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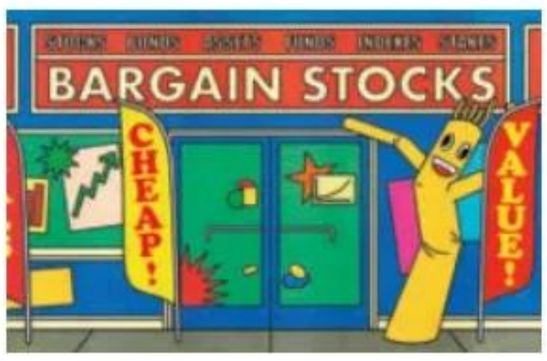

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to take part in *"a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."*

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The world this week Politics

The search and rescue mission continued in central **Texas** to find any survivors from flash floods that killed at least 120 people. More than 170 are missing and the death toll is expected to rise as the flood waters recede. At least 35 children were killed, including at a summer camp for girls that was swept away in the deluge. Amid criticisms about local flood defences, the state's governor, Greg Abbott, said that a special session of the legislature would discuss flood-warning systems and relief for devastated communities, among other things.

The Supreme Court decided that the Trump administration could proceed with its plan to sack potentially hundreds of thousands of **federal workers**, overturning a lower court's suspension of the executive order. The Supreme Court did not say whether the order was legal, however, and it may still be challenged.

Elon Musk announced the formation of the America Party, which he previously said would primarily challenge Republicans who voted for Donald Trump's "big, beautiful" tax-cutting, deficit-raising bill. Mr Trump described Mr Musk's idea as "ridiculous" and said he "had gone off the rails". Investors in Tesla, Mr Musk's car company, took fright, sending its share price down.

Talks continued in Qatar aimed at implementing a ceasefire between **Israel** and **Hamas** in Gaza. The negotiations were given a push by Mr Trump, who is pressing Israel to reach a deal. Binyamin Netanyahu, the Israeli prime minister, met Mr Trump at the White House, his third visit since January. In Gaza, dozens of people have been killed in Israeli air strikes in recent days.

The **Houthi** rebels in Yemen, who are backed by Iran, attacked commercial vessels in the **Red Sea** for the first time since December. Two Greek-owned ships were targeted by drones and missiles. Four crewmen were killed, making it the Houthis' most lethal attack on shipping to date. One ship was en route to Saudi Arabia, the other to Turkey. Israel responded immediately to the first attack by carrying out air strikes on Yemeni ports.

At least 31 people were killed in the latest anti-government protests in **Kenya**, according to the country's human-rights commission. Demonstrators have been angered by allegations of police brutality. The president, William Ruto, urged police not to use lethal force, and said they should shoot protesters in the leg instead.

Ever-changing moods

Following a phone call with Volodymyr Zelensky, Donald Trump promised to send more crucial air-defence weapons to **Ukraine**, a week after the Pentagon said it was suspending shipments because it was running low on stocks. The Ukrainian president seems to have Mr Trump's backing at the moment; Mr Trump is currently "unhappy" with Vladimir Putin. Soon after the announcement, Russia attacked Ukraine with 728 drones, the biggest attack of the war so far.

Britain and **France** agreed for the first time to "co-ordinate" their nuclear deterrents, and vowed a joint response to any "extreme threat" to a European ally. The announcement was made during Emmanuel Macron's state visit to Britain, the first by a political leader from the EU since Brexit. It was also announced that the **Bayeux Tapestry**, which illustrates the story of the Norman conquest of England in 1066, will be displayed in England for the first time in 900 years at an exhibition at the British Museum that starts in late 2026.

In France police raided the headquarters of **National Rally**, the hard-right party led by Marine Le Pen and the biggest party in the assembly, as part of an investigation into whether it broke campaign-finance laws.

The lower house of the Dutch parliament passed legislation to deter migrants, such as reducing the period in which someone can temporarily claim asylum in the **Netherlands** from five years to three and curtailing the right of families to join approved asylum-seekers. The measures have long been promised by Geert Wilders, whose hard-right Party for Freedom has the most seats in the lower house.

The Red Cross warned that **Iran** could forcibly deport another 1m **Afghans** back to Afghanistan this year. The UN refugee agency estimates that at least 800,000 Afghans have already been sent back this year, 600,000 of them since Iran launched a crackdown on foreigners in June, which is also when Israel attacked Iran.

Russia formally recognised the Taliban government in **Afghanistan**, the first country to do so since the Islamic militants swept back to power in 2021. Women's rights groups said Russia's decision gave succour to a government that is rolling back basic freedoms. Meanwhile, the International Criminal Court in The Hague issued arrest warrants for the Taliban's supreme leader and the chief justice for their persecution of women.

Protests in Mexico City against an influx of foreigners turned violent. **Mexico's** president, Claudia Sheinbaum, condemned the violence and racist slogans, but has pledged that the government will do more to tackle the problems associated with gentrification. The number of foreign residents and tourists has increased since the pandemic. Locals allege that they are being displaced by unaffordable rents.

Donald Trump said Brazilian goods shipped to the United States would be subject to a tariff of 50%. He made the announcement in a letter to President Luiz Inácio Lula da Silva, in which he said that Jair Bolsonaro, **Brazil's** former far-right president, was being treated unfairly. Mr Bolsonaro will soon face trial on charges that he plotted a coup to remain in power after he lost an election in 2022. Mr Trump called the case a "witch hunt".

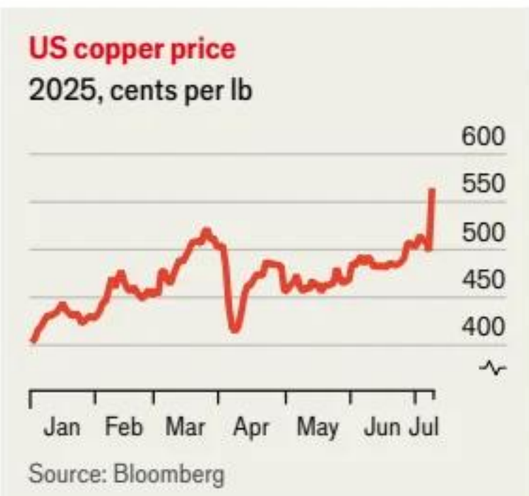
The United States withdrew its top diplomat from **Colombia**, which initially responded in kind. In June President Gustavo Petro accused Marco Rubio, the US secretary of state, of trying to overthrow him. Mr Petro and his diplomats have since sought to backtrack from that. Tensions are high after it was claimed that Mr Petro's former foreign minister was trying to push him from power.

Voices in the machine

America's State Department has warned its embassies that someone is impersonating Mr Rubio using **artificial intelligence**. The person has sent AI-generated messages on Signal to three foreign ministers and two American politicians. Elon Musk wanted to replace half a million government workers with AI when he ran the Department of Government Efficiency (he is not the AI impostor, we think).

The world this week Business

Donald Trump pushed back a deadline for countries to reach a trade deal with America from July 9th to August 1st, though he maintained his threat to impose stiff **tariffs** should those talks fail. Japan and South Korea, for example, would face duties of 25%. The EU, which is hoping to strike a preliminary deal, has so far been excluded from the latest broadside. The president is piling the pressure on countries that have not yet reached a deal. Only Britain and Vietnam have agreed to "frameworks" so far. Canada, China and Mexico are being treated separately.



Mr Trump also announced that he would impose a 50% tariff on **copper** starting on August 1st in order to encourage domestic production of the metal. The price of copper soared on New York markets, but fell on the London Metal Exchange as traders bet that global demand would drop, leading to a huge 25% premium between New York and London prices.

Linda Yaccarino announced that she is stepping down as chief executive of **X**, Elon Musk's social-media platform. She held the job for two years. No reason was given for her departure. The day before her announcement it emerged that XAI, which technically owns X, has had to remove posts generated by its Grok chatbot that praised Adolf Hitler.

Australia's central bank surprised markets by keeping its main interest rate on hold at 3.85%. The Reserve Bank of Australia was widely expected to plump for a cut, given that inflation has moderated, but the bank's accompanying statement emphasised its concern about uncertainty in the global economy.

Britain's public finances are in a precarious position, the Office of Budget Responsibility warned in a report. Underlying public debt as a share of the economy is now at its highest level since the early 1960s, it said, and government efforts to tackle debt have had only limited success; it recently backtracked on welfare reform, for example. With the government's borrowing costs in bond markets on the rise, the country's fiscal outlook "remains daunting".

Winners and losers

Nvidia hit $4trn in market value, the first company to do so. With demand for its high-end AI chips showing no signs of waning, the company's share price has risen by 45% since early May. By contrast, **Samsung** forecast a 56% fall in its second-quarter operating profit, year on year. It blamed America's restrictions on chip sales to China for the drop in profit, though analysts have noted that it is falling behind SK Hynix and Micron in supplying AI chips to the industry, most notably to Nvidia.

CoreWeave, a provider of AI cloud-computing services, agreed to buy **Core Scientific**, a rival, for $9bn. Nvidia is a big investor in CoreWeave, which buys its graphics processing units and rents them out to tech firms. CoreWeave also has a relationship with Core Scientific by leasing its data centres to increase AI power. CoreWeave's IPO in March raised only a fraction of what it had sought, but its share price has since soared by 300%.

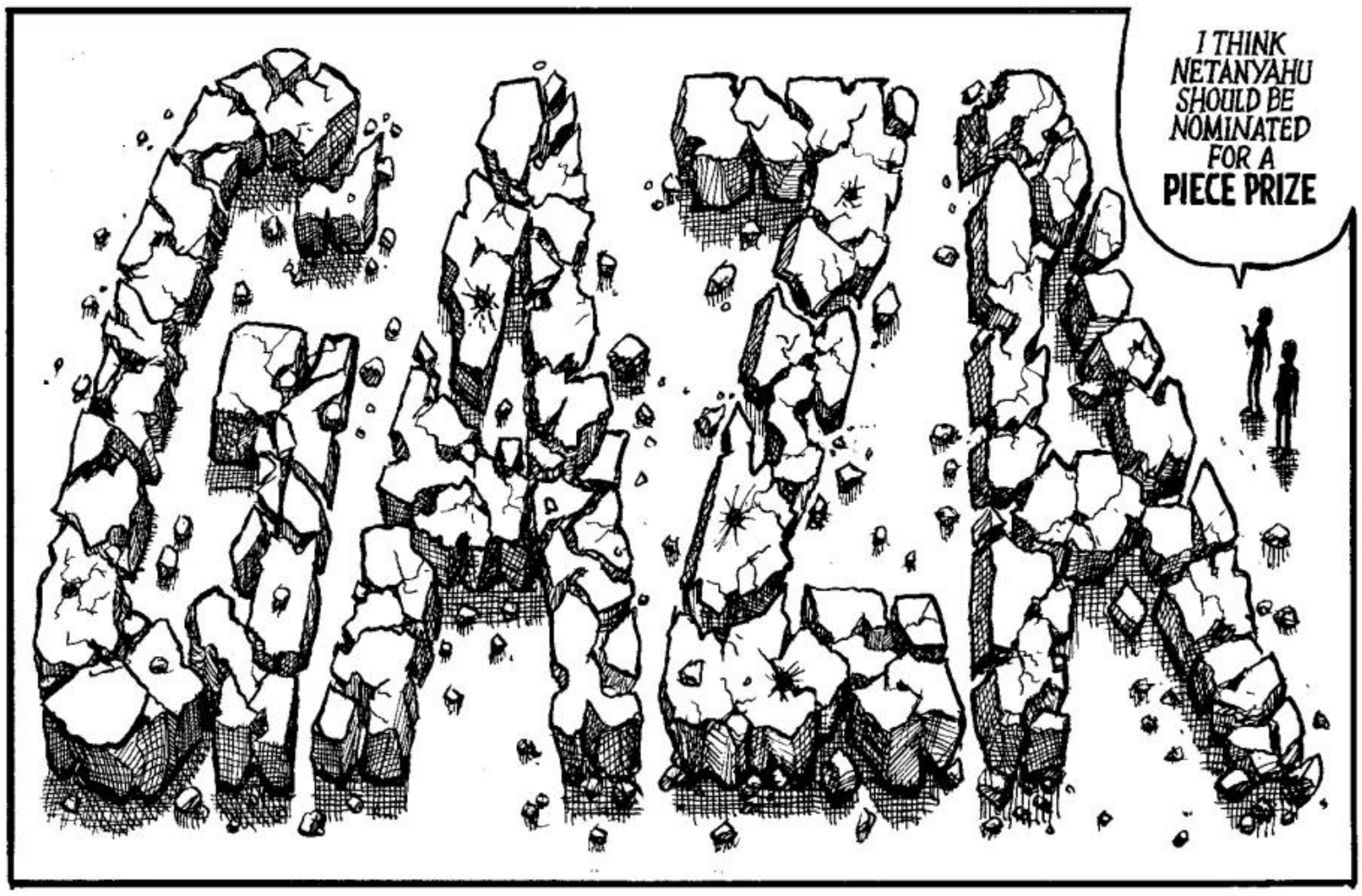
As it contends with disruptions to its supply chain because of tariffs, **Apple** appointed a new chief operating officer. Sabih Khan takes up the job amid Mr Trump's threats to impose stiff levies on smartphone makers unless they move production to America. Separately, Apple is reportedly seeking to buy the rights to broadcast **Formula One** racing events in America after the success of "F1". Starring Brad Pitt, the film is Apple's biggest box-office hit.

Shein has filed documents to float shares in Hong Kong, according to press reports, in part as a means to press Britain's financial authority into approving its proposed IPO in London. The London listing of the Chinese e-commerce firm has been held up by scrutiny of its supply chain and related risk to its business from its dealings in Xinjiang, where China has suppressed the Uyghur population.

Shein's IPO would be a boost for the **London** market, where funds raised from share flotations are at a 30-year low. By contrast the number of firms waiting to list in **Hong Kong** is at an all-time high. Hong Kong raised more money from IPOs in the first half of the year than either the New York Stock Exchange or Nasdaq.

Foot relief

The American government said passengers at **airports** would no longer have to remove their shoes as they go through security, ending a two-decade policy that was introduced amid the threat of jihadists concealing bombs in their footwear. Travellers "will be very excited" by not having to expose their feet, said Kristi Noem, the secretary for homeland security. Airport screeners have been told to toe the line on the new policy.



The Economist

Scrap the asylum system

It is not working. Time to build something better

THE RULES for refugees arose haphazardly. The UN Refugee Convention of 1951 applied only to Europe, and aimed to stop fugitives from Stalin being sent back to face his fury. It declared that anyone forced to flee by a "well-founded fear" of persecution must have sanctuary, and must not be returned to face peril (the principle of "non-refoulement"). In 1967 the treaty was extended to the rest of the world.

Most countries have signed it. Yet dwindling numbers honour it. China admits fewer refugees than tiny Lesotho and sends North Koreans home to face the gulag. President Donald Trump has ended asylum in America for nearly everyone except white South Africans, and plans to spend more on deporting irregular migrants than other countries spend on defence (see United States section). Western attitudes are hardening. In Europe the views of social democrats and right-wing populists are converging (see Charlemagne).

The system is not working. Designed for post-war Europe, it cannot cope with a world of proliferating conflict, cheap travel and huge wage disparities (see Briefing). Roughly 900m people would like to migrate permanently. Since it is almost impossible for a citizen of a poor country to move legally to a rich one, many move without permission. In the past two decades many have discovered that asylum offers a back door. Instead of crossing a border stealthily, as in the past, they walk up to a border guard and request asylum, knowing that the claim will take years to adjudicate and, in the meantime, they can melt into the shadows and find work.

Voters are right to think the system has been gamed. Most asylum claims in the European Union are now rejected outright. Fear of border chaos has fuelled the rise of populism, from Brexit to Donald Trump, and poisoned the debate about legal migration. To create a system that offers safety for those who need it but also a reasonable flow of labour migration, policymakers need to separate one from the other.

Around 123m people have been displaced by conflict, disaster or persecution, three times more than in 2010, partly because wars are lasting longer. All these people have a right to seek safety. But "safety" need not mean access to a rich country's labour market. Indeed, resettlement in rich countries will never be more than a tiny part of the solution. In 2023 OECD countries received 2.7m claims for asylum—a record number, but a pinprick compared with the size of the problem.

The most pragmatic approach would be to offer more refugees sanctuary close to home. Typically, this means in the first safe country or regional bloc where they set foot. Refugees who travel shorter distances are more likely one day to return home. They are also more likely to be welcomed by their hosts, who tend to be culturally close to them and to be aware that they are seeking the first available refuge from a calamity. This is why Europeans have largely welcomed Ukrainians, Turks have been generous to Syrians and Chadians to Sudanese.

Looking after refugees closer to home is often much cheaper. The UN refugee agency spends less than $1 a day on each refugee in Chad. Given limited budgets, rich countries would help far more people by funding refugee agencies properly—which they currently do not—than by housing refugees in first-world hostels or paying armies of lawyers to argue over their cases. They should also assist the host countries generously, and encourage them to let refugees support themselves by working, as an increasing number do.

Compassionate Westerners may feel an urge to help the refugees they see arriving on their shores. But if the journey is long, arduous and costly, the ones who complete it will usually not be the most desperate, but male, healthy and relatively well-off. Fugitives from Syria's war who made it to next-door Turkey were a broad cross-section of Syrians; those who reached Europe were 15 times more likely to have college degrees. When Germany opened its doors to Syrians in 2015-16, it inspired 1m refugees who had already found safety in Turkey to move to Europe in pursuit of higher wages. Many went on to lead productive lives, but it is not obvious why they deserved priority over the legions of other, sometimes better-qualified people who would have relished the same opportunity.

Voters have made clear they want to choose whom to let in—and this does not mean everyone who shows up and claims asylum. If rich countries want to stem such arrivals, they need to change the incentives. Migrants who trek from a safe country to a richer one should not be considered for asylum. Those who arrive should be sent to a third country for processing. If governments want to host refugees from far-off places, they can select them at source, where the UN already registers them as they flee from war zones.

