonds "inverted", meaning that yields on long-term bonds fell below those on short-term bonds. Economists and stockmarkets seem unconcerned that inversion looms again (see chart). But despite generally strong economic data, there is reason to heed the warning signs flashing across bond markets.

There is nothing particularly magical about the yield curve's predictive power. Short-term interest rates are overwhelmingly determined by changes in central banks' overnight policy rates—for example, the federal funds rate in America, which has risen by 1.75 percentage points since December 2015. Long-term rates are less well-behaved. They reflect the average short-term rate over a bond's lifetime, but also a "term premium": an extra return for holding a longer-term security.

An inverted yield curve may mean a few things, none of them cheering. Markets may expect future short-term rates to be lower than present ones, presumably because the central bank has chosen to cut rates in response to economic weakness. Or markets may think they need less compensation for holding long-term bonds in the future. That might reflect expectations that inflation will fall, or that appetite will grow for the safety provided in financial storms by long-run government debt.

More generally, the yield curve often inverts when a central bank is expected to switch from a bout of monetary tightening to one of monetary easing. Such transitions often happen around the time a boom comes to an end and a recession begins. The flattening of the American yield curve over the past few years has occurred as the Fed has begun raising its main policy rate, in order to prevent a long expansion from becoming worryingly inflationary. Rate rises will eventually give way to rate cuts, most probably when Fed policymakers begin worrying more about slow growth than about inflation. At that point a recession might be on the cards. Inversion of the yield curve would warn as much.

The yield-curve omen is not simply folk wisdom. Research generally concludes that it is indeed a useful indicator of future economic conditions. An analysis by Menzie Chinn and Kavan Kucko, for example, in which the authors examined nine advanced economies between 1970 and 2009, determined that the spread between the yield on ten-year and three-month bonds was a meaningful predictor of industrial activity in the following year. According to a paper in 2008 by Glenn Rudebusch and John Williams (now the president of the Federal Reserve Bank of New York), simple predictive models based on the yield curve are better than professional forecasters at predicting recessions a few quarters ahead.

Yet there is also something strange about the enduring power of the yield-curve indicator. A reliable signal that a recession looms should prod central banks into preventive action. That should help avert recession, thereby destroying the predictive power of the indicator. It is possible that this is starting to happen. In their analysis Mr Chinn and Mr Kucko note that the relationship between the signal sent by the yield curve and subsequent growth was weaker in the 2000s than in previous decades. Perhaps central banks are wising up.

Or perhaps not. In 2006 Ben Bernanke, then the chairman of the Federal Reserve, expressed scepticism about the danger indicated by the yield curve, noting that he "would not interpret the currently very flat yield curve as indicating a significant economic slowdown to come". (It did.) When asked about the flattening yield curve in March of this year, Jerome Powell, the current chairman, echoed Mr Bernanke's sentiment, saying: "I don't think that recession probabilities are particularly high at the moment, any higher than they normally are." Awkwardly, whether Mr Powell is right or not depends on how his Fed plans to react to the yield-curve signal.

Oh, inverted world

There are two potential reasons why the curve remains a portent. One is that central banks make mistakes. In 2006 Mr Bernanke argued that the yield curve's signal was distorted by unusual purchases of American bonds by foreign central banks and pensions. Similar arguments are made today, concerning the effect of asset-purchase programmes by the European Central Bank and the Bank of Japan.

Yet just how much distortion is occurring is unclear, and the Fed could easily misjudge the friendliness of the global financial environment. Similarly, central bankers often overestimate the durability of a boom. Recessions happen when central banks overtighten. When such accidents occur, the yield curve inverts. Because the effects of monetary policy are felt only after some time, and because central bankers make mistakes, the yield curve retains its power.

The second reason to keep watching the yield curve is that central bankers generally worry more about high inflation than about rising unemployment. It is hawkishness rather than doveishness that leads to inverted yield curves and recessions, after all. The Fed's own communications make this plain. According to its most recent projections, the policy rate will eventually settle at a level of 2.9%. But in 2019 and 2020 the policy rate will rise higher than that, meaning that cuts will be necessary later. The yield curve, the Fed is advertising, is quite likely to invert.

And why? Because, again according to the projections, the unemployment rate is now unsustainably low. A slowing of growth sufficient to bring the unemployment rate back up to what the Fed sees as its natural long-run level—4.5%, rather than the current 4%—is needed, lest inflation rise out of the Fed's comfort zone. This strategy may well turn out to be a mistake. It will not have been an accident.

This article appeared in the Finance and economics section of the print edition under the headline "Trouble with the curve"

Climate change
The long hot summer

The long hot summer

Heat is causing problems across the world

Worryingly, such weather events may not remain unusual

Print edition | Science and technology Jul 28th 2018

SODANKYLA, a town in Finnish Lapland just north of the Arctic Circle, boasts an average annual temperature a little below freezing. Residents eagerly await the brief spell in July when the region enjoys something akin to summer. This year they may have wished for a bit less of it. On July 18th thermometers showed 32.1°C (89.8°F), which is 12°C warmer than typical for the month and the highest since records began in 1908. But Sodankyla is not the only place that is sizzling.

Wildfires have killed at least 80 people near Athens. Sweden has suffered a rash of forest fires, sparked by unusually hot and dry weather. Britain and the Netherlands look more parched than they did in 1976, one of the driest summers on record. Some 80,000 hectares of forest are burning in Siberia. Japan has declared its heatwave to be a natural disaster. On the night of July 7th, the temperature in downtown Los Angeles did not drop below 26.1°C. That seems positively nippy compared with Quriyat in Oman, which recorded a 24-hour minimum temperature of 42.6°C a few days earlier.

Heatwaves bring problems, especially in the developing world. Crops are ravaged, food spoils and workers become less productive. Studies have linked rising temperatures to violent crime and civil strife. And heat can kill on its own. In 2003 more than 70,000 Europeans may have died as a direct result of an infernal summer.

That was seen as a once-a-millennium heatwave at the time. By comparison, notes Geert Jan van Oldenborgh of the Royal Netherlands Meteorological Institute, outside of northern Europe the summer of 2018 looks unremarkable, so far, in terms of temperature. The Netherlands, for instance, can expect scorchers every couple of years. Except, he adds, a century ago that might have been once every 20 years. A few years back, a team led by Peter Stott of Britain's Met Office calculated that, by 2012, summers like the one in 2003 would be expected to occur not every 1,000 years but every 127.

Hot times ahead

No consequence of global warming is as self-evident as higher temperatures. Earth is roughly 1°C hotter today than it was before humanity started belching greenhouse gases into the atmosphere during the Industrial Revolution. If this so-called thermodynamic effect were all there was to it, temperatures now considered unusually hot would become more typical and those regarded as uncommonly cold, uncommoner still. But climate being a complicated thing, there is more to it.

Weather patterns can change because the colder poles warm faster than balmier lower latitudes. As the thermal difference between the two diminishes, so does the velocity of the jet stream, a westerly wind which blows at an altitude of around 10km. That means the weather it carries can stay in place for longer. Sometimes, it offsets the thermodynamic effects, leading to cooler temperatures than might be expected. Often, it amplifies them.

When and by how much is a matter of hot debate among climate scientists. It is hard to pin any particular heatwave, drought or flood on the effects of man-made pollution. Freak events happen; the highest temperature ever recorded on Earth was 56.7°C in Death Valley, California, but that was on July 10th 1913, when concentrations of carbon dioxide in the atmosphere were much lower.

By using clever statistics to compare the climate's actual behaviour with computer simulations of how it might have behaved in the absence of human activity, researchers can calculate how mankind has made a particular weather event more likely. The first such study, co-authored by Dr Stott in 2004, found that the likelihood of the 2003 European summer had doubled as a result of human activity. Since then similar "event attribution" research has burgeoned. A year ago Carbon Brief, a web portal, identified a total of 138 peer-reviewed papers in the field, covering 144 weather events. Of 48 heatwaves, 41 contained humankind's imprint in the data.

More studies have appeared since then. World Weather Attribution, a website run by Dr van Oldenborgh and Friederike Otto of Oxford University, posts a new one practically every month. Besides scrutinising past weather, many of the studies look ahead—in particular at how the likelihood of future extreme events changes depending on how seriously countries take their commitment in Paris in 2015 to limit global warming to "well below" 2°C relative to pre-industrial levels (and better yet, to no more than 1.5°C).

The picture that emerges is bleak. One study, published in June by Andrew King of the University of Melbourne and his colleagues, found that the number of Europeans who can expect to witness a temperature above the current record, wherever they happen to live, would double from 45m today to 90m if the planet warmed by another 0.5°C or so on top of the 1°C since the 1880s. If, instead of 0.5°C, it warmed by 1°C, the figure would rise to 163m.

This looks even more alarming if you factor in humidity. Human beings can tolerate heat with sweat, which evaporates and cools the skin. That is why a dry 50°C can feel less stifling than a muggy 30°C. If the wet-bulb temperature (equivalent to that recorded by a thermometer wrapped in a moist towel) exceeds 35°C, even a fit, healthy youngster lounging naked in the shade next to a fan could die in six hours.

At present, wet-bulb temperatures seldom exceed 31°C. In 2016 Jeremy Pal of Loyola Marymount University and Elfatih Eltahir of the Massachusetts Institute for Technology found that if carbon emissions continue unabated, several cities in the Persian Gulf, including Abu Dhabi and Dubai, could exceed wet-bulb levels of 35°C by the end of the century. A follow-up study reckoned that, by 2100, parts of South Asia, which is much more populous than the sheikhdoms and a lot poorer, could suffer a wet-bulb level of 34.2°C every 25 years.

The effects could be devastating. The World Bank has warned that rising temperatures and changing monsoons could cost India 2.8% of GDP per person by 2050 and affect the living standards of 600m Indians in areas identified as hot spots. The global cost of productivity lost to heat has been estimated at $2trn by 2030.

The toll on human lives is hard to imagine. But at least people can learn from past mistakes. Thanks to better government responses, particularly in care for the elderly, in 2012 Europe survived a summer hotter still than 2003 with fewer casualties. As Indians get richer more will be able to afford air-conditioning; even those in shantytowns can paint their corrugated-iron roofs white to reflect sunlight. If only the world could take in a similar lesson about the importance of stopping climate change in the first place.

This article appeared in the Science and technology section of the print edition under the headline "The long hot summer"

It ain't over till it's over

A certain weariness is entering the war on AIDS. Wrongly so

The 22nd meeting of the International Aids Society

Print edition | Science and technology Jul 26th 2018

"HOW much does the world want to eliminate AIDS?" That was the question hanging over the 22nd meeting of the International AIDS Society (IAS), which opened in Amsterdam this week. "How much" is a phrase with two possible interpretations: emotional desire and financial willingness.

The IAS meetings, which began in 1985 as workshops for scientists and clinicians, quickly attracted activists and celebrities. Bureaucracies followed. In 1996 UNAIDS, an agency dedicated to dealing with the illness, was set up. In 2002 the Global Fund, a public-private partnership, was created to raise and spend money on AIDS, and on tuberculosis and malaria. In 2003 America's PEPFAR, the President's Emergency Plan For AIDS Relief, got going. Combined with the efforts of health services, these organisations have helped turn things around. The annual death rate from an illness that has, so far, killed 35m people, has fallen from a peak of 1.9m to 900,000. New-infection rates have dropped from 3.4m to 1.8m. And 22m people are now on antiretroviral drugs (ARVs).