Some courts will say this violates the principle of non-refoulement. But it need not if the third country is safe. Giorgia Meloni, Italy's prime minister, wants to send asylum-seekers to have their cases heard in Albania, which qualifies. South Sudan, where Mr Trump wants to dump illicit migrants, does not. Deals can be done to win the co-operation of third-country governments, especially if rich countries act together, as the EU is starting to. Once it becomes clear that arriving uninvited confers no advantage, the numbers doing so will plummet.

The politics of the possible

That should restore order at the frontier, and so create political space for a calmer discussion of labour migration. Rich countries would benefit from more foreign brains. Many also want young hands to work on farms and in care homes, as Ms Meloni proposes. An orderly influx of talent would make both host countries and the migrants themselves more prosperous.

Dealing with the backlog of previous irregular arrivals would still be hard. Mr Trump's policy of mass deportation is both cruel and expensive. Far better to let those who have put down roots stay, while securing the border and changing the incentives for future arrivals. If liberals do not build a better system, populists will build a worse one. ■

Bargain Britain

Welcome to Poundland

Britain is cheap, and should learn to love it

PANIC IS NEVER far off. After Britain's government capitulated to a backbench rebellion over welfare benefits earlier this month, bond vigilantes bared their teeth and the prime minister, Sir Keir Starmer, had to scramble to assure markets that he would not swap his chancellor for someone more spendy. Fears over the public finances had also struck in January, October and, most alarmingly, in 2022, when Liz Truss was in office. This week the Office for Budget Responsibility (OBR), a fiscal watchdog, warned that, as Britain becomes less able to deal with future shocks, it will face "daunting" risks.

No surprise, therefore, that the doomsters command the public stage. Britain's population is ageing and too dependent on handouts. Growth is dismal, public services are starved of funds and taxes are high and look likely to drift higher. Yet few people in politics seem able to square all that with the fact that Britain is already living beyond its means and depends on loans from foreigners to pay the bills.

The doomsters are right, but failure also contains a copper lining. Call it the "Poundland" strategy, after the bargain retailer that originally priced all items at just £1 ($1.36). Britain is cheap—cheaper than warranted by the obvious risks. If the government can seize the opportunity, then being value for money offers Britons a pathway to better economic growth.

Britain's sales pitch begins with the bargain-basement cost of assets and labour. Gilts have lower prices (and hence higher yields) than just about any rich-world bonds. Stock valuations are low, too—last month Poundland itself was flogged to a Boston-based investment firm for a token sum. Global investors are noticing how inexpensive British assets look. AQR, a quant manager, has pegged the expected future returns from British stocks and bonds as the highest of any rich country. Larry Fink, the boss of BlackRock, a giant asset manager, said Britain was "undervalued" in April, and claims to be buying.

Well-educated British workers are cheap, too. Feeble wage growth and the clobbering sterling took after the Brexit referendum has made them cost-competitive, especially in services, including consulting, IT, law, human resources and the like. JPMorgan Chase, a bank, says that the cost of its technologists in Glasgow is closer to that in India than Texas (see Britain section). Indeed, services are just about the only success story in the British economy over the past decade. Services exports to America, where the cost advantage is sharp, are up by around three-quarters in inflation-adjusted terms since 2016.

Britain is well-protected against many of the traps that doubling down on exports of mid-skilled services might spring. Countries like Poland and India fret about never transitioning to high-skilled work. Britain already has a few such niches, including banking, life sciences and culture—just not enough to sustain the whole economy. Artificial intelligence could automate away many of the "email jobs" that Britain does well in, but under that scenario Britain's solid AI industry should do well enough to compensate.

The question is how to ensure Britain's cheapness attracts the rest of the world—rather than being seen as a fair price for serious risks. The to-do list starts with what the IMF might tell an emerging-market country looking to attract investors.

If the government repeats its recent debacle, it risks causing capital flight. Sir Keir must not succumb to the temptation to run up more debt, mess with credible institutions like the Bank of England and the OBR, or attempt to create room for profligacy by once again fiddling with the fiscal rules. Instead, he must confront the fantasy economics which rejects all cuts to welfare as immoral without regard to what is affordable.

Next, Sir Keir should stop undermining Britain's strengths. His government is flirting with financial repression by nudging pension funds to invest at home. If the aim is to secure more bids for Britain's cheap assets, attraction will work better than compulsion. Labour also plans to improve workers' lot by imposing extra regulations on employers. That would erode a key advantage that Britain has over most of mainland Europe and heap costs on business. Sir Keir should remind rebellious Labour backbenchers that the best way to help employees (and fund taxes) would be for growth to boost their wages.

Last, the government should apply itself to reform. Sir Keir needs to sort out post-Brexit sticking-points, including helping companies move employees between countries and focus migration on the high-skilled (see Leader). Labour is improving planning and should encourage building in the places where lucrative outsourcing is happening, particularly Britain's second-tier cities, such as Birmingham, Glasgow and Manchester. The baffling choice by the housing minister to support a local council's objections to a new film studio being developed on farmland near London suggests that plenty of blockerish instincts still lurk behind the government's pro-building rhetoric.

The rub is the politics. Embracing the Poundland strategy would run against a century of rhetoric obsessed with restoring the Great to Great Britain. After the chest-thumping of the Brexit era, a Poundland prime minister would be accused of declinism and of selling Britain short. The attacks would be especially fierce on the right, where Reform UK, Nigel Farage's populist party, is waiting impatiently in the wings with a fantastical, deficit-exploding offer of its own.

Roll up, roll up!

Sir Keir has reality on his side. Since the financial crisis of 2007-09, Britain has fallen behind economically; since Brexit, it has fallen behind diplomatically. Supposing he can retain control of his party, the prime minister has a vast parliamentary majority and four clear years to execute his agenda: a position most rich-world governments can only dream of. Armed with the Poundland strategy, Sir Keir can make Britons better off. Instead of being cheap for a reason, the country would seem worth backing. After a decade of sorry growth, Britain has no shame—and lots to gain—from being a bargain. ■

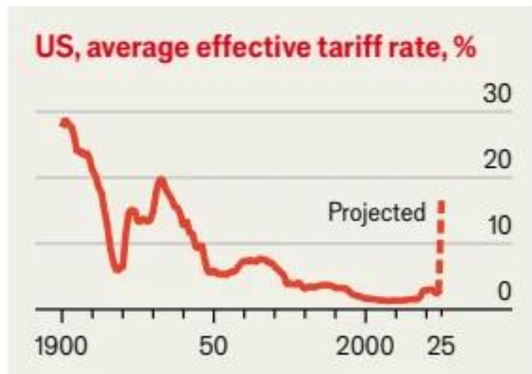
Trade

Suddenly, then gradually

America cannot dodge the consequences of rising tariffs for ever

THREE MONTHS ago a tariff announcement by Donald Trump caused a market meltdown. More recently his words have mostly elicited a shrug. On July 7th America's president published letters he had sent to 14 countries threatening "reciprocal" tariffs to be introduced by August 1st, including levies of 25% on Japan and South Korea. The next day he said he would impose a 50% charge on copper and, after a possible year and a half's notice, up to 200% on pharmaceuticals. The day after that, he escalated a political row with Brazil by threatening it with tariffs of 50%. Yet although the copper price soared and Brazilian markets shivered, global equity and bond markets seem unaffected. Panic has given way to placidity.

Everyone has a pet theory for this. One is that Mr Trump is not serious: most of the "Liberation Day" tariffs that caused the crash in April were postponed; the threat to impose similar tariffs in August seems empty. What the president really wants is deals. Another is that lots of tariffs have been levied, but their impact has not been as bad as feared. A third is that Mr Trump will back off if the markets or the economy take fright, so pessimism does not pay.



These arguments are inconsistent. They are also flawed. Take the policies that have gone into effect. Although Mr Trump tempered his Liberation Day barrage, tariffs have been relentlessly creeping up. The average rate has reached around 10%, compared with just 2.5% last year. The threatened August 1st and sectoral tariffs would raise that to 16-17%, ie, most of the way to the roughly 20% that loomed over the economy in the spring. Even the deals that have been struck, with Britain and Vietnam, have left in place much higher trade barriers than existed at the start of the year. Besides, the federal government increasingly needs the money raised by high tariffs to help pay for Mr Trump's One Big Beautiful Bill.

Contrary to received wisdom, these tariffs are hurting the economy. Consumption and retail sales have been weak. America is on course to grow only about half as fast this year as it did in 2024. Inflation remains relatively low—but import prices show that American companies, not foreigners, are sparing consumers from the full burden of tariffs. Many are probably trying to avoid raising prices in the hope of a reprieve. They can do so because they stockpiled imports at the start of the year. Eventually, though, higher costs will tell and prices will rise. Inflation is likely to end the year above 3%.

Relying on Mr Trump to chicken out is paradoxical. If markets do not react to announcements of damaging policies, then nothing is forcing him to back off. It is also complacent. When Mr Trump avoids cliff-edges as big as Liberation Day, by raising tariffs gradually, the feedback from markets and the real economy is subtler. Yet America will surely grow more slowly than it would have—like Britain since Brexit.

Some of the worst fears from the spring have indeed been proved wrong: retaliation against America has been limited. And Mr Trump is right to think he has negotiating leverage, especially over smaller, trade-dependent economies. But Mr Trump's apparent wish to turn tariff policy into a constant bilateral negotiation is not in America's interest. It encourages firms to pour their efforts into lobbying the government for changes and exemptions, rather than making their products better. And although uncertainty has so far obscured the harm from tariffs—because companies and countries are waiting to see what unfolds—uncertainty will eventually become a cost in itself. Gradual corrosion in an economy is easier to ignore than a crisis, but it is no less harmful. ■

Politics in Asia

Land of frowns

As yet another prime minister is brought low, Thailand's voters deserve a real choice

IN THEORY IT was a phone call that landed Thailand's prime minister, Paetongtarn Shinawatra, in trouble. Last month someone leaked a recording of her speaking to Hun Sen of Cambodia about a border dispute. Critics said she sounded subservient and had disparaged Thailand's armed forces. In early July Thailand's constitutional court said her words may have breached ethics rules; it suspended her from office, pending further inquiries. The deputy prime minister is serving as caretaker while everyone works out what to do next.

There is no doubt that Ms Paetongtarn has made costly mistakes. She got the job largely because she is the daughter of Thaksin Shinawatra, a tycoon who ran Thailand between 2001 and 2006; in office for less than a year, she has often looked green. Yet anyone who thinks the reason for her travails is her phone manner is also being naive. Thailand's ruling establishment—its army, the palace and assorted other magnates—has long felt entitled to sack politicians whenever they believe their own interests are under threat.

For decades these elites have worked hard to make sure that Thailand's democracy is never much more than a veneer (see Asia section). The army has launched a dozen successful coups since the 1930s, including in 2006 and 2014. More recently, the powers that be have been using friendly constitutional judges to make sure no one can change the country in ways they might dislike. After a general election in 2023, stooges in the Senate prevented Move Forward, a party of young liberals ▸▸

that had won the most seats, from forming a government. This promising grouping was dissolved by order of a judge, and its leaders banned from politics for ten years.

Instead of the people it voted for, the country ended up with the fractious and failing coalition government that Ms Paetongtarn had, until this month, been leading. It throws pro-army factions together with Pheu Thai, a populist party founded by Ms Paetongtarn's father that once claimed to speak for the poor but which no longer seems fussed about them. For a while Thailand's generals (who have twice before ousted Mr Thaksin's lot) appeared to find this arrangement convenient. But lately they have again been unable to let the politicians get on with their jobs. Ms Paetongtarn came to office last August only because her predecessor was turfed out for breaching vague "ethics" rules. Now she herself may fall in a similar way.

While the elites squabble, Thailand is stagnating. Its economy is expected to grow by 1.8% this year, down from 2.5% in 2024. Tourism arrivals fell in the first half of 2025; the numbers coming from China sank by a third. Exports to America, one of Thailand's biggest trade partners, risk being whacked with high tariffs. And leaders have made no headway on big underlying problems, such as a shockingly anticompetitive environment for business. This is all the more tragic given Thailand's many advantages: its relative wealth, a sophisticated middle class and breathtaking landscapes.

Back-room negotiations could soon install a new prime minister. If so, he or she would be the third in 12 months. Yet if this wrangling fails—or, more probably, if the fix proves short-lived—frustration and protests are likely to mount. And that could become a pretext for yet another coup.

What Thailand really needs are fresh elections: fought freely, with the winning party given every opportunity to form a coalition that can actually govern. When Thais return to the ballot boxes, the young liberals from Move Forward—many of whom have regrouped as the People's Party—will once again do very well. Their resilience is a reason to be optimistic about Thailand's future, even when much else looks grim. Unfortunately, Bangkok's old guard look no more willing than before to loosen their grip on the levers of power. If they really cared for their country, they would. ■

Mental health

Time for T

If their reputation can be improved, hormones could be mental-health drugs, too

POOR MENTAL health is a scourge. Prescriptions for antidepressants and anti-anxiety medicines have soared in rich countries in recent decades. Yet they do not work for everyone. Perhaps a third of people with serious depression, for instance, report that drugs seem to have little effect. Doctors are therefore beginning to look further afield.

As we report this week, one promising area is hormone therapy (see Science & technology section). The idea is to boost levels of naturally occurring hormones in patients' bodies—and in particular, to tweak sex hormones such as oestrogen, progesterone and testosterone. New ways to treat mental illness should be celebrated. Making the most of them, however, will involve dispelling the poor reputation that hormones have gained over the years.

Hormone-replacement therapy (HRT) is best known as a treatment for the physical symptoms, such as hot flushes or night sweats, that come with menopause, when a woman's levels of oestrogen and progesterone drop. But, as any parent of teenagers will tell you, hormones can influence the mind as well as the body. Evidence suggests that restoring hormone levels can sometimes ease symptoms of many disorders, including depression and schizophrenia, that have resisted other treatments.

It is not just women who can benefit. Men do not experience anything like the fluctuation in hormones tied to various life stages such as menopause. But many (perhaps a third of older men) seem to have lower levels of testosterone than they should. There is growing evidence that giving those men extra testosterone can help with mood disorders, too.

The problem is that many patients—and even some doctors—remain wary of hormonal treatments, because of their bad name among the public. Excessive worries about a small increase in breast-cancer risk have dogged women's HRT since the early years of this century. Even now, only 5% or so of menopausal women in America take it. This situation is not helped by the persistence of the naturalistic fallacy, which holds that what is natural—like the menopause and male ageing—must be good, and so is not in need of treatment.

With testosterone replacement in men, the problem is too much enthusiasm among people who want cosmetic rather than medical benefits. Testosterone is a potent performance-enhancing drug. In America, in particular, an industry has emerged to sell the hormone to middle-aged men (see United States section). Rife with hucksters and Instagram influencers, it pitches testosterone as a fountain of youth: a way to pack on muscle, restore sex drive and generally turn back the clock on ageing. Less is said about the downsides: that testosterone causes infertility, say, or that high doses are bad for your heart. Even the clinics themselves admit that shady prescribing is driving the industry into disrepute, though many say their rivals are to blame.

For the testosterone business, better regulation is the place to start. Clinics should be required to test their customers and clearly spell out the downsides. For women, awareness is the key. Fears about HRT and breast cancer have been overplayed; and anyway, HRT brings health benefits by, for example, cutting the risk of osteoporosis. When it comes to mental health, hormonal treatments should undergo clinical trials to identify which patients stand to benefit: because hormones are cheap, the gains could be huge. If patients can be made less wary of sex hormones, many more people could be helped by them—for ailments of the mind as well as of the body. ■

BIS

Head of BIS Innovation Hub

Basel, Switzerland

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Letters *pro-natal policies, imprisonment in Myanmar, the value of college degrees, Frederick Forsyth, getting lost in India*

The babies boon

"Babies on the brain" (June 21st) correctly argued that cash is an ineffective way of boosting births. Demographers put the return on investment at no more than 20%. It is hard to imagine Western governments tripling child benefits in order to lift fertility rates from 1.3-1.6 children per woman to population-replacement levels.

But that doesn't make pro-natalism a lost cause, let alone a right-wing one. Surveys show that people in wealthy countries have fewer children than they want. Enacted together, policies such as better-paid and more gender-equal parental leave, accessible child care, and indeed more generous child benefits, might result in every other family having one more child than they otherwise would.

Crucially, better family policy brings other dividends, too. Take Poland, which provides the largest child benefits in Europe. Dubbed as Family 500+, these began as a pro-natalist pet project of the previous conservative government. Although the effect on births has been limited, the policies have significantly helped decrease child poverty. This has prompted the current liberal government not only to keep but also to extend the policy, renaming it Family 800+, for the 800 zloty ($222) available per child each month.

Contrast that with Britain, which ranks dead last for benefit spending among developed countries, with the infamous two-child benefit cap driving up child poverty since 2017. Rather than crying foul at Nigel Farage, the Labour government should ask itself why it has surrendered a core progressive cause to the hard right.

KRISTIJAN FIDANOVSKI
Department of Social Policy and Intervention
University of Oxford

You highlighted the expensive cost and limited effectiveness of state-driven baby booms. But artificial intelligence is the elephant in the delivery room. The underlying assumption that ageing societies must increase births to sustain support ratios feels increasingly outdated. Advances in AI and automation are already transforming the relationship between productivity and population. In tomorrow's economy, fewer humans may be required to generate the same or greater output. That challenges the notion that we need ever more workers to support ever more retirees.

Oddly, you name Elon Musk as the "procreator-in-chief", yet sidestep the world he is actually helping to build, where machines rather than people pick up the economic slack. If AI is truly the future, then the real question is how to equitably distribute machine-enabled prosperity in a world with fewer babies, not more.