This is all cause for celebration. But there is also a sense that things are fraying at the edges. Targets are not being met. Money is not arriving as expected. A scandal at UNAIDS, involving allegations of sexual harassment by a former deputy director (who denies wrongdoing), is casting shadows. And scientific progress is patchy.

The peak of AIDS hubris seemed to come at the IAS meeting in Melbourne in July 2014. Michel Sidibé, UNAIDS's director, announced the 90-90-90 aspiration—that by 2020, 90% of those infected will know they have the disease, 90% of those will be on ARVs, and 90% of them will have their virus levels suppressed to the point of clinical negligibility. This was ambitious enough. But in December of that year, the UN itself topped it by proposing an "end to AIDS" by 2030.

Neither of these things is going to happen. There was good news in Amsterdam, that Namibia has just reached its 90-90-90 targets. But in Africa this puts it alongside only Botswana and eSwatini (as Swaziland now wants to be known). In the world as a whole the numbers are 75-79-81, up from 67-73-78 in 2015, so there is a long way to go. As to ending AIDS, it is not even clear what that means—short of eradicating HIV from someone's body. The UN aspired to "ensure that HIV investments increase to $26bn by 2020, including a quarter for HIV prevention". That, too, looks unlikely. Since 2014, only in 2016-17 did expenditure on AIDS rise, by 8% to $21bn.

More please

To cry "more money" is the easiest thing in the world. But the AIDS campaign really does need more if it is to succeed. Each life saved by putting someone on ARVs is a charge on the future until that person dies, which will probably be in several decades' time. The fact that an untreated individual may go on to infect others means that a dollar spent now really is worth more than one spent in the future.

This is not necessarily a call for more foreign aid. As Mark Dybul, a former head of both PEPFAR and the Global Fund, told the meeting, though truly poor countries do depend on such aid for their AIDS programmes, somewhat richer ones could afford to fill the gap from the pockets of their own taxpayers, but choose not to do so.

As to what the money should be spent on, finding those infected and treating them remains top of the list. But increasing effort needs to be devoted to prevention. Here, PEPFAR is leading the way. As Deborah Birx, its head, observes, her organisation has supervised and paid for the circumcision of 15m African men. Circumcision is a cheap and effective way of reducing a man's risk of HIV infection (the foreskin of the penis is rich in the type of cells the virus breeds in). PEPFAR has also had measurable success with projects aimed at girls and young women, particularly by paying for them to stay in school longer than they otherwise would have. This improves both their confidence and their earning power. And that makes them less susceptible to the blandishments of "sugar daddies" who offer enhanced lifestyles in exchange for sex.

The wild card, however, is pre-exposure prophylaxis (PrEP). This employs a combination of two well-established ARVs, tenofovir and emtricitabine. Ingested before intercourse, it stops HIV taking hold in the first place. Trials in rich countries have shown that it works extremely well. The question is how to deploy it in those parts of the world, particularly Africa, where the epidemic is rife.

Deciding who should get ARVs is easy. Anyone who is infected with, or has been exposed to, HIV is a candidate. Deciding who should be offered PrEP is trickier. Obvious target groups include prostitutes, injecting drug users and the promiscuous.

Gratifyingly, as Peter Godfrey-Faussett, a scientific adviser to UNAIDS, observes, in trials in rich countries people identified as being in need of PrEP tend to come forward willingly. Whether that will be true in Africa remains to be seen, though studies in South Africa suggest that, with a little bit of encouragement, many prostitutes quickly see the advantages. Although Truvada, the original, proprietary version of the combination, is expensive, generic equivalents are now available for about the same cost, a dollar or less a pill, as the ARVs used for treatment. According to Dr Godfrey-Faussett, mathematical modelling suggests that aiming PrEP at the 3m people most in need of it should therefore be a cost-effective way of slowing the virus's spread.

That is just as well, for other hopes of yesteryear are proving slow to materialise. Cervical rings doped with dapivirine, which early trials suggested may be almost as effective for women as circumcision is for men, have yet to obtain regulatory approval. The idea of effecting a true cure by using a drug to activate HIV in those bodily tissues where it hides, and then priming the immune system to recognise and kill it, was knocked back by a study presented to the meeting by researchers from Imperial College London, which showed no effect. And, though large-scale trials of a vaccine developed by Johnson & Johnson, a drug company, are planned, the road to an effective vaccine is littered with the corpses of trials that have got so far and no further.

Back, then, to the tried and trusted: ARVs. Though 90-90-90 will not be achieved by 2020, this will not be the first time a target has slipped. But achieved eventually, and then o'erleaped, it must be. If the world really does want to eliminate AIDS, governments, both rich and middle-income, need to be cajoled into paying now. Paying later will be dearer.

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Planetary science

Astronomers have found a lake on Mars

It's 20km across and 1.5km beneath the southern polar ice cap

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THERE is no shortage of water on Mars. Astronomers reckon that at least 5m cubic kilometres of ice is locked up beneath the planet's dusty regolith. Whether any of it is liquid is a trickier question.

In the 19th century Percival Lowell, an American astronomer, popularised the idea that there were canals criss-crossing the Martian surface, carrying water from the poles to feed a thirsty desert civilisation. Better telescopes, and the arrival of space probes in the 1960s, revealed the canals as a mirage. Mars's frigid temperatures, and the feeble pressure exerted by its wispy atmosphere, mean that no liquid water could survive on the surface for long. Nevertheless, in 2006 seasonal changes in a pair of Martian craters led astronomers to speculate that small amounts of liquid water might be bubbling briefly to the surface in the Martian summer. Over a decade later, though, the case remains unproven.

Now the question seems to have been settled in spectacular style. In a paper published in *Science* on July 25th, Roberto Orosei of the National Institute for Astrophysics in Italy, and his colleagues, report the discovery of a lake of liquid water 20km across, buried 1.5km beneath Mars's surface, close to its southern polar ice cap. The lake seems to be a Martian cousin of familiar Earthly features such as Lake Vostok, a subterranean lake in Antarctica.

The team used radar waves to peer beneath the planet's surface. Different materials reflect the radar waves with different intensities, allowing scientists to detect what is there. The team used a radar sensor on Mars Express, an orbiting probe, to survey a 200km-wide area of Planum Australe, the planet's southern polar plain. The sensor lacked the sensitivity of those used on Earth, but after more than three years of collecting data Dr Orosei felt confident enough to claim that water was the only explanation for the team's readings.

That the lake is underground is key to its survival, says Susanne Schwenzer, a planetary scientist at the Open University, in Britain, who was not involved with the work. As in Antarctica, the thickness of the ice sheet insulates the water from the sub-freezing temperatures on the planet's surface. At the same time, the pressure exerted by the ice lowers the water's melting point below 0°C. And if the water is spiced with salts of sodium, magnesium and calcium—all of which have been found on Mars—its melting point could drop still further.

The discovery is exciting from a purely geological point of view. But the biggest question is whether anything might be alive down there. There is plenty of life in Lake Vostok, even though it has been cut off for tens of millions of years. Mars was much warmer and wetter in the past. Fossilised river deltas and lakebeds are visible on the planet's surface. If microbial life did arise on Mars in the distant past, it might be clinging on in just such an isolated pocket of water below the planet's surface.

Perhaps. Mars has been dry for around 3.8bn years. That is a long time for a life-preserving lake to have endured. Dr Schwenzer points out that Mars's axis has wobbled sufficiently over the planet's history that the polar caps have wandered widely over its surface. On the other hand, the existence of one such lake suggests there may be more. Alien hunters have, in recent years, been shifting their attentions to the icy moons of Jupiter and Saturn, which sport oceans beneath their surfaces. The discovery of liquid water on Mars will shift some of that attention back.

This article appeared in the Science and technology section of the print edition under the headline "Life in the freezer?"

De Gaulle
Jupiter's father

Biography of Charles de Gaulle

De Gaulle, model for Macron

France's wartime leader laid the foundations for Emmanuel Macron's presidency

Print edition | Books and arts Jul 26th 2018

De Gaulle. By Julian Jackson. *Belknap Press; 928 pages; $39.95. Published in Britain as "A Certain Idea of France: The Life of Charles de Gaulle"; Allen Lane; £35.*

WHEN Emmanuel Macron posed for his official presidential portrait last June, he placed on the desk beside him an open leather-bound volume of Charles de Gaulle's "Mémoires de Guerre". For a former Socialist minister, who had campaigned for office as "neither on the left nor the right", the symbolism was arresting. This was a 39-year-old president claiming to be, if not quite *le général*'s heir, then at least the modern advocate of the Gaullist vision which continues to animate the nation: the quest for greatness.

Fully 60 years after de Gaulle emerged from retirement to found the Fifth Republic, and nearly half a century after he quit the presidency following defeat in a referendum, he remains a towering figure in the French imagination, as Julian Jackson, a British historian, chronicles in his compelling and painstakingly documented biography. He has over 3,600 roads in France named after him, more than Louis Pasteur or Victor Hugo, as well as the main airport in Paris, an aircraft-carrier and the roundabout at the Arc de Triomphe.

The great myth-maker is still cited in polls as the nation's favourite political leader of all time. Proud, pesky and bloody-minded to his wartime allies, a visionary who failed in later years to read the shifting social mood of the 1960s, de Gaulle is remembered above all as a heroic figure: a leader who refused to admit defeat, and persuaded the French that their true spirit, uncrushed by submission to Nazi Germany, would ultimately prevail. He secured France a permanent seat at the UN Security Council, an independent nuclear deterrent, a pioneering role in the forging of post-war Europe and begrudging global respect.

De Gaulle's unwavering belief in his ability to embody the nation, and his modelling of a constitution topped with a near-monarchical presidency, also shaped the heavy expectations—and the disappointments—that have surrounded his successors ever since. Some of them explicitly embraced the Gaullist legacy, notably Jacques Chirac, who denounced the American "hyperpower", urged a counterbalancing multi-polar world, and relished the strong, centralised presidency. Others, or more accurately François Hollande, flinched at grandeur. After the whirlwind years under Nicolas Sarkozy in 2007-12, voters were at first drawn to the "normal" presidency that Mr Hollande sought to embody, as he headed off on holiday by train and adopted the forgettable posture of a middle manager. But the French soon realised that they like their head of state to look grand after all.

It was while he was working as an adviser to the normal President Hollande that Mr Macron began to develop his theory of a "Jupiterian" presidency. The loss of the king and the post-revolutionary Terror, he argued, had created an "emotional, imaginary collective void" at the centre of the French republic. This left the French feeling insecure, and in need of a leader who invested the presidency with a certain aura and mystique. If German political leadership is defined by the application of law, he contended, French society, historically structured around the Catholic church and the monarchy, needs clear vertical authority and a president who incarnates power.