DR HENNING STEIN
Zurich

The reality in Myanmar

You acknowledged the 80th birthday of Aung San Suu Kyi, Myanmar's jailed democracy leader ("A tarnished legacy", June 28th). You say that she and I were kept "in detention" by the country's military junta. Euphemisms have their place, but that does not even begin to describe the jailing, unjust show trials and torture suffered by me and an estimated 30,000 other political prisoners in Myanmar. Thousands more have been killed since the coup of February 2021, which was launched partly in order to stop the sort of liberal economic reforms *The Economist* has long championed.

Your coverage of Myanmar's struggle is welcome at a time when much of the rest of the media ignores it, but in doing so let us be clear about what has been happening, and what is at stake.

SEAN TURNELL
Senior economic adviser to the government of Myanmar, 2016-21
Sydney

Degrees of satisfaction

Today's graduates are screwed, you say ("Crammed and damned", June 21st). It is true that recent American college graduates are struggling to find jobs. But it is wrong to suggest that a college degree is not worth pursuing. For the foreseeable future, college graduates are projected to have a much better chance of getting a good job than those without a college degree. You put the onus of reform on students, arguing that they should make better degree choices. Maybe. But surely the emphasis should be on colleges to tackle the cause of lower student enrolment numbers and strengthen the value of a degree.

Colleges need to do more to ensure the success of each and every student. That will lead to higher graduation rates in a country where around a third of students drop out, and create a situation where every academic degree prepares students for meaningful work in the marketplace (some currently don't). Colleges that do both will secure more students because they will ensure that a degree is worth the investment, for both the skills that students learn and the extra income they derive from a better-paying job.

JOSH WYNER
Vice-president
Aspen Institute
Washington, DC

A master storyteller

As well as the works by Frederick Forsyth that you mentioned in his obituary in the Culture section ("Death of a plotter", June 14th), "The Shepherd" is an annual favourite for his fans. Published in 1975 it is a short and ghostly tale of a Royal Air Force pilot returning home from his base in Germany in a Vampire single-engine jet on Christmas Eve. I read it every year on that day. CBC Radio has been broadcasting it each December on its "As It Happens" show. It's a moving holiday tale enjoyed by many, especially pilots and those with a love of aviation.

SEBASTIAN DUNNE
Arlington, Virginia

Ask the locals

You wrote about a digital solution to India's chaotic address system ("You are... somewhere", June 7th). I have travelled extensively across the Indian hinterland. Even today, despite the availability of Google Maps, I find greater accuracy and assurance in asking the local *paanwala* or *kirana* store owner for directions. Their knowledge of winding village roads, temporary diversions and unnamed bylanes is unmatched. They are reliable guides, and a reflection of the deep social fabric of rural India.

JANARDHANAN NAIR
Thane, India

India should use an app like what3words, which identifies any location on Earth within a three-metre square box. Rescue services use this or similar apps in America and Britain. By the way, one of the three-word identifiers for 10 Downing Street is slurs.this.shark.

BEATRICE CLAIRE BARKER
Champaign, Illinois

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BY INVITATION

Stefanie Stantcheva

To understand America today, study the zero-sum mindset

LOOK AT THE news or social media these days, and you might see a pattern. Stories are about groups in conflict, competing for limited resources, with the gains for some framed as losses for others. If China benefits from trade with America, America must lose. If foreign students enroll at American universities, that must mean fewer spots for Americans. If immigrants find work, they must be taking jobs from citizens. If a diversity initiative helps women or a racial minority, someone else must be left out. More and more, debates are shaped by a mindset that sees the world as a fixed pie—where one person's or one group's gain is another's loss. That mindset is known as zero-sum thinking. And it is crucial to understanding the politics and economics of America today.

Where does this mindset come from, who holds it and what does it mean for policy? These were the questions we addressed in a large study at the Social Economics Lab at Harvard, where we focus on how people think about economic issues and policies.

Some groups are more likely than others to see the world in zero-sum terms. People in cities, for example, tend to think this way more than those in rural areas, perhaps because urban life involves intense competition for housing and jobs. People with more formal education are less likely to see the world as zero-sum but the pattern flips among the highly educated: those with PhDs often show the strongest zero-sum beliefs. This could be because competitive graduate programmes attract people who already think this way or because they encourage this mindset through intense competition. Perhaps the most striking finding is that younger generations today are much more zero-sum than older ones.

What does this mindset mean for politics and policies? Unlike many other beliefs today, zero-sum thinking doesn't fall neatly along party lines and is not a clearly left-wing or right-wing mindset. Instead, it can lead people to support policies from both ends of the political spectrum.

At its core, zero-sum thinking involves a belief that one group is being taken advantage of, and that government action is needed to help them. If you believe, for example, that rich people gained their wealth at the expense of poorer people—and reject the idea that prosperity "trickles down" or lifts all boats—you are more likely to support higher taxes on the rich and more redistribution to help the poor. If you think some groups are systematically held back by others, you may be more likely to support affirmative action. But zero-sum thinkers are also more likely to favour stricter immigration rules to protect domestic interests from what they see as direct competition.

To understand the zero-sum mindset—and why it varies across groups—it is necessary to look at where it comes from. This way of thinking doesn't just appear out of nowhere; it stems from people's economic environment and experiences—not only their own, but also those of their families and even earlier generations. Economic mobility and growth play a big role. People who have done better than their parents, or whose families have experienced upward mobility over time, are less likely to think in zero-sum terms. This also explains why younger generations in America are more zero-sum: they have grown up during times of slower economic growth and lower mobility. Other rich countries exhibit a similar generational pattern. In contrast, in many poorer countries where younger generations have experienced more growth than earlier ones, the pattern flips.

Another important positive-sum experience is immigration; immigrants in America have historically done well economically and contributed to their communities. Those with immigrant ancestry are less likely to think in zero-sum terms. But even indirect exposure matters: people who grew up in places that historically had more immigrants also tend to hold more positive-sum views.

On the other side of the coin, the experience of a deeply zero-sum system pushes people towards a more zero-sum outlook. For instance, people whose ancestors were subjected to slavery, persecuted during the Holocaust or forced onto reservations are more likely to hold zero-sum beliefs today.

But the effect goes beyond direct family history. People living in parts of America where slavery was widespread also tend to be more zero-sum, even if not descended from enslaved people. And this mindset has not stayed confined to those areas. Places that never had slavery themselves but took in many migrants from the American South—who brought with them a worldview shaped by that system—also show higher levels of zero-sum thinking today.

Thus, zero-sum thinking shouldn't be dismissed as just a bias—it is shaped by the experiences and economic conditions people live through. For many, zero-sumness reflects the reality they've faced. And, indeed, some situations truly are zero-sum, especially in the short run—when jobs are scarce, resources limited or competition intense. But policy helps shape these conditions. It can make the world more zero-sum or more positive-sum.

Some policies are especially likely to create win-win outcomes, particularly over the long run. These include policies that expand opportunity, such as strong public education, access to health care and support for poorer families; investments in innovation to expand the overall economic pie; and policies to mitigate climate change, protect the environment and conserve natural resources to reduce the sense of scarcity that fuels zero-sum thinking. Policies like these can help create the conditions for a more positive-sum economy—and make it easier for people to believe that one group's progress need not come at the cost of another's. ■

Stefanie Stantcheva is an economics professor at Harvard and founder and director of the Social Economics Lab. She was awarded the 2025 John Bates Clark Medal.

Briefing Making asylum work

Wretched, refused

ADRÉ, EL PASO AND LONDON

The global asylum system is falling apart. What should replace it?

MIGUEL ARRIVED in Britain from Latin America in 2018. He applied for asylum, saying he was fleeing gangsters who would kill him if he returned. Seven years later, his case has still not been resolved.

British officials have taken ages to reach a decision because they have no easy way to determine whether the danger he says he faces is real. Gangsters do not publish their hit lists. If the danger is genuine, could Miguel have escaped it by moving to a different city or a neighbouring country, rather than flying all the way to Europe? Lawyers have spent seven years debating unverifiable facts about distant criminals.

Across the rich world, politicians of the left and the right decry the dysfunction of the global asylum system. Friedrich Merz, Germany's conservative chancellor, calls it a "shambles". In May the leaders of nine EU countries, including Italy and Poland, signed a letter complaining that international conventions on migration no longer "match the challenges that we face today". Donald Trump has closed off asylum in America for practically everyone except white South Africans. Even those who strongly support a right to sanctuary fear that the apparatus for allocating it is rusty. Amy Pope, head of the International Organisation for Migration, a UN body, calls it "outdated, slow and vulnerable to abuse".

Flight risk

Several factors have stretched the system to breaking point. First, the number of people who have been forced to flee their homes to escape war or persecution has tripled since 2010, according to the Office of the UN High Commissioner for Refugees (UNHCR), reaching 123m at the end of 2024. Rules forbidding armies from targeting civilians are more widely flouted than in the past, laments Filippo Grandi, the head of UNHCR. And wars are lasting longer, so fugitives stay away for longer.

Meanwhile, the share of the world's adults who would like to migrate permanently, for any reason, has risen from 12% in 2011 to 16% in 2023, or roughly 900m people, according to Gallup. The rich world is not prepared to let in anything like 900m permanent immigrants; that would be 140 times as many as it admitted in 2023. In fact, it is almost impossible for workers from poor countries to migrate legally to rich ones, unless they have close family ties or exceptional skills.

So many move without permission. A couple of decades ago, such illicit migrants tried hard to avoid detection. But recent ones realised that if they walked up to a border guard in Europe or America and asked for asylum, the host country would then assess whether they faced persecution back home. This can take years, during which time the claimant can often vanish into the shadows and find work.

Claims for asylum in the rich world shot up. In 2023, 2.7m new applications were lodged in OECD countries, more than the nearly 1.7m a year during the Syrian ref- ▸▸

ugee crisis of 2015 and 2016 (see chart). Many claims are dubious. In the EU the proportion that succeed has fallen from 57% in 2016 to 42% in 2024. Nearly half of applicants come from countries that have a success rate of below 20%. Twice as many asylum recipients in Britain said they were 17 when they applied as said they were 19, presumably because they think the system is kinder to children.

There is nothing wrong with seeking a better life. But when jobseekers and refugees both crowd into the same funnel, malign consequences follow. Voters in rich countries start to feel they are being defrauded; that many asylum-seekers are lying about the horrors they face back home. And even if they are telling the truth, many voters do not see why the fear of persecution in, say, Venezuela, entitles someone to cross from Mexico into the United States. A sense that the refugee system is being gamed saps support for it—and for liberal migration policies in general.

How could the world's asylum system be redesigned? What is the least-bad way to offer sanctuary to those in peril that is also politically feasible?

Conventional folly

Attempts to answer these questions usually start with international law. The UN Refugee Convention of 1951 says that those who flee their country owing to a "well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion" are entitled to refuge and may not be sent back to face danger. The convention originally applied only to post-war Europe, to spare fugitives from the Soviet Union from being sent back to face Stalin's wrath. It was extended to the whole world by a protocol in 1967.

Most countries have signed both documents. But they uphold them in wildly different ways. Europe and North America have long been fairly generous. The principles of the UN convention are incorporated into EU law and enforced by national courts. When Italy recently began sending asylum-seekers to Albania while their claims were processed, judges ruled the scheme illegal. In contrast China, though a signatory to the convention, treats its principles as optional. It admitted only 296 refugees in 2023, fewer than tiny Liechtenstein. It routinely sends fugitives from next-door North Korea home to face prison camp or execution.

"Most countries fail to comply" with the convention, argued Paul Collier and Alexander Betts, two Oxford professors, in "Refuge", a book published shortly after the refugee crisis of 2015-16. Conversely, several non-signatories, such as Jordan, Lebanon and Pakistan, host large numbers of refugees without being legally obliged to. It would be an exaggeration to say the convention is irrelevant, but not a wild one.

Whatever the convention's shortcomings, many people are fleeing real horrors. Take Sukra, a young woman who escaped Sudan's civil war. She recounts how gunmen burst into her house and murdered her brother. An Arab militia ordered black residents like her to leave the country immediately or be raped. Sukra fled on foot across the desert to Chad, a country next door, part of a terrified crowd of refugees dodging bullets in the dark. When she arrived, she realised her sister had not made it. So she went back to find her, and was raped at gunpoint by three militiamen. She never found her sister.

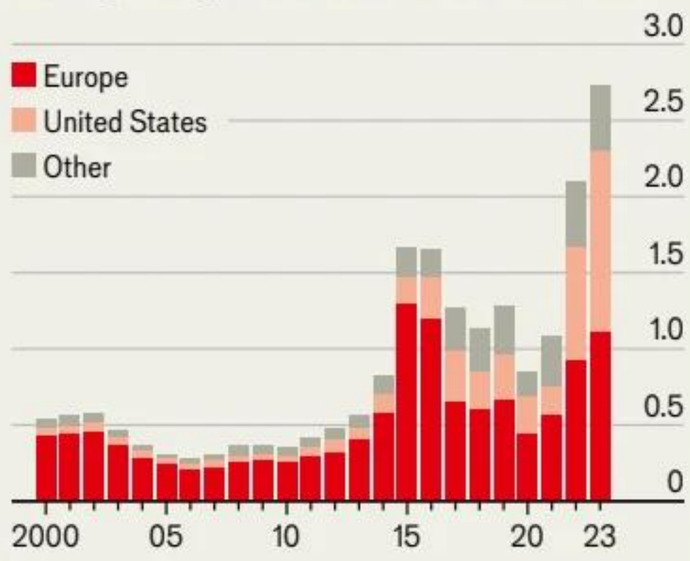
The vast majority of people like Sukra remain in the developing world. Of the 123m people uprooted by conflict or terror, more than half are still in their home country. The UN calls them "internally displaced people" (IDPs). Among those who eventually cross an international border ("refugees"), 67% go to a neighbouring country and 73% remain in low or middle-income countries.

The reason is simple: distance. Most fugitives go as far as they must to find safety and shelter, but little farther. Thus, refugees are heavily concentrated in countries that border war zones. These places are often poor. Chad is miserably so—yet surprisingly welcoming to people like Sukra. It cannot realistically close its long, porous border with Sudan and it would cost a fortune to try. Instead, taking advice from donors, it lets refugees in, issues them with IDs and lets them work. It hosts 1.3m of them: relative to its population, 55 times as many as America; relative to its GDP, more than 5,000 times as many.

There has been no political backlash to speak of. Locals find the refugees culturally familiar—many tribes and language groups straddle the border. No one doubts that the new arrivals are fleeing mortal danger. And no one imagines they are moving to Chad to exploit its generous welfare system, because it does not have one.

Huddled masses

New asylum applications in OECD countries, m



Source: OECD

Instead, they receive some basic help from donors, but largely support themselves. Around Adré, a border town where perhaps 250,000 refugees live, Sudanese welders wield blowtorches, seamstresses stitch clothes and cooks fry beignets. They are free to move around in search of jobs, or to rent land, of which there is plenty, to farm. Wages are low. Sukra earns 50 cents a day making mud bricks by hand, a common occupation in Adré, since refugees have sharply raised demand for housing.

Chad exemplifies one of the few positive trends for refugees. Old-fashioned refugee camps, where residents are shut away for years and forced to subsist on handouts, are gradually going out of fashion. More host countries are making it easier for refugees to work legally and to move around. Colombia handed out huge numbers of work permits to Venezuelans after their country collapsed into chaos. Kenya is letting a big refugee camp become a formal town. However, some of the places that host the most refugees and asylum-seekers, such as Iran, Turkey and Germany, still make it hard to work legally.

Chad, a landlocked slice of the Sahel, has little in common with any rich country. Yet the reasons Chadians tolerate refugees apply equally elsewhere. Proximity helps a lot. Europeans are more welcoming to Ukrainians than, say, Syrians, because Ukrainians are culturally close, everyone knows they are genuine refugees and Europe is the nearest place for them to flee to. Likewise, Colombians have generally welcomed Venezuelans, and Ugandans have let in fugitives from neighbouring Congo.

It is much cheaper to help refugees in poor countries than in rich ones. New York was recently spending $380 a night to house a typical refugee family in a hotel; the UNHCR in Chad budgets less than $1 a day per refugee to cover everything. Studies find that refugees who travel only a short distance are more likely one day to return home. Sukra says she would go back to Sudan "if there is peace". For these reasons, the world should try to help refugees as close to home and as quickly as possible, argues Susan Fratzke of the Migration Policy Institute, a Washington think-tank.

The debate in rich countries focuses on the tiny share of the displaced who reach Europe or America, rather than the vast majority who do not. This group tends not to be the most desperate: people-smugglers are expensive, so only the better-off can afford them. Illicit boat rides are risky; those who attempt them are disproportionally young, male and healthy. A study of Syrian refugees in 2015 found that those who made it only as far as Turkey were a normal cross-section of Syrian society; those who reached Europe were 15 times more likely to have a university degree.

Germany's generous welcome of Syrian

refugees in 2015 had "deeply ambivalent consequences", argue Messrs Collier and Betts. Around a million people who had already reached safety in Turkey were tempted to board risky boats and head for somewhere richer. Thousands died. Those who reached Germany mostly prospered. But the episode spurred a global backlash against refugees and migrants.

There is no chance that rich countries will admit more than a small fraction of the world's refugees. If the aim of refugee policy is to provide safety to all who need it, the focus will have to be on the first safe places they reach. If those havens are far away and poor, rich countries can fulfil their "duty of rescue" to more people by offering financial help in those places than by spending the same money on asylum-seekers on their own territory. Rich countries should not only defray the short-term costs of admitting refugees, argue Messrs Collier and Betts. They should also offer carrots (such as favourable trade terms) to persuade host governments to give the new arrivals a path out of dependency. That means letting them work or, if they used to run a business, making it easier to rebuild that business in exile.

The rich world is starting to do some of these things, but not all. Even as overall aid budgets dwindle, donors are prioritising payments to the last countries migrants pass through before arriving in the West. Europe has lent money to Turkey and showered cash on North African states to stop people-smugglers from setting sail across the Mediterranean, for example. However, aid to the conflict zones from which refugees first flee has suffered. The UN's budget for humanitarian assistance in 2025 is only 15% funded. Mohamed Refaat, the IOM's chief of mission in Sudan, warns of an even bigger exodus if the looming famine there is not checked.