The echoes of de Gaulle in all this are startling, and not only in terms of grandiose language and imperious style. The general devised a strong executive presidency in 1958, and introduced direct elections to it four years later, precisely in order to remove power from the hands of political parties and bring stability to French institutions. In 2016 Mr Macron created En Marche!, a centrist political movement, as a means of blowing up the traditional party system. He was able to defy the might of the two mainstream parties thanks to the original source of French presidential legitimacy: the direct mandate of the people, introduced by de Gaulle.

The pragmatic, well read, far-sighted, if self-important, statesman who emerges from Mr Jackson's broadly sympathetic biography comes across as a model for the current French president. De Gaulle cites Socrates, Goethe and Flaubert in his texts; Macron speaks of Hegel, Pericles and Malraux. De Gaulle, writes Mr Jackson, believed that "the leader also has to cultivate mystery and keep his distance while exercising a 'large dose of egoism, of pride, of hardness and of ruse'." For the general, leadership was about creating moments of national exaltation as well as exercising authority and imposing order on his country. He "exhorted the French to believe in themselves as a 'great' nation". Mr Macron seeks nothing less.

Mr Jackson is clear-eyed about his subject's flaws. Throughout the book, he carefully weighs competing views of de Gaulle's leadership, from his time as a young platoon commander during the first world war to his resignation from the presidency in

1969. De Gaulle anticipated tank warfare, was right in 1940 that the Axis powers would eventually be defeated, predicted the collapse of the Bretton Woods system and foresaw America's inability to win the Vietnam war. Yet he was wrong about much else, such as his belief in the imminence of world war in 1946-47, and his conviction that France could win its war in Indo-China. An authoritarian conservative, he was slow to see the end of empire and failed to understand the social changes sweeping through France during the 1960s. A very private man, de Gaulle was also cold, mostly humourless and prone to melancholy. He was accused variously of delusional ambition, extravagant showmanship, duplicity, pig-headedness and worse.

The great adaptor

Ultimately, though, Mr Jackson is an admirer. He sees de Gaulle's great quality as his ability to adapt to circumstance. The general left France in June 1940, his suitcases lashed to the top of a tiny plane, ultimately bound, he thought, for north Africa. But he stayed in London, where he first landed, and turned exile in suburban England into glorious resistance.

When his options narrowed, he adjusted policy, often ruthlessly. He was dubious about Algerian independence, but after an attempted coup by generals determined to cling on to the north African territory, he granted himself emergency powers and ceded it—a decision for which a swathe of the nationalist right never forgave him.

"Only during crises do nations throw up giants," de Gaulle once told a reporter. As immodest as he was frugal (he paid his own electricity bills in the presidential apartment), the wartime leader of the Free French had both the political stature and the unshakable self-belief necessary to rewrite the national narrative and secure France the respect he felt it was due. Mr Macron, who seeks to do the same, lacks the stature but has the self-belief in spades.

De Gaulle "saved the honour of France", says Mr Jackson at the end of this book. Perhaps; or maybe his real achievement was to persuade the French that they saved their own honour.

This article appeared in the Books and arts section of the print edition under the headline "Jupiter's father"

An enlightened life

Rescuing Adam Smith from myth and misrepresentation

Smith applied economic concepts to new questions

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Adam Smith: Father of Economics. By Jesse Norman. *Basic Books; 416 pages; $30. Published in Britain as "Adam Smith: What He Thought and Why it Matters" by Allen Lane; £25.*

MARGARET THATCHER is said to have carried a copy of the "Wealth of Nations", Adam Smith's most famous work, in her handbag. Britain's most famous economist appears on the back of £20 notes. Yet while a few stock ideas are associated with him—the "invisible hand", the division of labour, self-interest—what he actually wrote is often misinterpreted.

Jesse Norman, a British member of parliament who trained as a philosopher and is one of the Conservative Party's best brains, wants to put that right. Author of a celebrated biography of Edmund Burke, Mr Norman not only explains Smith's writings, which ranged from astronomy to colonialism, but also shows that they are still relevant today.

Smith lived at a time of great change, when the Industrial Revolution was getting going and more people were questioning the authority of religion. Scotland was in many ways a more progressive place than England, and, as a professor of moral philosophy at Glasgow University, Smith was right at the heart of it.

In the "Wealth of Nations" and his less famous work, "The Theory of Moral Sentiments", Smith expounded the benefits of these changes. His enthusiasm for free thinking set him on the path to atheism, though he did not travel as far down it as his friend David Hume did. He believed that free trade was a force for good. He applied economic concepts to new questions, such as slavery, arguing that slave labour was more expensive than waged labour, because slaves had no incentive to produce more than the bare minimum.

Though Mr Norman proceeds at a brisker pace, he covers much the same ground as Nicholas Phillipson did in his recent intellectual biography of Smith. And like Mr Phillipson, Mr Norman peppers his high-minded discussion of Smith's work with details about the economist's day-to-day life. Smith spent six miserable years as a student at Oxford University, where he thought the teaching far inferior to what he could get in Scotland.

Some readers will find Mr Norman's busting of Smith-related myths to be the book's most satisfying theme. Contrary to what is often assumed, the Scot did not advocate ruthless self-interest. The very first sentence of "The Theory of Moral Sentiments" reads: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it."

Smith's notion of the "invisible hand" is also misunderstood. The term is often taken to mean that the market will always produce the best outcome. The reality is more complex. True, Smith believed in markets—and to a radical extent. But he saw many instances where markets needed to be curbed. Smith was even sympathetic to limits on interest rates charged on loans, a policy that few modern economists would support.

Mr Norman gets all this right, but he is not the first to do so. Robert Heilbroner's "The Worldly Philosophers", published in 1953, offered a fairly nuanced understanding of what Smith stood for. More recently Emma Rothschild, one of the world's best historians of economic thought, and Amartya Sen have written widely on the "uses and abuses" of Smith. Yet the book cites few of their contributions—not even a fascinating paper Ms Rothschild wrote in 1994 which explores Smith's use of the phrase "invisible hand".

The book also does an unsatisfactory job of dealing with Smith's critics. Writers from Murray Rothbard to Joseph Schumpeter to Salim Rashid have argued that Smith's ideas are poorly thought through, even plagiarised. Mr Norman accepts that Smith's discussion of what constitutes value is confused, but he has too little time for the naysayers. He dismisses Rothbard's critique in a footnote as "manifestly unfair and inaccurate" without explaining why; Schumpeter's objections are batted aside; Mr Rashid's work is not mentioned at all. As a result the book's big claims about Smith, including that the "Wealth of Nations" is "the greatest work of social science ever written", are not convincing.

The author is on safer ground when he explains the relevance of Smith's ideas today. Economists, especially in America, increasingly worry that capitalism has become too cosy—or "rigged", as President Donald Trump puts it. Smith got there first. He fretted that the capitalists would always try to exploit ordinary people, whether by shaping regulation to their advantage or by fixing prices. "The rate of profit...is always highest in the countries which are going fastest to ruin," he argued. America's corporate-profit rate is currently at historical highs. Had regulators read more Smith, the American economy might be in better shape.

This article appeared in the Books and arts section of the print edition under the headline "An enlightened life"

American fiction

A novel crafted from Custer's Last Stand

Genocide and myth are difficult raw materials for a novelist to work with

Print edition | Books and arts Jul 26th 2018

The Removes. By Tatjana Soli. *Sarah Crichton Books, 384 pages; $27.*

THE United States was days from its centennial when the Battle of the Little Bighorn was fought. In June 1876 the Seventh Cavalry, led by the flamboyant General George Armstrong Custer, was vastly outnumbered in what was then Montana Territory by warriors of the Lakota and Cheyenne people; the soldiers were slaughtered to a man. The bloodbath was nicknamed Custer's Last Stand, but in truth it was the last stand for the people of the great plains of North America. Custer's death made the American government more determined to drive the country's indigenous population from their lands, and to destroy their ancient cultures.

The story of the Greasy Grass (as the battle was known by its short-term victors) and its aftermath has been told so often that it has become myth: tricky territory for a novelist. But this is not Tatjana Soli's first foray into painful history. "The Lotus Eaters", her debut novel, was set in Vietnam during the war; "The Removes", her fourth novel, focuses not only on Custer but also on his striking wife, Libbie, and Anne, a young woman abducted by the Cheyenne as a girl of 15.

The novel switches back and forth between these three perspectives, taking its title from Anne's constant uprooting with the nomadic Cheyenne as they move camp through the seasons, European settlers at their backs; it also alludes to the eventual removal of the native people from their land. Ms Soli's Custer arrives out west in the summer of 1874, fully aware of the nature of the bargains being struck. The sacred Black Hills have been "promised to the Sioux in perpetuity, in this case defined as until the government had other ideas for its use". Ms Soli never minimises the genocide, but all the characters emerge as victims of the notion of progress.

That the conclusion of the novel is foreordained does nothing to diminish its tension. Plot depends on character: the author brings to life both Custer and Libbie—who travelled with him almost everywhere after their marriage during the American civil war. Anne's story is wholly fictional, but influenced by "captivity" narratives published in America from the 17th century onwards. Perhaps because Ms Soli has most licence with Anne, it is her tale that stays with the reader most keenly; it is through her that the author is able to explore most fully European and native American identity.

Ms Soli honours the history she uses to tell her tale by the care she takes with her storytelling, and by the way she laces through the book documents and photographs from the era. She does not shy away from violence, but nor does she revel in it; most notably, the climactic battle is barely described. But by that point the reader's imagination has been well-schooled by the author's art: the horror is more vivid for being created in the mind's eye.

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Ecology

The rise and fall of bees

Their brilliant evolutionary strategy isn't working so well in the modern world

Print edition | Books and arts Jul 26th 2018

Buzz: The Nature and Necessity of Bees. By Thor Hanson. *Basic Books; 304 pages; $27. Icon Books; £16.99.*

BEES are wasps that went vegetarian. This was a brilliant evolutionary move: they now outnumber wasps by around three to one. Instead of hunting creatures that would rather not be eaten, they turned to living things that offered themselves on a plate. Bees and flowers evolved together in a gorgeous spiral of mutual dependence. Nectar and pollen feed the bees; in return, the plants get to procreate.

Humans are beneficiaries, too. These days honey is seen as a minor treat, but for hunter-gatherers it was essential: members of the Hadza, a tribe in Tanzania, get as much as 15% of their calories from honey, not including nutrition from the larvae and pollen they also consume. Of all the foods in nature, honey is the richest in energy. "The need to feed our big, hungry brains may help explain why we crave it," Thor Hanson explains in "Buzz", a book of popular science at its intelligent best.

The 20,000 species of wild bees are even more important than the domesticated kind, through their role in pollinating crops. That is why the problems afflicting both domestic and wild bees represent a danger for people, too.

A decade ago, stories of "colony collapse disorder" and crashing bee populations led to predictions of imminent ecological disaster. When the "beepocalypse" failed to materialise, humanity lost interest, but the insects' problems persist. Mr Hanson cites an authoritative survey showing that around 40% of bee species globally are in decline or threatened with extinction. Beekeepers in North America and Europe are losing hives at an abnormally high rate.

Why? Diana Cox-Foster, an entomologist, offers Mr Hanson the theory of the four Ps: parasites, poor nutrition, pesticides and pathogens. Widespread culling of flowers is a particular problem. "People look across a park or a golf course and think it's green and lush, but to a bee it's like a desert or a petrified forest—there's nothing to survive on," she says.