Meanwhile, rich countries are making strenuous efforts to reduce the incentive to show up and claim asylum. A year ago President Joe Biden barred anyone who crossed America's southern border without permission from being considered for asylum. Instead, he told migrants to apply from Mexico, using an app called CBP One, which let them enter biometric data and book an appointment for an interview.

This, plus a deal struck with Mexico, helped bring calm to America's southern border. Apprehensions there peaked at 300,000 in December 2023 and have since fallen by 96%. Robert Ardovino, a restaurateur in El Paso, Texas, says illicit migrants used to cut through his fence all the time. Now, glancing at Border Patrol helicopters circling Mount Cristo Rey, a former hotspot for crossings, he says that "these guys have been bored" since last summer.

Mr Trump tightened further, declaring a national emergency and completely halting asylum applications at the southern border. On July 2nd a judge ruled that he lacks the authority to do this. The White House will surely appeal. "A marxist judge has declared that all potential FUTURE illegal aliens on foreign soil (eg a large portion of planet earth) are part of a protected global 'class' entitled to admission into the United States," complained Stephen Miller, the architect of Mr Trump's anti-immigration policies, on X.

Other rich countries are edging away from "territorial asylum"—the idea that people can apply for protection when they arrive. Australia has long sent asylum-seekers to remote Pacific islands. Various European governments are pondering schemes like the one blocked by the courts in Italy, to send asylum-seekers to Albania.

Such initiatives should be legal, argues Michael Spindelegger of the International Centre for Migration Policy Development in Vienna, another think-tank. Albania is safe. Hearing cases there will deter migrants whose cases are likely to fail from applying: they will not have access to Italy's labour market while waiting. Cases will be heard by Italian officials; those granted asylum will be allowed to come to Italy.

Rich countries are also getting more assertive about removing failed asylum-seekers, even if their home countries do not want them back. Ursula von der Leyen, the president of the European Commission, has said the EU may limit visas for countries that do not co-operate. Other governments have privately threatened to cut development aid. Mr Trump, predictably, wields tariffs. In January he menaced Colombia with 25% levies for refusing to accept deportees; Colombia quickly caved.

Third country's a charm

When repatriation proves impossible, more failed asylum-seekers are being deported to third countries. On March 11th the EU proposed a legislative framework to allow its members to build camps for failed asylum-seekers in safe but unappealing third countries, and to keep them there until they agree to go home. The Netherlands is reportedly planning one in Uganda. Mr Trump emphasises "unappealing" more than "safe". He has sent allegedly criminal migrants to a brutal mega-prison in El Salvador and to war-torn South Sudan.

The big question for reformers is how ruthlessly they should try to disentangle asylum from labour migration. Rich countries with ageing populations need extra hands and brains, and refugees need jobs. But it does not follow that refugees are the workers that rich countries most want. More likely, they will give work visas to the people with the most desirable skills, not the saddest stories.

In theory, it would be possible to separate the two categories of migrant almost completely. Suppose, for example, that rich countries refused to consider any asylum claim from a migrant who arrives without prior permission. (Unless, like Ukrainians, they are fleeing from a war in the country next door.) Suppose, also, that rich countries properly funded the UN-led system for coping with influxes of refugees in the first safe country they reach.

If rich countries also wanted to host some refugees, they could select some from those first safe countries, where their stories are usually easier to check. Such a system would, in theory, offer safety to those who need it. It would allow rich countries to manage labour migration in a more orderly fashion, and so perhaps gain voters' consent for a reasonably welcoming approach. It would be far from perfect, but surely better than today's mess. ■

There used to be an app for that

United States

Immigration enforcement

Whatever it costs

LOS ANGELES

What ICE will do with even more funding

FOR MORE than a month Los Angeles has been subject to countless immigration raids. Certain places are regular targets: car washes, Home Depots, bus stops, street markets. One video taken in the Ladera Heights neighbourhood shows federal agents pinning Celina Ramirez to a tree. They are wearing bulletproof vests, masks, hats and sunglasses to hide their faces, and guns strapped to their sides. Ms Ramirez had been selling tacos near a Home Depot. The agents shove her into a van, deploy tear gas at onlookers who were recording the encounter, and race off. She was probably taken to the basement of the federal detention centre, where troops are still stationed outside.

The raids in LA are a prelude to an era of increased immigration enforcement. The One Big Beautiful Bill Act (BBB), signed by President Donald Trump on July 4th, will pour roughly $170bn into strengthening border security and ramping up deportations. The biggest beneficiary is Immigration and Customs Enforcement (ICE), which will receive nearly $75bn over four years for everything from new detention facilities to more agents and better technology. That is more money than the annual budgets for nine federal law-enforcement agencies combined. Mr Trump's deportation demands and the BBB funding will allow ICE to become the best-resourced, most aggressive version of itself. In an interview with *The Economist*, Tom Homan, Mr Trump's border tsar, calls it "a game-changer". Deporting 1m people a year has never looked so achievable.

Congress's inability or unwillingness to reform America's broken immigration system has meant that its enforcement arm has grown—becoming more visible and more militarised. "This is war-like levels of funding," says David Bier of the Cato Institute, a think-tank. "ICE has emerged as one of our main forces for regulating the mobility of people in the developing world," says Austin Kocher of Syracuse University.

The BBB's passage marks a transforming moment for the agency. "This funding is going to give us thousands more beds, which means we arrest thousands more people," says Mr Homan, who led ICE during part of Mr Trump's first term. Arrests are already climbing. Stephen Miller, the president's deputy chief-of-staff and the architect of his immigration policy, wants ICE to arrest 3,000 people a day. In early June the agency was averaging roughly 1,100, according to the Deportation Data Project, which collects immigration statistics. Mr Homan and the Department of Homeland Security (DHS) insist that the administration is prioritising criminals and national-security threats. But the pressure to arrest is leading to round-ups of day labourers and taco-sellers. An analysis of the ▸▸

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Deportation Data Project's figures by Mr Bier suggests that nearly half the migrants arrested during the first week of June had no criminal record.

When Mr Trump took office, a long list of obstacles made mass deportations unlikely. There weren't enough ICE agents, detention beds or airplanes to arrest people, then house and return them. The courts moved slowly and had a tremendous backlog. Some countries refused to take back their citizens. BBB helps with the logistical problems. Stripping migrants of the temporary legal status conferred by the Biden administration makes the pool of potential deportees larger. And closing court cases and sending people to places they did not come from sidesteps the legal and diplomatic roadblocks.

What barriers remain? Sanctuary states and cities are still blocking ICE from getting into jails and prisons, the easiest places to pick up undocumented migrants who have committed crimes. "We don't have that problem in Florida because Governor [Ron] DeSantis has passed a law that sheriffs must work with us," explains Mr Homan. "So we'll take those available resources from Florida and we'll put them in New York and other sanctuary cities." Mr Homan suggests that allowing ICE access to jails means fewer agents on the streets, but also says no one is "off the table".

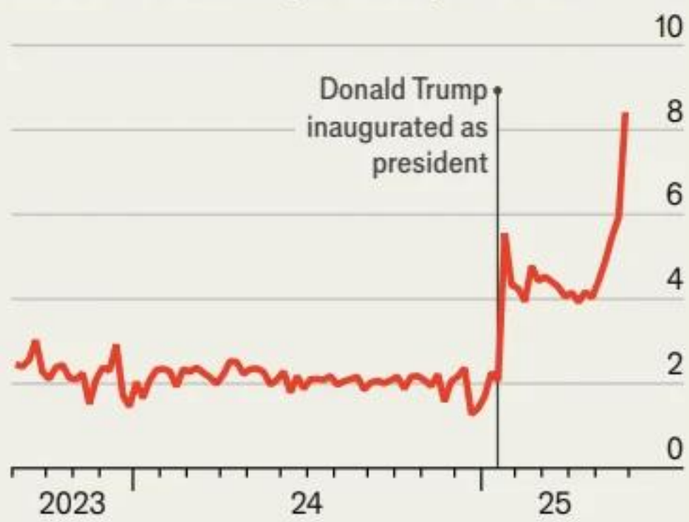
As ICE arrives in more communities, the agency will become more controversial. A majority of Americans support deporting violent criminals, but they also back allowing migrants who came to the country as children or who arrived many years ago to stay. The agency has already lost support since the beginning of Mr Trump's term: 42% of Americans polled by *The Economist* and YouGov viewed ICE favourably in mid-June, an eight percentage-point drop from February. Meanwhile, support among Republicans increased by nine points.

Mr Homan, former ICE officials, pro-immigrant activists and academics all warn that the risk of violence will increase. Mr Homan blames protesters. "I'm afraid someone is going to get hurt," he says; if "an officer feels his life is in danger, he may have to use deadly force". That seems alarmingly likely. At a recent rally at a Home Depot on the South Side of LA, one protester declared that "The raids are going to stop when we kick their asses out of Los Angeles." Rushing new agents through training won't help; past hiring surges within the Border Patrol have coincided with more allegations of excessive force.

ICE agents themselves are not all happy warriors. One former ICE official argues that working for the agency means angering half of the country all of the time. At headquarters, DHS leaders force employees to take polygraph tests if they are suspected of leaking to the media. Several career bureaucrats worry that the laser focus on immigration enforcement is detracting from counterterrorism, drug-smuggling or child-pornography investigations. Some are retiring early. "It's very funereal most days," says one former DHS official. ■

No chill

United States, weekly arrests by ICE*, '000



*Immigration and Customs Enforcement
Source: Deportation Data Project

Immigration enforcement

Courtside

NEW YORK

What goes on in America's immigration courts

"MOVE, MOVE, MOVE!", cried a federal agent as officers huddled around an asylum seeker who had just left his immigration hearing. Moments earlier the agents' phones had beeped and vibrated. They had received a photo of the next person they were to detain. They walked to the elevator bank. A couple of agents held the elevator doors open. The migrant was shaking. He was one of at least 23 people detained by ICE on a recent Tuesday in New York City.

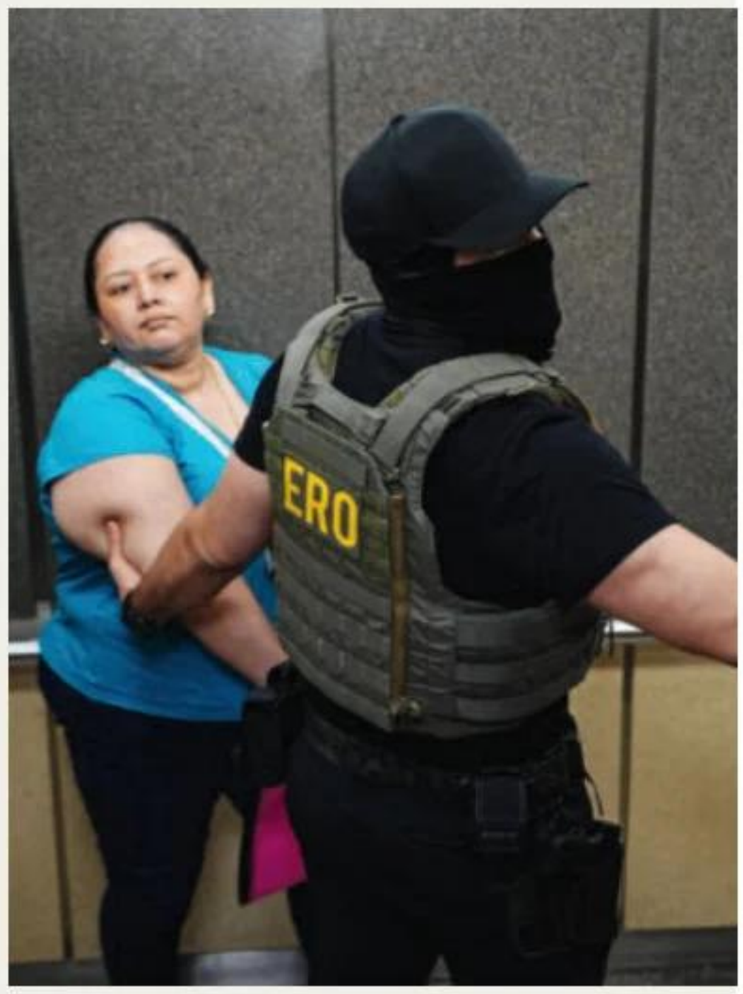
Detentions at immigration court rose fast about six weeks ago. At first it was people whose asylum cases were dismissed who were detained. Having a case dismissed used to be a good thing. It meant the next stage of the immigration process could begin outside the court system. Now, dismissal could mean rapid deportation. Many of those now being detained by federal agents had just been given court dates by the judge, which means they have a temporary right to be in America.

Most of the federal agents cover their faces with masks or balaclavas. They are in plain clothes, with most wearing a vest in black or army green that says "POLICE FEDERAL AGENT" or "BORDER PATROL". A few have ICE shields on their belts. One says that they are from different federal agencies and have been deployed to New York from elsewhere.

"Today is not a good day," says Benjamin Remy, a lawyer with New York Legal Assistance Group (NYLAG), a charity. It was a Thursday and the third day in a row of mass detentions. "We've never seen this. These judges have never seen this. Court staff has never seen it." He says due process is being ignored.

Migrants are moved quickly and often to different detention centres round the country, making it hard for people to communicate with loved ones and with lawyers. Melissa Chua of NYLAG says that her clients are disappearing from the system. "These are people who have valid claims for asylum," says Ms Chua. "They're trying to do the right thing. It shouldn't require an army of lawyers to get them out of detention. They're not a flight risk, they're not a danger to the community."

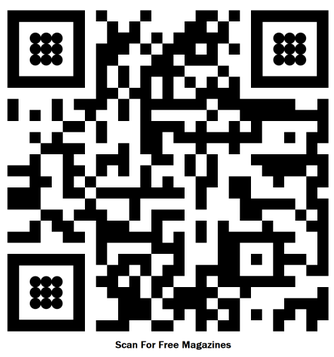
Children look on fearfully. One New York police officer, who said he voted for President Donald Trump, cried when his friend, a Haitian immigrant, was detained and whisked away. Agents surrounded a married couple, detained the woman and released her husband. He was shaking. He said they both had hearing dates for 2026.



The face of the law

Floods

Hell country



What went wrong in Texas

LONG BEFORE the sun rose the waters came rushing. Heavy rain swelled the rivers of Texas's hill country until they burst their banks, drowning people, cars and trailers before dawn on July 4th. Greg Abbott, Texas's governor, announced five days later that the storm had killed 109 people and that 173 are still missing. More than two dozen of the dead are children and counsellors from Camp Mystic, a Christian summer camp for girls whose cabins dotted the bank of the Guadalupe River. As ground crews comb the mud for bodies, many people are asking the same question. What went so terribly wrong?

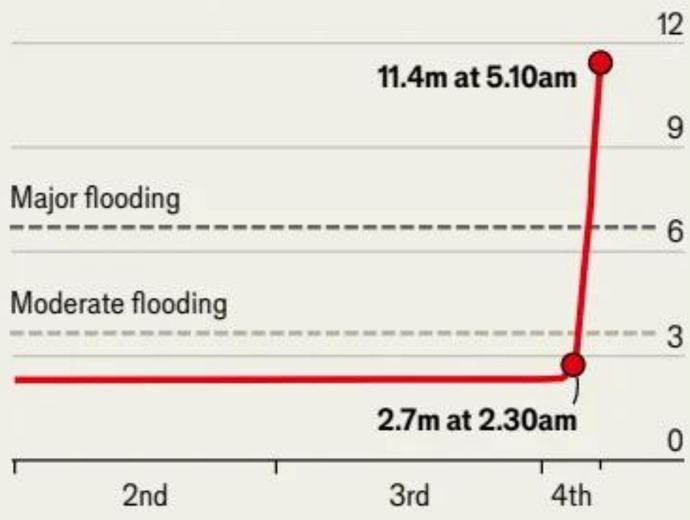
Officials in Kerr County, where most of the deaths took place, were quick to blame the National Weather Service for issuing warnings that were too little too late. Yet meteorologists say that the forecasts were good, perhaps even unusually good given the information they had. The Trump administration fired most probationary staff at the weather service earlier this year, but that did not hinder Texas weather offices' ability to forecast the storm, says Tom Fahy of the National Weather Service Employees Organisation, a union. Offices in nearby San Antonio and San Angelo were well-staffed and communicated with local officials throughout the night. The warnings went out in all of the affected areas at least one hour—and in some three or four hours—before the rivers surged. "This was the best that science would allow," says Daniel Swain, a climate researcher at the University of California, Los Angeles.

It was not enough. Rainfall was concentrated in what the county's top elected official calls America's "most dangerous river valley". Thunderstorm clouds dropped 12 inches of rain over a ten-square-mile zone where two rivers prone to flash floods meet. The Guadalupe rose by 29 feet in under three hours (see chart). The storm was deadlier because it struck in the middle of the night on a holiday weekend, when people were asleep by the water.

The "last mile" of communication—what happens after the weather service warns of dangers—failed miserably. In 2017 Kerr County considered building its own flood-warning system, but decided it was too costly. That is not unusual for a rural place with small government and little access to capital, says Avantika Gori, an environmental engineer at Rice University. But for years state politicians refused to help, even as the risk of floods rose.

Historical proportions

Texas, Guadalupe River at Hunt, water level, July 2025, metres



Source: NOAA

The Texas Division of Emergency Management, which was tasked with allocating $100m in federal funds for disaster preparation after floods killed 20 Texans in 2016, twice denied the county's request for $1m to upgrade its water gauges and sensors, and to create an online alert system. Although the state's water board recommended $54bn of state funds for flood control across Texas over a year ago, lawmakers have so far only allocated $669m. This spring the Texas senate nixed a bill that would have paid for warning sirens and given grants to the most flood-prone places. The House member who represents Kerr County now regrets voting "no". The lieutenant governor, who runs the Senate, wants the state to pay for sirens along the river by next summer.

Sirens may have saved more people, but a Kerr County meeting record shows that years ago taxpayers wanted to invest in alert systems instead, which they didn't end up getting. "Flashing lights or barricades or sirens" are more useful for "tourists" like the campers, they reckoned, who are "not familiar with the area and wouldn't know what to do". After a 1987 flood that killed ten campers in the same area the federal government installed radio towers to spread warnings on walkie-talkies. Those messages were sent out, but they were not effective.

The girls had gone to bed after the weather service said flash floods were likely. Later the weather service sent screeching alerts to people's phones but some residents say they never received them because of spotty reception; others probably slept through them. Some locals had opted out of the state's emergency warning system entirely before the storm, annoyed by the volume of "blue alerts" about police officers being shot across the state, often hundreds of miles away. Emergency responders worry about warning fatigue.

Today one in six Texans lives or works in a flood hazard area and soon more will. Flash-flood alley, the winding strip of land that the storm ravaged, and Harris county, home to Houston, a city known as the country's flood capital, are gaining more people than anywhere else in the state. As the low-lying plains become more inhabited—and climate change brings more unpredictable storms—Texas's politicians will have to plan better. On Tuesday Mr Abbott said that asking who is to blame for the deaths is "the word choice of losers". Nevertheless the governor has called lawmakers back to Austin to investigate. ■

Disappointed conspiracists

Epstein, again

The Trump administration battles its own nonsense

NOTHING CONVINCES a conspiracy theorist of a cover-up like saying "nothing to see here". And so it was on July 7th, when the Department of Justice (DoJ) said there was no secret information to release about the death by hanging of Jeffrey Epstein, a convicted sex offender, in prison in 2019.

The Epstein affair had the ingredients for a great conspiracy theory. He was a rich financier with a Jewish surname and powerful acquaintances, including Bill Clinton, a former president, and Prince Andrew, a British royal. The conspiracies mainly focused on two things: whether Epstein had actually been murdered and whether he had a "client list"—a "Who's Who" of paedophiles at the top of society. Information about both, claimed conspiracists, was being suppressed by the state. Future members of the Trump administration encouraged and even engaged in these speculations. In 2021 J.D. Vance, now the vice-president, implied that the government was protecting Epstein's "clients". Kash Patel, now head of the FBI, told Congress in 2023 to "put on your big-boy pants" and release the list.

Some of this talk continued even after Mr Trump was elected for the second time. In February Pam Bondi, the attorney-general, claimed to have Epstein's client list "sitting on my desk right now". She made a big show of inviting MAGA social-media influencers to the White House to receive "The Epstein Files: Phase 1". Little in the documents was new. The administration and the influencers were roundly mocked by other conspiracy theorists. Ms Bondi blamed the FBI for withholding documents. She continued to advertise grand revelations.

As a result, when the DoJ announced that, actually, there was no "client list" and that Mr Epstein killed himself, much of the internet's ire was directed at Ms Bondi. A number of faithful Trump supporters have called for her to be fired, including Laura Loomer, a far-right media personality with the president's ear. And the government's denials have only fuelled more Epstein conspiracy theories.

Gambling

Know when to fold

The Big Beautiful Bill is an extinction event for some Americans

THE REPUBLICANS' sprawling new tax-and-spending law affects every industry. But a seemingly modest clause deep in its 330 pages is poised to wipe out one line of work entirely: professional gambling.

The provision reduces the share of wagering losses that are tax deductible from 100% to 90%. For sports bettors, who earn slim margins on large volumes, this change is catastrophic. One prominent gambler known as Jack Andrews explains that he is on track to have $7.7m in winning wagers and $7.3m in losing ones. If he can deduct only 90% of $7.3m, he would have to report $1.13m of "phantom" income, and would owe roughly $340,000 in federal tax on his $400,000 profit. The change can even hurt losing recreational players. If you win a $10,000 casino jackpot but surrender $10,500 on the rest of your play, you would still be taxed on $550 despite losing $500.

The clause's origins are mysterious. It first appeared in an amendment from the Senate Finance Committee. Multiple Republican committee members have said they do not know how it got in, although the $1.1bn of revenue it is predicted to generate may have been needed to comply with Senate rules on skirting the filibuster. Dina Titus, a Democratic representative from Nevada, has already secured Republican co-sponsors for a bill reversing the measure. The American Gaming Association also supports repeal. Nonetheless, there are no guarantees that Congress will act before the change takes effect in 2026. "Nobody opposes a tax on winning gamblers, because they're not a winning gambler," Mr Andrews says. "It's tough to have sympathy if you don't have any empathy."

Wager killer

Bettors can still deduct losses from wins within a single session of play. But the Internal Revenue Service (IRS) is unlikely to let punters treat a full year, or arguably even a week, as one session. In the meantime, some sports bettors are placing their hopes on a potential loophole presented by a disruptive new entrant to the industry.

Last year a federal court allowed Kalshi, a platform that lets users bet against each other on whether a stated event will occur, to offer markets on elections. Three days after Donald Trump's inauguration, the site opened markets on sports as well. It has reason to be bold: Donald Trump junior is a strategic adviser, and Brian Quintenz—Mr Trump's nominee to lead Kalshi's regulator, the Commodity Futures Trading Commission—sits on its board.

More than $1bn has already been bet on Kalshi's sports contracts, which are available even in states that have not legalised sports betting. The stock-trading platforms Robinhood and Webull offer its markets. And Kalshi claims that, unlike sportsbooks, it does not have to comply with states' regulations or pay them taxes.

Seven states have ordered it to close these markets for their residents. However, Kalshi has won injunctions in New Jersey and Nevada preventing enforcement while courts consider the case, arguing that derivatives exchanges are federally regulated and beyond the reach of state law.

The courts may eventually side with the states. And even if Kalshi prevails, any victory may be pyrrhic, because gambling firms would open their own prediction markets to shield revenue from state taxation. FanDuel, America's largest sportsbook, has already expressed interest.

Kalshi is only a partial substitute for sportsbooks. It does not offer markets on scoring differentials or player statistics, or let traders combine bets into parlays. And it is of use to "top-down" punters, who compare sites to find mispriced odds, only if they can bet elsewhere without prohibitive taxation. But it does have one big advantage: the IRS has not ruled on whether prediction markets count as gambling.

If pork-belly traders can net out wins and losses, why not football bettors? The agency might look askance at established gamblers shifting their income classifications abruptly. But without IRS guidance, says Russell Fox, an accountant, taxpayers can do anything reasonable, defined as having at least a 40% chance of success. It is a good bet that professional gamblers, who make their living by estimating such probabilities, will take those odds. ■

Health

Hormonal men

ATLANTA

New clinics are serving up injectable testosterone to bros

ARE YOU struggling to be the man you were always meant to be? You might have low testosterone. Walk into Gameday Men's Health clinic and you will find yourself in their "man cave", a waiting-room decked out with black leather armchairs, televisions and a well-stocked fridge. A nurse practitioner will do a blood test and check if your testosterone levels are normal. If you are indeed deficient—or if you're technically not but you're experiencing symptoms of exhaustion, depression or trouble putting on muscle and having stamina during sex—they can inject you with your first dose of testosterone within the hour. Refer a friend for $50 off your next weekly treatment.

The Gameday clinic in the ritzy Buckhead neighbourhood of Atlanta, Georgia, opened in April last year as the company's 50th franchise. In the 14 months since, another 325 have been launched across the country. This represents a burgeoning American health trend. Between 2019 and 2024 prescriptions for testosterone jumped from 7.3m to 11m. In Texas, the hub for testosterone-replacement therapy (TRT), a medical treatment that artificially increases hormone levels and Gameday's most popular service, there were more scripts filled in the final quarter of last year than in all of 2021. Because hormone levels naturally fall as people age, middle-aged men inject it at higher rates than anyone else. But the demographic group that is taking to it fastest is men under the age of 35.

Like many wellness fads, the testosterone craze aims to fix a real medical problem. There is some evidence that men today, on average, have lower testosterone levels than men did decades ago, thanks to higher rates of diabetes, obesity, opioid use and more exposure to environmental toxins. That makes them feel lousier than they ought to. According to Mohit Khera of Baylor College of Medicine in Houston, 92% of men with low testosterone suffer from depression and a simple blood test can change their lives for the better. Hypogonadism, the condition, too often goes undiagnosed (see Science). Injections can dramatically improve mood, sleep and libido and reduce body fat. Clever entrepreneurs, like Casey Burt of Gameday Buckhead, reckon that the market is still partially untapped: doing away with the stigma around sexual health will reveal more patients who genuinely need care.

Its loudest proponents, however, are not doctors. Joe Rogan, America's top podcaster, touts it to his 20m listeners as a way to help men feel younger. Dax Shepard, an actor and podcaster, says that "heavy testosterone injections" helped him gain 24 pounds of muscle. "I spent my whole life as a medium boy and now I'm a big boy and I like it," he says. (Because it is a steroid that very effectively improves athletic performance, testosterone is banned in most professional sports.) Buff gym-bros and "biohackers" inject themselves on TikTok while telling their audiences that they should be on "T" even if their doctor disagrees. This fits with the Make America Healthy Again movement, which has made distrust of conventional medicine conventional. Indeed Robert F. Kennedy junior, the health secretary, has set aside his habitual scepticism of injections to go on TRT as part of an "anti-ageing protocol".

According to the American Urological Association, a quarter of the patients receiving TRT last year did not have their testosterone levels checked before starting treatment. Of those who were given testosterone, a third were not in fact testosterone deficient. Akanksha Mehta, a doctor at Emory University, says she turns away almost 50% of the men who come asking for it; Gameday treats almost everyone.

How bad is it for people who don't need testosterone to be on it? Compared with other drugs it is relatively safe, as long as it is not taken in body-building doses. A big clinical trial published in 2023 found that taking testosterone does not increase the risk of prostate cancer or heart attacks, as was thought. But it can cause infertility, if another hormone is not given alongside it. Doctors regularly see young men who come in at "supraphysiological" levels who do not know that they have made themselves infertile. "There is a lot of anger," says Ms Mehta. Mr Khera, the Houston doctor, reckons that in most cases he can restore fertility back to 25% of a patient's baseline. But "when someone drops down that low it can be an issue", he says.

The men's clinics also vary in their quality of care—and the quality of drugs. Online retailers like Hone, Hims, Maximus and DudeMeds do not require in-person check-ups and often get patients hooked on subscriptions. Some clinics require multiple diagnostic blood tests, following medical standards; others do not. Gameday aims to "optimise" how men feel, and argues that men within the normal range can still benefit from treatment.

The majority of testosterone businessmen your correspondent spoke to said that they were doing things right, but others were dragging the industry into shady territory. Mr Burt of Gameday Buckhead says that making money from people's health, as all ordinary doctors do, is in itself "an ethical balancing act" but that "doesn't mean we should be more criticised than any other profession". Like ketamine, testosterone is a Schedule III drug with a robust black market. In recent years customs agents have seized large caches of it at America's borders. "There is a massive demand and it's going to get met," Mr Burt explains. It's just a matter of whether it's met at a clinic or at the gym. ■

Joe says it is so

LEXINGTON
Unforgettable Americans

How William F. Buckley's conservatism prefigured Donald Trump's populism

FOR ALL the thunderbolts Donald Trump let fly to frighten Republicans into blessing his gassy tax-and-spending bill, his most illuminating gesture in the months-long drama was also his most timid. In May the president meekly posted on social media that he "and all others" would "graciously accept" a tax increase on the rich. Republicans should "probably not do it", he added, passive-aggressively, "but I'm OK if they do!!!"

Mr Trump wrote that Republicans were wrong to fear that Democrats would gain from accusing them of breaking a promise not to raise taxes. He clearly saw that raising taxes on the rich would instead make sense to his MAGA masses and also strip Democrats of one of their few remaining salient attacks. As he told *Time* magazine in an interview earlier this year, if he raised taxes on millionaires, he would be taxing the wealthy "to take care of the middle class". He added, "I love that."

Mr Trump's populist politics, and the contortions they create for his party, are often treated as a new phenomenon in American politics. In fact, they are the latest expression of a decades-old identity crisis. That becomes clear when Mr Trump's "One Big Beautiful Bill Act" is considered alongside this summer's other monumental new text, also of about 1,000 pages but of wildly superior quality: "Buckley: The Life and the Revolution that Changed America", a biography of the conservative crusader William F. Buckley by Sam Tanenhaus. As far back as the 1960s, well before Buckley helped elect Ronald Reagan as the embodiment of his anti-statist, low-tax vision, he was struggling with how to reconcile those positions with the class politics, and dependence on government programmes, of the voters emerging as the Republicans' core constituency: the "forgotten Americans", a term, like so much else, that Mr Trump has lifted from politics past.

The Republicans are now in the grip of an ego more super even than Buckley's. But the party's id remains Reaganesque, as demonstrated by Mr Trump's timidity about tax increases, his regressive tax cuts, and his breezy assurances that growth will cover their debt-defying cost. But while orthodox Republicans under Reagan tried to simplify the tax code, dangling before forgotten Americans the hope they might get rich someday, Mr Trump's populists have cluttered the code with breaks for favoured constituencies such as workers who depend on tips.

Never-Trump conservatives who see themselves as Buckley's heirs may bridle at the observation, but though Buckley was no populist, he augured Mr Trump. Not really a journalist or theorist, Buckley was a "performing ideologue", Mr Tanenhaus writes, early to recognise "that politics was becoming a large public spectacle". His only fear was being bored, and he had an instrumental approach to fact. He applauded bullies such as the red-baiting Senator Joe McCarthy when they were on his side. In the biography the single mention of Mr Trump is telling: he and Buckley both gave testimony on behalf of Roy Cohn, the ravening lawyer who was McCarthy's chief counsel, when he unsuccessfully fought disbarment for grievous misconduct.

Like Mr Trump, Buckley was a fierce culture warrior, and to his last days he saw campuses as the most important ideological battlefields. It seemed to be a joke when Buckley ran for mayor of New York in 1965 as the Conservative candidate, to steal votes from a liberal Republican. But his celebrity, sophistication about television, and willingness to say just what he thought made him popular as a kind of anti-politician. His fulmination about crime and esteem for the police drew support from Democrats as well as Republicans. He came in third, but no less a light than Richard Nixon saw him as a grave threat who could shift the party radically to the right. Over the next decade Buckley did just that.

When the masses were revolting

The book of theory Buckley never managed to write was to be called "The Revolt against the Masses", and for years he favoured denying black Americans, among others, the vote. His discomfort with democracy made a poor match with populism. Moreover, although the cultural elite never embraced Mr Trump the populist ("I'll never have the goodwill of the establishment, the tastemakers of New York," he groused back in his days as a developer) they toasted Buckley the conservative. His books were serialised in the *New Yorker* and he had his own show, "Firing Line", on public television, of all places. Of 1,505 episodes, his proudest was in 1978, when he debated Reagan over the Panama Canal treaty. Reagan, with his populist instincts, opposed it for the same reasons Mr Trump would one day demand the canal back. But Buckley, magisterially, wanted to know if America would take human rights and sovereignty seriously, or be distracted by "the irrelevance of prideful exercises, suitable rather to the peacock than to the lion".

That is what most separates the old Buckley conservatives from the new Trumpist populists. In his heyday Buckley had a great cause, opposing communism. Anti-statism and free-market economics rhymed with that purpose. While the collapse of the Soviet Union was good for humanity, it was terrible for the coherence of American politics. Like tax cuts for the rich, free-market principles linger in Mr Trump's party mostly as muscle memory.

The president calls himself a conservative, but taxes trade on a whim and requires businesses and universities to conform to his politics. He has seized a "golden share" in US Steel that gives him authority over its means of production. Yet, because the old labels have an atavistic power, he delights in calling the new Democratic nominee for mayor of New York "a pure, true communist", though he is really just the latest social-media avatar of the other party, which has forgotten history, lost its grasp on the present, and chosen to dwell in a utopian future. But that is another column. ■

The Americas

Security in the Atlantic

Game of southern cone

MONTEVIDEO

Britain and Argentina's secret dialogue on military power in the South Atlantic

AMERICA'S TOP brass worries about the South Atlantic. It is a jumping-off point for Antarctica, where Russia and China boast 15 bases between them, scrambling to lock down resources. It is linked to the Pacific by the Strait of Magellan, the only safe maritime route between the two oceans other than the drought-hit Panama Canal. Traffic through the strait is surging, as is illegal Chinese fishing on either side. China is pushing infrastructure projects across the region. America's top generals have visited Argentina's deep south three times in the past two years.

At first glance the United States is well positioned to manage any threat. President Javier Milei of Argentina is a hyper-willing ally. Britain has Typhoon fighter jets and the *HMS Forth* patrol vessel stationed in the Falkland Islands. But Argentina's armed forces are in bad shape. Britain's are focused on defending the Falklands from Argentina: Britain has sovereignty over the islands, but Argentina claims them. As a legacy of the Falklands war in 1982, Britain has tight restrictions on weapons sales to Argentina. These have hamstrung the latter's efforts to improve its armed forces and prodded it towards buying Chinese planes and weaponry, alarming America.

Now a mix of factors, including Mr Milei's unusual perspective on the islands and American enthusiasm for modernising Argentina's armed forces, have created an opening for a new strategic arrangement in the South Atlantic. Quietly, after a long hiatus, dialogue between the Argentine and British defence ministries has restarted. Argentina wants Britain to loosen its restrictions on arms purchases. Britain wants discreet acceptance of its role in the rest of the South Atlantic, even while Argentina maintains its constitutional claim over the Falklands. Britain also wants Argentina to work with it on practical matters to improve life for the Falklanders.

The warming began in February 2024, a few months after Mr Milei took office. British defence attachés visited the ministry of defence in Argentina for the first time in three years. In September that year the British and Argentine foreign ministers met and arranged a visit by Argentines to family members' graves on the Falklands. They also agreed to share fisheries data and to restart monthly direct flights to the islands from Argentina. Defence dialogue then accelerated. An Argentine delegation visited London in January. A British one is expected to visit Buenos Aires.