The remedies are clear, according to Mr Hanson: "providing landscapes with more flowers and nesting habitat, reducing pesticide use, and stopping the long-distance movement of domestic bees (and the pathogens that travel with them)." Fewer bees will mean fewer plants and therefore less to eat and less oxygen to breathe. Time to take their problems seriously.

Chinese fiction

Yan Lianke's dark satire of modern China

A novel of looting, murder and economic growth

Print edition | Books and arts Jul 26th 2018

The Day the Sun Died. By Yan Lianke. *Translated by Carlos Rojas. Chatto & Windus; 352 pages; £14.99. To be published in America by Grove Press in December; $22.*

THE humdrum town of Gaotian lies, with symbolic neatness, in "the centre of China". After the sun sets on a torrid session of wheat-harvesting during "the dog days of summer", its citizens begin to sleepwalk—or "dreamwalk", to translate the Chinese term literally. Through the ensuing night, all hell breaks loose. On this witches' sabbath, "somnambulistic hysteria" triggers a wave of looting and murder. Everyone sheds conscience and inhibition to fulfil desires and avenge injuries. All dare to "put their thoughts into practice". Dawn fails to arrive: night stretches out like "an endless ball of black thread". Yet, after an act of sacrifice calls time on this provincial apocalypse, the town gets back to work "as if nothing had happened".

First published in Taiwan in 2015, this exuberant but sinister fable confirms its author as one of China's most audacious and enigmatic novelists. Once a propagandist for the army, Yan Lianke has since the early 1990s written a series of novels and stories that alchemise China's boom into fantastical—yet thoroughly topical—fiction. Although banned on the mainland, Mr Yan still lives in Beijing. He dubs his style, which blends satire, folk-tale, epic, chronicle and even science fiction into a head-spinning mix, "mythorealism". Only such a delirious mash-up, he argues, can capture the "hidden internal logic" of China's breakneck growth. His novels encompass the visionary intensity of "The Four Books", and the transgressive farce of "The Explosion Chronicles".

With its yarn of a single night of mayhem, and its naive but perceptive narrator—a 14-year-old boy named Li Niannian—"The Day the Sun Died" achieves a focus and momentum not always found in Mr Yan's work. His writing—resourcefully translated by Carlos Rojas—feels both ancient and modern, folkloric and avant-garde. He honours the modern Chinese experience of living in two worlds, two epochs, at once. Niannian's parents run a shop that sells funeral ornaments; his rich uncle manages the crematorium, and processes its waste into a grisly brew, "corpse oil". The dreamwalkers of the "great somnambulism" shun the here-and-now. "No one wanted the present. This was a war over the past and the future."

Mr Yan wrote "The Day the Sun Died" soon after China's leader Xi Jinping had sloganised the idea of the "Chinese Dream". But his satirical *danse macabre* has more than one target. Gaotian's night of chaos and carnage recalls both the Cultural Revolution and some dystopian "Black Friday" shopping spree. Fanciful nostalgia, as well as crass materialism, drives the slaughter. The "dreamwalking" town council tries to revive the "Taiping Heavenly Kingdom", a millenarian cult that convulsed 19th-century China. This pantomime ends in more bloodshed.

Slyly, Mr Yan writes himself into this book, as a dried-up hack whose arid and baffling novels resemble "rotten fruit" or "deserted graves". On the contrary. He seeds his reader's imagination, and his outlandish fantasia germinates many varieties of interpretation. "When sleep is deep," he writes, "the crops become ripe."

This article appeared in the Books and arts section of the print edition under the headline "A dark light on modern China"

Photography

Pentti Sammallahti, Finland’s top photographer

An artist with a remarkable eye and an unusual approach to the art market

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UNDER a low sun, a frog with a thuggish expression swims alone in a pond, its black reflection a crisply outlined mirror image on the still water. It stares straight ahead; an eye-to-eye confrontation seems imminent. This sinister yet amusing picture was taken by Pentti Sammallahti, a 68-year-old Finnish photographer with an unusual status: he is at once feted and deliberately low-profile.

His modest prices—prints start at €600 ($702)—are part of the explanation. Peter Fetterman, who exhibited Mr Sammallahti’s work at the Masterpiece fair in London this month, says he “is the best photographer whose work you can afford.” But price tags that make his work accessible put off some collectors and galleries, who see price as a measure of quality. “Peter keeps telling me to charge more,” says Mr Sammallahti.

He chooses not to raise prices, nor to limit editions of his prints. “I have the negative,” he says, “why not print from it?” For him, making prints is part of his art. The frog peers from a silver-gelatine image taken from a black-and-white negative, one of his preferred techniques, but he experiments ceaselessly.

Mr Sammallahti is not a recluse, nor lacking in ambition. He travels the world taking photographs; a book, “Here Far Away”, was published in 2012; another, of bird pictures, comes out later this year. But he shuns the art scene, believing that commercial pressures undermine quality. He does not lecture and rarely gives interviews. In 1991 he received an unprecedented 20-year grant from the Finnish government. Its sole condition was that he should concentrate on photography, so he gave up teaching. “I want to work in peace,” he explains, “to be free to fail.”

Failure has eluded him. In 2003 Henri Cartier-Bresson chose a photo by Mr Sammallahti—one of 100 images that the French master found most “stimulating, joyful and moving”—for his foundation’s inaugural exhibition in Paris. A big dog sits high up on a Russian snowmobile, its ears pricked, king of all it surveys.

Picture credit: © Pentti Sammallahti, Courtesy of Nailya Alexander Gallery, New York

This article appeared in the Books and arts section of the print edition under the headline ”Top dog”

Output, prices and jobs

Print edition | Economic and financial indicators Jul 26th 2018

Markets

Print edition | Economic and financial indicators Jul 26th 2018

Trade, exchange rates, budget balances and interest rates

Print edition | Economic and financial indicators Jul 26th 2018

Official development assistance

Print edition | Economic and financial indicators Jul 26th 2018

Official development assistance (ODA) to "fragile"' countries increased by 26% between 2009 and 2016. The OECD, a think-tank, defines fragile states as those that fail to provide basic services to their poor. Most of the growth in ODA to these countries is accounted for by humanitarian assistance, which increased by 144% in 2009-16, reaching a record $18.3bn. Aid tends to be concentrated in a small number of countries. Between 2003 and 2012 Afghanistan and Iraq together accounted for 22% of all ODA to countries then defined as fragile. Syria was the largest recipient of aid in absolute terms in 2016; the Palestinian Territories received the most per person.

The Economist commodity-price index

Print edition | Economic and financial indicators Jul 26th 2018

Adrian Cronauer
Goooooood Morning Vietnam!

Goooooood Morning Vietnam!

Adrian Cronauer died on July 18th

The broadcaster and veterans' advocate who inspired the famous film was 79

Print edition | Obituary Jul 26th 2018

A LOT of Americans thought they knew Adrian Cronauer. He was the guy played by Robin Williams in that film in 1987, with the big headphones and insubordinate jaw, who unleashed on Armed Forces Radio in Vietnam such a tirade of profanity and impersonations, slowed-down voices and speeded-up voices, daring references to enemy doings and mockery of his superiors, that in the end the army threw him out. Off-air he had also pursued Trinh, a lovely Vietnamese girl, unwittingly befriended a Vietcong operative, got dangerously lost in the jungle, and threatened to subvert the whole enterprise. Hence his fame.

The other Adrian Cronauer was not half so well known. He was that spotty, nerdy-looking fellow in horn-rimmed glasses who worked for AFR in 1965-66, doing his draft-impelled tour in Vietnam because he liked the sound of going to the Far East. From the look of him he was pretty sane, give or take the odd gleam in his eye. And indeed, as he admitted later to audiences half-charmed by his bear-like warmth and half-disappointed, he had never said anything really wild on air, never got lost or been blown up, never pursued any one particular girl, and was honourably discharged when his year's tour was over. The worst profanity he allowed himself, at least in public, was "Whoops".

Set against his film self, the changes he made to army broadcasting were small. At the time, though, they didn't seem so. His wild greeting, for a start (first honed on an air-force station in Crete, after years of lively student broadcasting back home in Pittsburgh), proclaimed something brash and new. He rode the crest of the musical ferment of the time, so out went Perry Como and lush-stringed Mantovani, the sort of thing the army high-ups liked, and in came the Supremes, the Righteous Brothers and the Beatles. Rock, Motown and the Top 40 reached the troops on the battlefield. Boldly, he invented characters and made fun of the drabbest army announcements, such as August posting dates for Christmas. His "Dawn Buster" show (four hours from 6am) was so hot, or cool, that it was often mistaken for a Stateside station.

There was certainly material here for a TV series or a film, as he thought when he and his friend Ben Moses drafted a script for one a decade or so later; something along the lines of "M*A*S*H". Fun, but underneath it those sharpened nerves of the early months of the war, when Saigon was sliding slowly from a sleepy French colonial place to a city in economic ruin, and when he came to fear that any little old lady in black pyjamas was hiding bombs in her basket. Comedy with an edge.

Everything in his show, though, had kept within the rules. He stretched them as far as military apathy would let him. As for challenging his superiors, he did so only once, when he witnessed the carnage of a Vietcong mine and bomb attack on the Mekong Floating Restaurant in Saigon. He wanted to report this on his show, but was overruled; it had not been officially confirmed. But he had seen it, he was there, all the news agencies knew! No; censorship ruled. His film-self holed up in the studio and told everyone anyway. But he swallowed the stupidity and obeyed.

And he never once questioned the morality of the war. As a firm Republican, he was hardly anti-military. He wanted young soldiers to forget their fear and homesickness and find stomach for the fight, and fretted on their behalf when they could not pursue the enemy or were held back by politics at home. His 20-second yodel of "Goooooood" as he greeted them on air (something his film-self never got right) wasn't only to give him time to pull out records and get organised. It told them there was good in being there, even among the horrendous heat and leeches and mosquitoes the size of Mack trucks, among the killing and being killed.

When he saw "Good Morning Vietnam" he felt uneasy at first. Then he settled down and enjoyed it. They had used almost nothing of his script except the title, and had not talked to him, but at least the film showed his story of Vietnam and the soldiers he knew there, not the psychotics of "Platoon" or "Apocalypse Now". He laughed as loudly as anyone at Williams's crazy shtick. After the premiere they shook hands, and Williams said he was glad to finally meet him. Mr Cronauer said he was glad to finally meet himself, too.

A note of cheer

How did he mean that? For truly Williams wasn't himself, in all the ways he carefully counted up. He added later that Williams was the disc jockey he would have liked to be—the ideal self, perhaps, of his wildest dreams. Or possibly a future more substantial, famous self, for the film did wonders for his bank account, allowing him to take up a career in the law. It did wonders also for his ego, wherever exactly that lay.

He was glad, too, after all the shabby treatment of the troops, that something heartening had come out of Vietnam and that it was linked to him. It was the sort of work-satisfaction which, in his 60s, he returned to, as an adviser to the Pentagon on the recovery of the remains of prisoners-of-war or soldiers missing in action, and as a liaison to families who, for decades, had heard nothing of them. Raising morale in a bad situation—yes, he was pretty well-practised at that.

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