Mr Milei wants to modernise his country's armed forces with the best NATO-compatible equipment. He is cutting government spending savagely, but raising the defence budget from 0.5% of GDP to 2% over the next seven years. Last year Argentina applied for NATO-partner status.

Britain is interested in a deal, too, but is cautious. It shares American concerns about the South Atlantic. Argentina's de facto acceptance of Britain's relevance in the region would facilitate closer co-operation on everything from science to security, not just with Argentina but also with its ▸▸

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neighbours, Chile and Uruguay. But although the Argentine families visited in December, Argentina has not yet shared fishing data or restarted flights, stepping stones to progress on arms policy. The islanders are wary. "We feel very secure," says Leona Roberts of the Falklands' Executive Council. "But we would probably not be wildly comfortable with the UK supplying military equipment to Argentina."

Britain has long blocked sales of military equipment with British components to Argentina, even by third countries. Given the strength of Britain's arms industry, this has been a serious constraint. In 2020 it blocked the sale of South Korean fighter jets with some British parts. The stated policy is to block sales that could "enhance Argentine military capability". Yet there is wriggle room. Britain may allow sales that are not "detrimental to the UK's defence and security interests". A first step could be to interpret that clause more flexibly.

The shape of things to come

There are several reasons to believe a new arrangement is possible. Few consider Argentina a real threat to the Falklands. "It's militarily unthinkable...[Britain] would wipe us off the planet," says Alejandro Corbacho, a military historian at the University of CEMA in Buenos Aires. Britain seems more willing to reconsider its restrictions if Argentina planned to make large purchases, as that would boost Britain's defence industry. If so, that would suggest the embargo is more about politics than protecting the Falklands. Britain knows its restrictions are anyway losing bite as more countries make military kit.

The fact that the United States wants a new arrangement matters too. In public statements it has offered "steadfast" support for the modernisation of Argentina's armed forces. In private, one American with knowledge of the matter calls Argentina "a huge partner" with an army "in very sore need of equipment and training". But that equipment must be Western, not Chinese. Britain's embargo makes that harder. Continued intransigence could end up bolstering those in a post-Milei government who believe Argentina's future, in weaponry and politics, runs through China rather than the West.

Argentina's dalliance with America's adversaries is real. Mr Milei likes trading with the Asian giant. In 2023, before he took office, a Chinese firm looked set to build a large port near the Argentine entrance to the strait. That project collapsed amid intense objections both foreign and domestic, but China, which operates a space station in Patagonia, remains keenly interested in the region. Under the last administration Argentina was "gnat's-ass close to buying Chinese fighter aircraft", warns the American. In 2021, weeks before the invasion of Ukraine, the previous government signed a deal with the Russian ministry of defence allowing Argentine officers to travel to Russia for training.

During Joe Biden's presidency the United States pushed Britain to let Argentina buy modern F-16 fighter jets with a British-made ejector seat. Britain was reluctant and an alternative was found. Argentina bought older F-16s from Denmark with $40m of American money. These did not have British parts, so British approval was not required. However, the Americans still sought to justify it to Britain, which accepted it. That was progress. "The US government was also interested in whether the broader export controls could be ended," says an American former official. A spokesperson for Britain's government says it has "no current plans to review the UK's export-control policy for Argentina".

But it is easy to imagine Britain's position shifting. The Trump administration is pushy, ignores orthodoxy and is close to Mr Milei, whose pro-Western stance probably helps Britain to be flexible. His conciliatory tone and taboo-breaking on the Falklands is crucial. He openly admires Margaret Thatcher, who led Britain during the Falklands war. He admits that the islands "are in the hands of the UK" and says that Argentina will not try to retake them by force. Recently he even seemed to imply that the islanders have a right to self-determination, Britain's position.

Domestic politics remain a formidable barrier in both countries. Argentina appointed a new foreign minister in October. Despite enthusiasm in other parts of government, better ties with Britain seem less of a priority for the new man. For its part, Britain worries about who comes after Mr Milei. Selling arms to a Milei-led Argentina may be fine, but he will leave office in 2027 or 2031. An attempt in 2016 to reset relations was torn up when the left-wing Peronists returned to power. It would be embarrassing to help Argentina modernise its armed forces only for that to happen again.

In both countries the flag-waving opposition could paint an agreement as a retreat and use it to whip up anger. In Britain, Nigel Farage's Reform UK party is surging in the polls and could easily pressure the government over any new arrangement, perhaps framing it as a betrayal of the British war dead. In Argentina the Peronists have already attacked Mr Milei for his stance on the Falklands. With midterm elections in October, he and his team may prefer to steer clear of the issue for now.

Yet the overriding thrust of Mr Milei's foreign policy is airtight alignment with America, notwithstanding trade with China. Britain has a similar, if less absolutist, tradition. The Trump administration is so exercised about Chinese influence in Latin America that it threatens to seize the Panama Canal. It is clear about the threat posed in the South Atlantic, too. If it pushes harder, its two allies may draw a similar conclusion—and act accordingly. ■

Marina Silva

A losing battle

Brazil's patron saint of the environment faces stiff headwinds

WHEN MARINA SILVA resigned as Brazil's environment minister in 2008, she was an international rock star. Deforestation in the Amazon had plummeted by 50% during her five-year tenure. She had been showered with awards and included on lists of influential thinkers. She was also admired for her tenacity. Brought up poor and illiterate as one of 11 siblings on a rubber plantation, Ms Silva went on to graduate from university, be elected as Brazil's youngest senator and forge Brazil's climate policies. Even her resignation, in protest at large infrastructure projects in the Amazon, seemed to bolster her integrity.

Now Ms Silva is under attack in Brazil. Having returned to the helm of the environment ministry in 2023, on July 2nd she was summoned before a committee in the lower house of Congress to testify about deforestation. Lawmakers hurled insults at her for almost seven hours. They called her "inelegant" and "a disgrace", compared her to terrorists and told her to resign. In a previous exchange, senators had told her she "should know her place" and that she did not deserve respect.

Such chauvinist language is nasty, and reflects the state of environmental discourse in Brazil today. Since Ms Silva's last stint in office, Congress has become both more powerful and more beholden to agribusiness and fossil-fuel lobbyists. The gov-

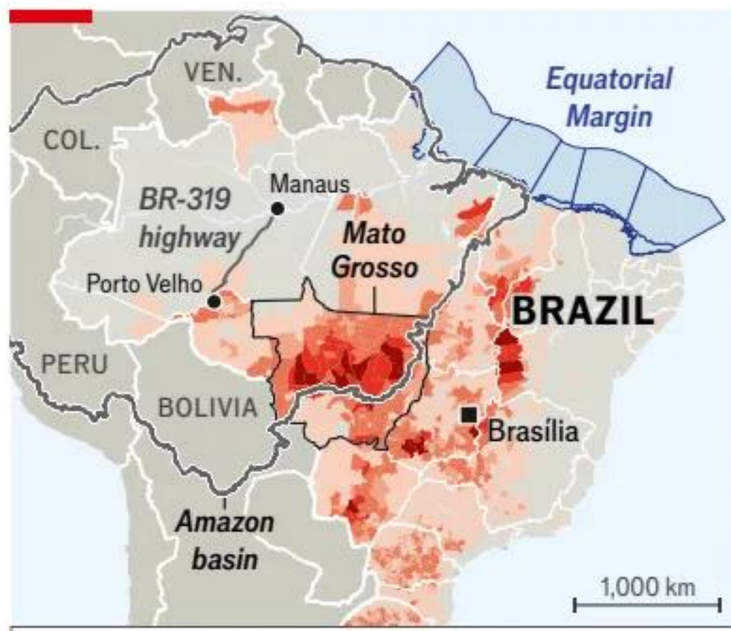
ernment of President Luiz Inácio Lula da Silva (known as Lula) is desperate for cash. As his relationship with lawmakers sours, he is increasingly loth to stand in their way.

Those attacking Ms Silva want to pass a bill that would dismantle many of Brazil's environmental regulations. It would exempt infrastructure, mining and farming projects that have a "small or medium-size impact" from having to carry out an environmental-impact assessment, putting them on a fast track instead. In some cases developers would be allowed to judge the impact of their own works. Projects the government deems strategic would automatically qualify for simpler licensing. The World Wide Fund for Nature, a charity, calls it "the biggest setback in Brazilian environmental legislation in the last 40 years". A final vote on the bill could come as soon as July 16th.

The impulse to simplify Brazil's licensing laws is reasonable. The country has 27 states and over 5,000 municipalities, which sometimes enforce their own rules. This is a pain for businesses that operate across different regions. Yet the proposed law would gut environmental protections and offer new avenues for corruption. "Just because a project is deemed strategic for the government does not mean the environmental impact disappears," says Ms Silva. It could also create legal uncertainty. Brazil's top court has ruled that projects with a medium-size impact should not qualify for fast-track licensing. Flávio Dino, a judge on the Supreme Court, has said he expects the bill to be contested.

That the bill could pass while Lula is president frustrates environmentalists. He took office in 2023 promising to tackle the illegal ranchers, loggers and miners that proliferated under Jair Bolsonaro, his far-right predecessor. He beefed up IBAMA, the environmental regulator. Deforestation fell. In November he will try to bolster his credentials when Brazil hosts the COP30, the UN's annual climate conference. Lula "will need to make a choice between his environmental promises and pleasing Congress", says Marcio Astrini of the Climate Observatory, a network of charities in Brazil. "He can't have both."

Three forces are undermining Ms Silva. The first is that Congress has become emboldened. In the past decade Brazil's legislature has given itself vastly greater spending powers. In 2015 lawmakers' amendments to discretionary spending in the federal budget, which amounts to some $40bn a year, represented less than 2% of the total. Today such "earmarks" account for a quarter of non-mandatory spending—far higher than the average in the OECD, a club of rich countries. Representatives demand pork in exchange for backing laws. In June a bill that will regulate offshore wind energy only passed in Congress after lawmakers forced Lula to include unrelated subsidies in the draft.



Brazil, soyabean production, '000 tonnes
By municipality, 2021-23 average

0 50 100 500 1,000 2,125

Source: IBGE

As it has gained power, the composition of Congress has shifted rightwards. Though Mr Bolsonaro lost the presidential election in 2022, his party and centre-right groupings swept the legislature. The rural caucus now comprises almost two-thirds of lawmakers in both houses. The lobby is particularly strong at a local level. Lawmakers in Mato Grosso, Brazil's soyabean heartland, are trying to have parts of the state reclassified as tropical savannah instead of Amazon. This would let farmers raze 65% of trees on their land, instead of only 20%. Governors elsewhere are gunning for looser licensing laws. This would allow for the completion of the BR-319, a once-abandoned 900km (550-mile) highway that cuts through pristine jungle. Lula has promised to finish much of the road by the end of his term.

Brazil's oil lobby has also gained clout. Prospectors believe the country's northern coastline is rich in crude oil, in an area called the Equatorial Margin (see map). But because it lies near the mouth of the Amazon river, IBAMA has prohibited drilling there. Lula and several of his ministers want to exploit it, and think the licensing law could help. If this happened, Brazil could become the world's fourth-largest producer of crude by 2030, up from seventh today. On June 17th the national oil agency put 172 exploration blocks up for auction, including some near the Amazon basin. The government plans to offer more oil concessions this year, which it hopes will raise some $4bn.

The final obstacle is the government's fragile finances. The IMF says public debt is on course to hit 92% of GDP this year, up from 60% in 2013. Much of this borrowing happened under Lula's predecessors. Yet he is not helping. Without accounting trickery, the government will miss its fiscal goal of reaching a primary surplus of 1% by 2026. Lula has ramped up social spending and raised the minimum wage. The Senate is set to approve his plan to exempt people who earn up to 5,000 reais ($920) a month from income tax. That will cost around $5bn a year in lost revenue. Easy oil money is thus particularly appealing.

Every cloud

And so Brazil's environmental movement is squeezed. Yet Natalie Unterstell of the Talanoa Institute, a think-tank in Rio de Janeiro, sees a silver lining. Only 34 of the 172 blocks put up for auction found takers. Even the union of oil workers did not back licensing sites near the mouth of the Amazon river, which Brazil's public prosecutor tried to suspend. Mr Astrini is blunt. If the licensing bill passes, "We will not stop fighting for the environment. We will just hire more lawyers." ■

Silva needs no mansplaining

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Asia

Politics in South-East Asia

Turning to sand

BANGKOK

Is Thailand heading for another coup?

GRIDLOCK IN THAI politics tends to end one way. Thailand is the only middle-income country in which the armed forces regularly seize power. There have been a dozen coups since the end of absolute monarchy in 1932, two of them in the past 20 years.

Now Thais are asking if another putsch is on the cards. The constitutional court on July 1st suspended the prime minister, Paetongtarn Shinawatra, from performing her duties until it could rule on a petition to remove her from office. That followed two other blows. On June 18th the second-largest party in her governing coalition defected to the opposition, leaving it with a majority of six in the 500-seat lower house. And on June 28th thousands of people rallied in Bangkok to demand the prime minister's dismissal (they are pictured).

These events are giving some Thais *déjà vu*. Ms Paetongtarn's tycoon father, Thaksin Shinawatra, was removed in a coup in 2006. Her aunt, Yingluck Shinawatra, was ousted by the courts in 2014; a coup ensued two weeks later. Both moves followed adverse court rulings, parliamentary gridlock and protests demanding that the government be dissolved.

A new bout of instability is the last thing Thailand needs. President Donald Trump wants to hit it with tariffs of 36%; Ms Paetongtarn's distracted government did not open negotiations with America until the beginning of July, months after its foreign peers. Its export industries are under pressure from lower-cost Chinese goods. Tourism has been hit by tales of Chinese visitors being trafficked into scam centres in neighbouring Myanmar. And in May, an old border dispute with Cambodia roared back to life when a Thai soldier killed a Cambodian sentry.

That border spat is the most immediate cause of Ms Paetongtarn's suspension. She had sought to resolve it by calling Hun Sen, the former Cambodian prime minister (Mr Hun Sen handed the top job to his son two years ago, but still pulls lots of strings). In a leaked recording, Ms Paetongtarn was heard to criticise a Thai general responsible for the border. Worse, to many Thais, she called Mr Hun Sen "uncle", a term of endearment in Asia. The petition before the constitutional court to remove her from office argues that the call violated (vague) ethical rules.

But anger at the Shinawatra clan has far deeper roots than this. When Mr Thaksin first came to office in 2001 he sought to co-opt the bureaucracy and agencies regulat- ▸▸

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ing his various companies. Media critical of this were banned. The king at the time obliquely criticised these practices, setting the stage for a long-running feud between Mr Thaksin and the monarchy, army and business leaders.

These elites hated the fact that Mr Thaksin's populist movement retained support among the rural poor, even after a coup removed him from office. It won further elections in 2007 and 2011. On the run from criminal charges filed against him while out of power, Mr Thaksin chaired meetings of the cabinet that was nominally led by his sister from 2011 to 2014. Her government sought to exonerate Mr Thaksin—one reason she, too, was eventually ousted by the elites.

The junta that took power in 2014 concocted a constitution they hoped would keep Mr Thaksin's movement out of power for good. They reworked the electoral system to reduce the power of Mr Thaksin's supporters, who are concentrated in the north-east. But in doing so they created an even greater threat to their interests. A new liberal movement, now known as the People's Party, got 18% of the vote in 2019 and 38% in 2023. It has called for a crackdown on monopolies, cuts to the army's budget and reforms to rules against criticising the monarchy. In 2023 it won the most seats in the lower house elections, but Thailand's unelected Senate, appointed by the armed forces, blocked it from forming a government. Shocked by the liberals' rise, pro-military parties did something that had long seemed unthinkable: they held their noses and teamed up with Mr Thaksin's Pheu Thai, the second-largest party in parliament, to govern in a coalition.

As part of this rapprochement Mr Thaksin returned to Thailand from self-imposed exile. The palace and the army were led to believe he wanted to live a quiet life. In fact he has been busily reinserting himself in Thai politics and foreign policy. This is too much for an establishment that has fought him since the turn of the century; now it is trying once again to eradicate his family's influence. Last week, Mr Thaksin went on trial for insulting the monarchy. And if the constitutional court eventually rules against his daughter, her government is unlikely to survive.

Who would govern instead? Under Thailand's eccentric constitution, prime ministers may be picked only from a brief list of people whom parties nominated before the most recent elections. Eyes are falling on Anutin Charnvirakul, a tycoon who was once aligned with Mr Thaksin. He now leads Bhumjaithai, the party that withdrew from the ruling coalition last month. Mr Anutin may consider working with anyone who can promise him more power. But his party would need support from either Mr Thaksin or the People's Party to hold a majority in the lower house.

The leader of the People's Party, Natthaphong Ruengpanyawut, tells *The Economist* that he will back any prime minister who promises a snap election. But the other parties all fear they will lose seats if that happens. Mr Thaksin's former backers are furious at him for doing a deal with the generals. And conservatives are angry with the military-backed parties for allowing Mr Thaksin's movement back into power.

Hence the worries about another coup. As things stand, the army will probably have to choose between patching things up with Mr Thaksin's populists or trying to work with Mr Natthaphong's liberals. It is reluctant to do either. A dozen coups d'état have not yet delivered a political system that makes the generals happy. That does not mean they will not try again. ■

Indian cities

Street dreams

MUMBAI

How to fix the chaos on urban roads

A GAME OF I-spy involving only objects you can find in the middle of a road in London would be rather short. The little eye would spy motorised vehicles, cyclists and the occasional pedestrian (striding briskly to the other side). The same game in Mumbai, however, could take hours. Its carriageways are home not just to pedestrians and parked cars but to utility boxes, construction debris, abandoned roadworks, piles of garbage, makeshift shops, itinerant vendors, trees, cows, dogs and even places of worship. The Indian street is an egalitarian place. It is also filthy, cacophonous and gridlocked.

The cost of this is high. Last year, three Indian cities—Kolkata, Bangalore and Pune—made it to the top five in a global index of congestion compiled by TomTom, a maker of navigation software (see table). London ranked fifth, but it is deliberately making its streets less friendly to cars.

Streets of rage

Worst eight cities by average travel time, 2024

	Average travel time per 10km	Time lost per year in rush hour
Barranquilla (Colombia)	34m 51s	130hrs
Kolkata (India)	33m 21s	110hrs
Bangalore (India)	32m 59s	117hrs
Pune (India)	32m 13s	108hrs
London (Britain)	32m 08s	113hrs
Kyoto (Japan)	32m 07s	95hrs
Lima (Peru)	32m 03s	155hrs
Davao City (Philippines)	31m 50s	136hrs

Source: TomTom

Average speeds that make glaciers look fast are only part of the problem. India's roads are dangerous, especially to pedestrians. Lots of stopping and starting increases pollution: the contribution of vehicles to Mumbai's emissions doubled in the three years to 2020, according to SAFAR, a government agency, in part because of congestion. Improving roads would speed up travel, reduce noise pollution, cut emissions and increase productivity.

Urban authorities know this. The problem is that they have tended to respond by building more roads or by widening existing ones—and these strategies have made things worse. New flyovers land at bottlenecks. Pavements get torn up to create more road space, but the trees and utility boxes that sit on them are often left in place, turning carriageways into obstacle courses. Despite extensive road widening, speeds in Mumbai fell by half between 2006 and 2016, according to one study. "In any Indian city, what is marked as a three-lane road is two lanes at best," says Pritika Hingorani of Artha Global, a policy shop.

Officials in a few places are finally forging a new path. Andhra Pradesh, a southern state, is running a pilot programme in a pair of its cities that involves setting up "clean-air zones" along the most clogged and polluted arteries. It is building bypasses, but it is also targeting congestion by rationalising parking and by prohibiting heavy vehicles from using the roads at the busiest times of day. Increasing speeds on just a few very busy roads can have a big effect on how long it takes to get around a city, as well as on pollution, says Ms Hingorani, whose outfit is working with the state on the project.

Authorities in Bangalore have gone bigger. A decade ago India's tech capital had few pavements, little signage and no lane markings. Since then, the city has overhauled many kilometres of inner-city roads. It has buried pipes and wires in neat conduits; installed wide, smooth pavements; and clearly marked out parking spots and lanes. The number of people choosing to travel on foot in these areas has soared. So has satisfaction among drivers, surveys suggest. Several other cities are planning to replicate the model, says Srikanth Viswanathan of Janaagraha, a non-profit that designed Bangalore's standards.

Why is this not yet widespread? Money is part of the problem: for the next phase of its overhaul, Bangalore is considering a ▸▸

The Economist is seeking a Seoul-based researcher/reporter, fluent in Korean and English. Experience in journalism is desirable but not essential. For details, visit **economist.com/SeoulResearcher**

cheaper programme more focused on improving pavements. But politics is key. India's cities are run by unelected bureaucrats who serve for just a few years. The real power resides at the state level. And those politicians tend to be more focused on pleasing rural voters than urban ones.

In addition, a small number of ornery road users wield outsize power. India has only 34 cars for every 1,000 people; their owners are unusually rich and privileged. These drivers tend not to favour stricter rules or more parking fines. They reflexively oppose schemes, such as bus lanes and cycle paths, that look like they might cause inconvenience—even though these will eventually speed things up. Authorities have to get motoring, regardless. If India wants to get rich, it must fix the engines of its economic growth. ■

A megashow in Japan

The eyes have it

OSAKA

A World Expo is winning over grumpy Japanese

SEQUELS RARELY live up to the original. So said Japanese who warned that the 2025 World Expo in Osaka, Japan's second city, might be a miserable failure. Cynics spied a bad cover version of an epoch-making exhibition held in the same city in 1970. Yet now that its doors are open, many grumpy Japanese are lightening up.

The idea of pitching Osaka as the venue for this year's expo was floated by the Japan Innovation Party, a populist party rooted in the region (World Expos, also known as "World's Fairs", are run roughly every five years; the Bureau International des Expositions, a Paris-based outfit, decides where they will be). The hope was of a big boost to the local economy. And also that the event might help Osaka wrest away at least a little of Tokyo's outsize power and prestige.

Nostalgia for past glories was important, too. Some 64m visitors—a number roughly equal to half of Japan's population, at the time—flocked to the expo held in Osaka in 1970. They gawped at wonders such as a moon rock, levitating trains and the first IMAX film. That event happened to turn up at the height of Japan's "economic miracle", a period of rapid growth. It helped show off the country's post-war rebirth and showcased its high technology.

This time around, the project faced opposition from the start. The cost of constructing the park where the expo is being held doubled from the initial estimate to ¥235bn ($1.5bn). Many Japanese believe the area's development is a pretext for building Japan's first casino, a controversial venture that is set to open on the same patch of land by 2030.

Not long before the expo opened, a poll by *Mainichi Shimbun,* a national newspaper, found that only 16% of respondents wanted to visit. And in the first days of operation a clunky online registration system, lengthy queues and expensive food boosted the doubters. The café at the British pavilion got particular stick for its poorly presented, overpriced afternoon tea. (At least that was authentic, some said.)

Since then the mood has brightened. Some 160 countries have created a pavilion or are maintaining some other kind of presence at the show. From its opening in April to late June, it welcomed more than 10m visitors. Officials say that on some days it draws more guests than Tokyo's Disneyland. The hope is that it will have attracted around 28m by the time its six-month run ends in October. Myakumyaku-kun, the Expo's deeply puzzling official mascot (pictured), has proved an unlikely hit. Youngsters, in particular, are snapping up merchandise featuring the unsettling creature. During a visit to the White House earlier this year Akazawa Ryosei, Japan's chief tariffs negotiator, swapped a gold-plated money box featuring Myakumyaku-kun for a MAGA hat.

Japanese are not very well-travelled. Only 17% of the population has a passport. So although it is a long time since World's Fairs launched zingy new technologies, the Osaka event is scratching an itch. Kiyokawa Rie, a 28-year-old visitor, says she was among those who had wondered if the expo would have value. "But I think it turned out great." ■

It has got an eye on you

Crime and punishment

Murder she baked

The trial of a mushroom murderess has gripped Australia

IT WAS AN easy slip-up. Anyone might buy a Sunbeam food dehydrator to dry out the poisonous death-cap mushrooms they have just foraged, keep the dried fungi in some Tupperware and mistake them for the dried mushrooms they have bought from an Asian grocery in Melbourne. The recipe for Beef Wellington called for button mushrooms for the *duxelle*, the paste that goes between the meat and the crust. But the ones bought from Woolworths proved a bit tasteless, so it was natural for Erin Patterson to add some tangier dried ones. It was all, she said, a terrible accident. But it caused the death of three family members of her estranged husband, Simon—both his parents and his mother's sister, whose husband survived.

On July 7th, after deliberating for a week at the end of a ten-week trial in Morwell, a town east of Melbourne, a jury decided it was not an accident at all. It found Ms Patterson guilty on three counts of murder and one of attempted murder. The case has gripped Australia, owing to its compelling mixture of tortured family drama and—the jury has decided—an elaborate murder plot that would have satisfied Agatha Christie.

The Pattersons' separation in 2015 had originally been fairly amicable. But by the time of the fatal lunch in 2023 there was acrimony over the schooling and maintenance of their two children. That may have been why Simon Patterson refused the invitation to the party. Ms Patterson told the ▸▸

other guests that she had invited them in order to tell them of her diagnosis with ovarian cancer. This was a lie, she explained to the court, to provide cover for weight-loss surgery that she was planning.

Ms Patterson had answers to explain many of the other odd aspects of the lunch party. Why had she alone eaten off a smaller orange plate, not the big grey ones she had given her guests? (It was not true that the others had eaten off identical grey plates, as she didn't own four of them.) Why had she cooked individual portions of Beef Wellington when the recipe prescribed the more usual version, with a single beef "log"? (She couldn't find an appropriate cut of meat.) Some of her behaviour after the meal was even harder to explain: she had dumped the Sunbeam dehydrator in a rubbish tip; it was later found to have traces of death-cap mushrooms.

The wealth of evidence for spectators to chew over has made the case irresistible to armchair detectives. Indeed, it is hard to think of a trial that has so seized the Australian public's attention since Lindy Chamberlain was convicted in 1982 of the murder of her daughter, whom she claimed had been taken by a dingo. Ms Patterson may remember that Ms Chamberlain was fully exonerated in 1988, and that in 2012 a coroner concluded the baby had indeed died in the way her mother described. It may be weeks or even months before Ms Patterson is sentenced, after which she will be able to launch an appeal of her own. ■

BANYAN

Contrarian centenarian

The leader who transformed Malaysia reaches 100

MAHATHIR MOHAMAD, Malaysia's prime minister from 1981 to 2003 and again from 2018 to 2020, resembles other statesmen he hobnobbed with back in the 1980s—such as Ronald Reagan, Margaret Thatcher, Lee Kuan Yew and Deng Xiaoping. All of them had distinctive policies; all presided over an economic transformation; all were larger than life. Only Dr Mahathir, however, is still alive, turning 100 on July 10th. He continues to wield influence, not just through his past achievements but as an active dabbler in politics. Sadly, that influence is mostly baleful.

As prime minister for 24 of the past 44 years, Dr Mahathir is due considerable credit for Malaysia's economic success. In 1981 it still relied heavily on commodity exports—first rubber and tin, industries the British empire had nurtured, and then petroleum, timber and palm oil. It is now a diversified manufacturing hub, with electronics its most important export.

Dr Mahathir was often abrasive towards the outside world, but he nevertheless welcomed foreign investment. He oversaw Malaysia's rapid integration into global supply chains and the building of impressive infrastructure (as well as some expensive flops, such as a national carmaker). GDP per person rose from about $1,900 in 1980 to about $12,500 last year.

His reputation for economic management was enhanced by his unorthodox response to the Asian financial crisis of 1997-98. The Malaysian ringgit plunged and the economy slumped, but Dr Mahathir rejected IMF help. He imposed capital controls and pegged the currency to the dollar. When Malaysia quickly recovered, he could claim victory.

This record helps explain his enduring popularity. So too does his image as a straight-talking man of the people—a doctor from humble origins, willing to fight for the truth as he sees it. Hence his remarkable comeback in 2018, when he joined his former deputy, and later nemesis, Anwar Ibrahim, to topple another of his protégés, Najib Razak.

Yet politically Dr Mahathir has left a largely toxic legacy. The issues that have driven him have been the most sensitive in Malaysian society: race and religion. (The concepts are inseparable in Malaysia, as the constitution insists a Malay must be Muslim.) The inflammatory book he published in 1970, "The Malay Dilemma", castigated Malays, who then made up 56% of the population, for accepting a second-class status. Farming and fishing were lazy options that hampered the growth of the Malay community, he argued. He supported the affirmative-action policies that favour Malays over the Chinese and Indian minorities (then 34% and 9% of the population respectively), whom Dr Mahathir throughout his career has berated for perceived disloyalty to Malaysia.

In 1980 the ethnic-Chinese minority dominated business. The attempt to redress this imbalance through affirmative action, with lavish public funding for favoured Malay businessmen, had predictable effects: a culture of corruption and cronyism that thrived long after Dr Mahathir stepped down, culminating in the 1MDB scandal, exposed in 2015, in which billions of dollars were stolen from a sovereign wealth fund by well-connected insiders. (Mr Najib is now in jail on related charges.)

Dr Mahathir can also be blamed for the weakening of some of the institutions and people that might have provided better oversight and accountability, including of himself. In the 1980s he engaged in a series of confrontations: with the judiciary; the traditional hereditary Malay rulers of nine of the country's states; and his political opponents, against whom he deployed an Internal Security Act, bequeathed by the British, to arrest more than 100 politicians, academics, activists and others in 1987. The trend was towards a stronger executive branch, with weaker accountability.

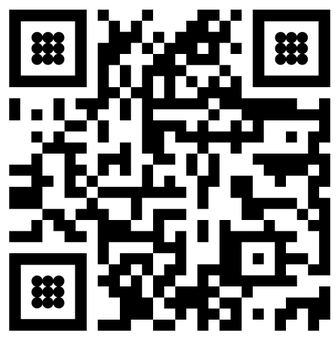
Ironically, Dr Mahathir's victory in 2018 at the head of a breakaway party meant a first-ever electoral defeat for the United Malays National Organisation, the party he did so much to build as a vehicle for Malay political dominance. Worse, for Dr Mahathir, his coalition was short-lived. He lost power in 2020 and saw Mr Anwar become prime minister two years later.

Dr Mahathir fights on for his divisive vision of Malaysian society. Surely it is too late for another comeback. But he remains an obstacle to the relaxed multicultural society Malaysia might become. Impeding that progress may be his most lasting legacy.

China

Household debt

Struggling to get by



HANGZHOU

As China's economy falters, debts weigh heavier on its citizens

THE RISE of a property-owning, entrepreneurial middle class in China has transformed its cities in this century. It has helped to spur consumption in the world's second-largest economy. In May retail sales grew by 6.4% year on year—the fastest pace since December 2023—helped by state subsidies aimed at reviving consumers' enthusiasm. The government has even cautiously promoted borrowing in past years. But all this has created new risks. Along with car-jammed streets, glitzy restaurants and vast malls has come an invisible change that is no less great: soaring household debt.

As a proportion of China's GDP, household debt has risen from less than 11% in 2006 to more than 60% today, close to rich-country levels. Lenders include state-owned banks and tech platforms. Between 25m and 34m people may now be in default, according to Gavekal Dragonomics, a research consultancy. If those merely in arrears are added, the total could be between 61m and 83m, or 5-7% of the total population aged 15 and older. In both categories, these numbers are twice as high as they were five years ago, the firm reckons. Amid high youth unemployment and a property slump, things may only worsen.

Dealing with personal debt remains shameful and unfamiliar in China. But the government is struggling to help. It is already busy tackling debt throughout the system: local-government debt remains painfully high, and corporate debt uncomfortably so. Household debt is one more worry. It is not an imminent threat to financial stability. But it weighs increasingly heavily on the minds of middle-class people, inhibiting their spending and undermining a belief in ever-rising prosperity that the Communist Party sees as crucial to keeping its grip on power.

Chinese households have a buffer: overall, their savings relative to disposable income were nearly 32% in 2023, according to JPMorgan Chase, a bank. That is far higher than the rate of less than 3% in America in the build-up to the global financial crisis in 2007. But in the boom years money borrowed for housing seemed like a one-way bet, especially as jobs were plentiful and secure. People grew accustomed to splashing cash from big online lenders such as Alipay and WeBank. Others borrowed to invest in family firms. Then came zero-covid lockdowns in 2020 and the start of the property crash the year after. Whatever the origins, debt trouble and interactions with *cuigou*, or "pressure dogs" (aggressive debt-collectors), have been the fate of many.

Start with property. Borrowing for housing made up 65% of household loans last year (excluding loans for business purposes). Most mortgage lending is done by government-owned banks, which have to be careful about how they get their money back from those unable to pay. The number of foreclosed residential properties listed for auction last year was 366,000, slightly up from 364,000 in 2023, according to China Index Academy, a private ▸▸

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research firm. The number of people failing to pay their mortgages may be growing much faster. Regulators are wary of aggressive repossessions involving people's primary homes: they worry about triggering public protests. Banks may be mulling another problem. In today's depressed market, auctioning a property may not recoup the mortgage. Online lenders, which provide a more modest share of mortgages, can be far tougher about repayment.

Spendthrifts are another group in trouble. Lily, a millennial in Shanghai, got into debt when her employer, a software firm, stopped paying her wages because of its own cashflow difficulties. She owed 30,000 yuan ($4,200) to online lenders. To help, she is dabbling in "debt IP"—when people turn stories of ruin into a means of generating cash as online influencers. She describes her travails in short videos on social media, but hasn't hit the big-time. Some of the most popular accounts have hundreds of thousands of followers. "Some people are even competing: 'Oh, I'm 10m in debt, I'm 100m in debt,'" she says.

Now consider investment debt. In Hangzhou, Ms Bai used to run a big education business and took out personal loans of millions of yuan to invest in it. Many Chinese borrow to boost family-owned firms and lenders often require personal guarantees, putting households at risk if the ventures fail. At its peak, her business organised cramming classes for between 50,000 and 60,000 students at 30-odd tutoring centres, generating an annual revenue of 100m-200m yuan. Then came covid-19 and a political crackdown on crammers. She had to sell her house and car to pay the debt.

Dealing with the banks was the easy bit, however. During the pandemic the government urged them to be gentle with debtors whose businesses had been affected by it; they agreed to waive tens of thousands of yuan in interest. The tough part was dealing with the pressure dogs hired by online lenders from whom she had borrowed money for personal use. They repeatedly called Ms Bai, her friends and her relatives, often from different phones so they could not be blocked. She is particularly angry about the harassment of her parents. "In China", she says, "we generally don't tell our parents about bad news, so they were very, very affected." Ms Bai became depressed and thought of suicide. Her husband divorced her.

Regulations relating to the debt-collecting industry are new and patchily enforced in China. Rather than helping Ms Bai, a court put her on a "social credit" blacklist, which meant she could no longer fly, use high-speed trains or stay at luxury hotels. So where can debtors find relief? Support groups for them have been growing online. Jiaqi Guo of the University of Turku in Finland has been studying one of them, called the Debtors Alliance, on Douban, a social-networking site. Founded in 2019, it now has more than 60,000 members. Dr Guo says users often discuss *shesi*, meaning "social death". It refers to the destruction of relationships caused by "contact bombing", as the debt collectors' phone calls are described.

The government has tried to show a modicum of sympathy. Last year it banned debt-collection agencies from threatening violence, using abusive language or calling people at anti-social times. It also reminded lenders to protect personal information (presumably meaning stopping misusing contact details). But data-privacy regulations are loosely enforced in China. Complaints on the debtors' forum suggest little change in the collectors' threatening and intrusive behaviour.

One reform that might help is a personal-bankruptcy law, of the kind found in rich countries, to protect debtors from claims that would leave them destitute. The lack of such legislation has fuelled the growth of online loan-sharks offering high-interest credit to desperate defaulters. In 2021 Shenzhen became the first city to introduce a bankruptcy law for individuals. But it has been used with caution. By the end of September 2024 more than 2,700 people had applied for bankruptcy protection under this law, but courts had accepted only about 10% of their cases. A few other places have been dabbling in similar schemes. But the government appears in no hurry: creditors are often big state firms. Officials worry that a national law might signal tolerance of reckless spending or speculative investment. ■

Chaguan, our China column, has been suspended. Our goal is to reinstate it when we have a new columnist resident in Beijing.

Public finances

Filling the holes

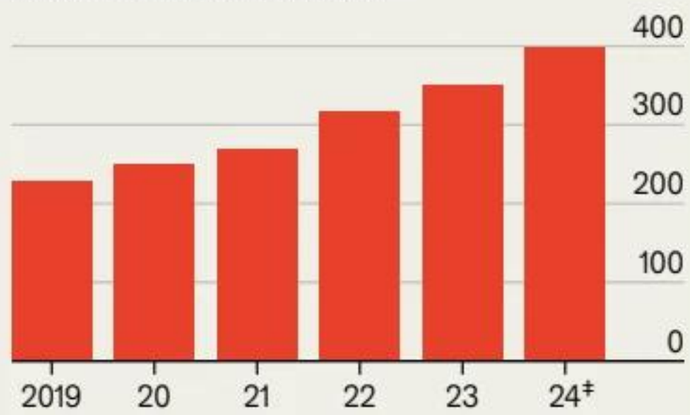
BEIJING

China's local governments flirt with "zero-based budgeting"

UGLY NUMBERS lurk in the books of China's local governments. An annual audit released on June 24th showed that over 40bn yuan ($6bn) of state pension funds were misappropriated last year in 13 of 25 provinces looked at. (There may be more dodgy practices but the auditors only have the resources to focus on certain bits of the country each year.) Among other things, the money was used to repay government debts. Another 4bn yuan was lifted from a programme to pay for refurbishing schools. And billions more were diverted away from farming subsidies. Local officials "are always stealing our money", said one angry commenter on Weibo, a social-media platform. "It's like trusting the mice to look after our rice," wrote another.

Steep trouble

China, local-government debt*, as % of broad fiscal revenue†



*Incl. local-government financing vehicles †Incl. central-to-local transfer payments, tax refunds and government-managed fund revenue ‡Estimate
Sources: Ministry of Finance; IMF; Wind

In truth, local officials are motivated more by desperation than greed. Across provinces, counties and cities, they are responsible for the bulk of government spending. But much of China's tax revenue flows instead to the central government. Local officials used to be able to raise more funds by selling land to developers. But a property slump since 2021 has slashed that source of revenue. Past splurges on infrastructure, meanwhile, have left many governments with huge "hidden" debts, usually within semi-commercial firms known as local-government financing vehicles (see chart). The IMF estimates that such firms sit on 66trn yuan of debt, equivalent to about half China's annual GDP.

China's central government has little sympathy for what it regards as fiscal irresponsibility. It hopes that with better budgeting local governments can manage to cut waste at all levels (and so avoid dipping into the pension pot in order to make ends meet). That is why central authorities have been trying harder since 2024 to expand a reform known as "zero-based budgeting". This requires officials to justify each item in their sprawling budgets (ie, to start from zero) every year. That is in contrast to the current approach, where spending is ▸▸

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typically carried forward from a baseline that is set the year before.

In theory, zero-based budgeting should help clear up all sorts of problems. It might prevent companies from being subsidised by multiple agencies at once—a common result of splashy industrial policies—as duplicated spending would be more obvious. It could also help eliminate so-called zombie policies, which continue to be funded after the need for them has passed. And it should make it harder to swipe from government coffers without being noticed.

Pilot schemes have shown some promising results. In Zhengzhou, a city in central China, officials said they recovered 3bn yuan after implementing zero-based budgeting. In the southern region of Guangxi, officials said they found 18bn yuan of idle funds. In March Deqing, a county in Zhejiang on China's eastern coast, claimed it had slashed its budget for government projects in half by ditching certain projects and merging others. Officials in one department realised that a propaganda campaign to praise the government's agricultural policies duplicated another's. They combined the two (no doubt to the relief of local farmers).

In Anhui province, in China's east, bean-counters claim to have saved 21.6bn yuan since 2022 by nixing hundreds of projects. Before zero-based budgeting, different departments often implemented schemes without even trying to co-ordinate, admitted Zuo Zizhi, an official in Anhui's finance department, in a report by state television last year. "The transport department might build roads in the west, the water department might dig canals in the east...then the housing department might build cities in the north...they all say that their tasks have been completed, but when you look at the reality, there is no result." Mr Zuo and his colleagues were also "stunned" to find eight overlapping schemes all trying to fund innovation, according to the report.

Cutting government spending across the board will be significantly harder—just look at the travails of the Department of Government Efficiency in America. So all this might sound rather too good to be true. Still, there is little doubt that China's local governments could be less wasteful. In March, during his annual report to the country's rubber-stamp parliament, the prime minister, Li Qiang, promised to support officials in their efforts to take zero-based budgeting nationwide.

The process could prove painful. Yang Zhiyong of the Chinese Academy of Fiscal Sciences, a think-tank under the finance ministry, has said it will require "turning the knife inward" and "biting the hard bones". So it is not surprising that, whereas almost every province has promised to review its spending, so far only a handful have set proper plans for doing so all the way down to the county level. Those that have, like Zhejiang, tend to be the ones with relatively healthy books already. Guizhou, a south-western province with fiscal woes so serious that staffers in the central government jokingly refer to it as "Greece", is a laggard.

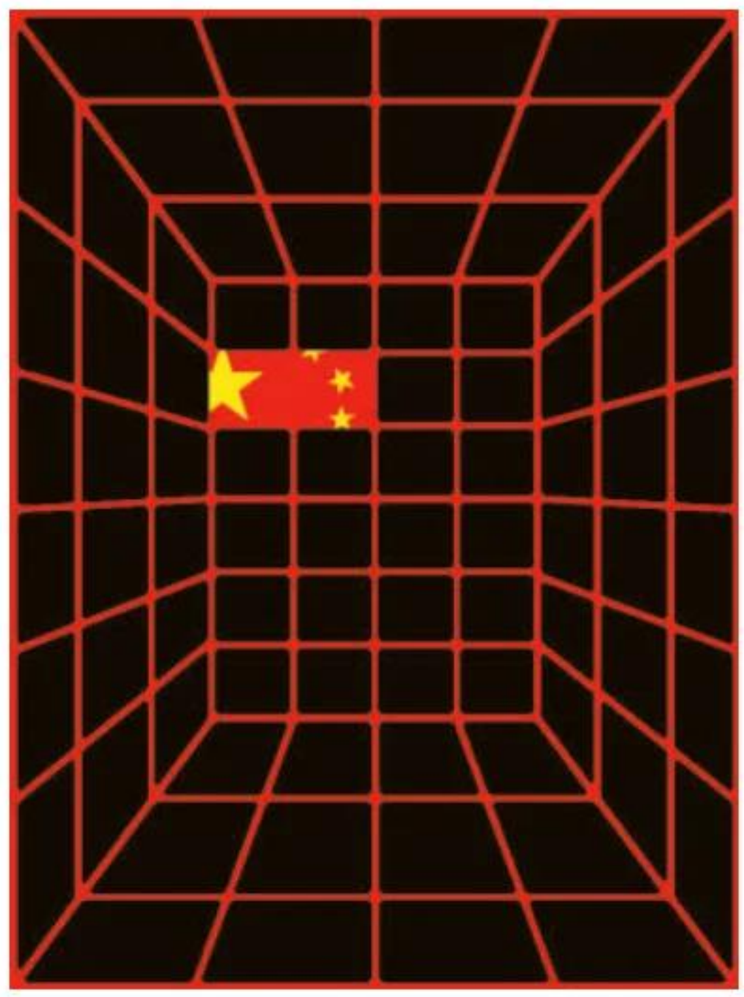
Given the scale of local governments' difficulties, the central government may have to help out more at some point. In November, the finance ministry allowed them to issue extra bonds worth trillions of yuan to replace their riskier hidden debts. But so far China's central authorities have been rather reluctant to offer further support, for fear of encouraging more irresponsible borrowing. In the long run, reforms are under way to shift tax revenues from the central government towards local ones, although the process is expected to take years. Until then, officials must budget better to balance the books. ■

Cyber-espionage

The Italian job

America is coming after Chinese it accuses of hacking

FOR OVER a decade, America's justice department has been indicting Chinese government hackers. Almost all of them have remained beyond the reach of the law. The aim has been to expose and embarrass, rather than to arrest. Now that is changing. On July 3rd Italian police in Milan arrested Xu Zewei, who is alleged to have worked on behalf of the Shanghai branch of the Ministry of State Security (MSS), China's main spy agency. America wants to extradite him for wire fraud, identity theft and hacking.



America says that Mr Xu worked for Shanghai Powerock Network Co. Ltd, a mysterious company whose anodyne name concealed its role in hacking for the MSS. Mr Xu, working as part of a larger group dubbed Hafnium, allegedly hacked into American universities in 2020 and 2021. The targets were institutions where immunologists and virologists were conducting "ground-breaking" research into covid-19 vaccines during the pandemic. He did so by exploiting weaknesses in Microsoft servers for handling emails. (Mr Xu denies wrongdoing and claims he was a semiconductor technician on an Italian holiday.)

Mr Xu is not the first alleged Chinese spy to be caught in America's legal net. In 2022 a federal court in Cincinnati sentenced Xu Yanjun, a career intelligence officer in the MSS, to 20 years in prison for stealing commercial secrets and technology from American aviation companies. That Mr Xu was lured to Belgium in an FBI sting operation in 2018, arrested there and sent to America. But this was largely for traditional human espionage—one of Mr Xu's agents successfully joined the US Army, among other spying capers. The new case is the first involving purely cyber activity. "Xu Zewei violated a golden rule of hacking," notes James Lewis, a cyber expert, "which is never visit a place where a warrant can be served."

It also highlights the pivotal role of China's private sector, which serves as a force multiplier for Chinese spy agencies at both the national level and, curiously, the provincial level. Firms like Shanghai Powerock Network either hack directly or provide tools and services to enable hacks by others. In March America's government charged a dozen Chinese "contract hackers" and officials, many of whom were associated with i-Soon, a prominent company which has been linked to large-scale intrusions around the world.

A report published on July 8th by Kieran Green of Margin Research, an American cyber-security firm, describes a sprawling "cyber militia" of civilian volunteers who train alongside the People's Liberation Army. China's government offers tax breaks, procurement preferences and public recognition to encourage top cyber-security firms and their staff to participate in the scheme. A "vast and growing ecosystem" sees these militia-linked cyber-operators scattered across state-owned companies, universities and tech firms. "These partnerships blur the line between state and private cyber-capabilities," concludes Mr Green. That all suggests that Mr Xu will not be the last Chinese hacker to be indicted by America. But he may well be among the last to take a holiday in Europe. ■

Middle East & Africa

America and Israel

Struggling for a ceasefire

JERUSALEM

Israel's prime minister is under pressure from Donald Trump to end the war in Gaza

EARLIER THIS week hopes for an imminent end to the war in Gaza were at their highest in months. As Binyamin Netanyahu, Israel's prime minister, touched down in Washington on July 7th, talks to finalise a ceasefire agreement had already begun 11,000km away in Qatar. President Donald Trump had told reporters he would be "very firm" with his guest in getting him to accept a deal.

But after two meetings between the two men at the White House, a resolution to the war that began more than 21 months ago remains elusive. At the time of writing Israel and Hamas, the Islamist organisation that controls parts of Gaza, were still struggling to reach an agreement on how Gaza will be run after the war, which has devastated the coastal strip and killed more than 57,000 people.

They have agreed in principle on the framework. During a 60-day truce, half of the estimated 50 Israeli hostages still held in Gaza, some 20 of whom are believed to be alive, would be released in exchange for more than 1,000 Palestinian prisoners. During the same period there would be talks aimed at a permanent ceasefire. But a number of details are still in dispute.

Chief among these is Mr Netanyahu's insistence that "Hamas will not be [in Gaza]" once the war is over. Hamas appears open to discussing a new "technocratic" government in Gaza, of which it will not officially be a member. Israel is demanding that Hamas, which triggered the war in October 2023 when it attacked southern Israel, agree to full disarmament and the exile of its surviving leaders. Hamas, for its part, wants Israel to let in more aid and provide guarantees that the ceasefire will permanently end the war.

Before leaving for Washington, Mr Netanyahu presented a plan to his cabinet that he said was intended to further Israel's aims of destroying Hamas. The idea is to force nearly a third, at first, of Gazans into a corner of southern Gaza that has already been largely destroyed by Israel. Those entering the zone, where food would be distributed, would be searched for weapons and screened for Hamas membership. Meanwhile Israel could continue to search and destroy the depopulated areas. The plan passed unanimously, despite opposition from the chief of staff of the Israel Defence Forces (IDF) and the government's own legal advisers, who argue that such a project would constitute a war crime.

Some government insiders believe the plan is supposed to increase pressure on Hamas and placate the far-right members of Mr Netanyahu's coalition who are against a ceasefire. Whether or not the prime minister actually intends to carry it out, he has directed Israel's negotiators in Doha, Qatar's capital, to insist that Israel continue to control the relevant corner during the 60-day truce. This has added another obstacle to reaching a deal as Ha- ▸▸

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40 Congo sponsors a football team

mas insists the IDF vacate the entire strip.

As negotiators haggle in Doha, the war in Gaza continues. In recent days dozens of Gazans have been killed in daily Israeli air strikes or while trying to get food from the controversial aid-distribution hubs set up by Israel and operated by American mercenaries. At least 500 people are reported to have been shot dead near the centres since they opened in late May. Fuel to operate the few remaining hospitals and a desalination plant is running out due to the Israeli blockade. Hamas now employs guerrilla tactics, carrying out ambushes against Israeli forces. On July 7th it killed five soldiers using roadside bombs.

Israel's generals have told their political masters that little of military value remains in its operations. Many soldiers in the strip share that view. "We're just dithering here, blowing up buildings that have already been destroyed and trying not to be ambushed," says one.

Even so, Mr Netanyahu is continuing to hold out against Mr Trump's entreaties to announce an end to the war. He has yet to propose a viable plan for a day-after scenario in Gaza. Yet there is still some ground for optimism that this round of talks will end in a deal. The president, flush from the ceasefire he imposed on Israel and Iran after America's strikes on Iran's nuclear facilities, likes the idea of himself as a world-historic peacemaker.

Mr Netanyahu, for his part, wants American backing for more strikes if Iran tries to revive its nuclear and missile programmes, as Israeli intelligence fears it is intent on. Mr Trump may not want to be dragged into another round of fighting, though, so Mr Netanyahu may feel he needs to accept a deal in Gaza to keep Mr Trump on side. At the same time, the threat from his far-right coalition partners to leave the government, should he decide to end the war, is becoming less compelling. Israel will have to hold an election by October 2026 at the latest. For Mr Netanyahu, whose public image has been somewhat boosted by the strikes against Iran, an earlier one may not seem like a bad bet.

Hamas, too, is under increasing pressure to compromise (see next story). With Iran drastically weakened, it has lost one of its main backers in the region. It still has the support of Qatar and Turkey, but both are anxious to remain in Mr Trump's good books. Within Gaza, Hamas is enfeebled. A ceasefire now could be its best chance to retain some of what little power it has left.

Yet even if a deal is reached in the coming days or weeks, the reprieve is likely to be temporary. For the 60-day truce to lead to the end of the war, unlike during the first ceasefire earlier this year, Mr Trump will have to keep up pressure on both sides. And the would-be peacemaker-in-chief is not known for his attention span. ■

Hamas

Spiralling downward

The Islamic Resistance Movement is close to giving up resisting

THERE ARE few matters on which Binyamin Netanyahu, Israel's prime minister, agrees with Al Jazeera, the Qatari satellite TV channel. Yet both consider Hamas, the Islamic movement that controls the Gaza Strip, exceptionally resilient. After 21 months of fighting there, Mr Netanyahu insists the group has yet to be defeated (see previous story). Meanwhile Al Jazeera still runs back-to-back bulletins lauding Hamas's heroics in the fight against Israel.

Yet according to multiple testimonies from Gaza, Hamas is on its last legs. Its military and political leadership has been almost entirely eliminated. Its government no longer governs. Gangs and looters are filling the vacuum. Its popular base has collapsed, with just 6% of Gazans still said to support it. Foreign backers are retreating. Nearly four decades after its founding, the group is nearing its lowest ebb.

Little remains of the leadership, whose exile Israel demands as a condition for a permanent ceasefire. All but one of its military council have been killed. In May Ezz al-Din al-Haddad, the head of Hamas's Gaza City brigade, declared himself leader. He is said to survive by using the 20 or so remaining Israeli hostages as human shields. Israel has destroyed his communications network and chain of command. Though isolated cells still regularly kill Israeli soldiers in ambushes, Israel's campaign to push Gazans into an ever-smaller area is proceeding largely unopposed.

Time to face the facts

Hamas's political leadership is in similarly dire straits. Of the 15-strong politburo in Gaza, once the movement's driving force, most are dead. The three known survivors have fled abroad. Their government in the strip is collapsing. The education and health ministers are said to be alive, but incommunicado. The 36 hospitals, 12 universities and hundreds of schools they used to oversee mostly lie in ruins. Israel's army has killed law-and-order personnel, from the interior and justice ministers down to traffic police. The clan-based gangs that Hamas crushed back in 2007 have filled the vacuum, looting much of what little food Israel has allowed independent aid agencies to distribute in the strip in recent weeks.

After the ceasefire in January, Hamas quickly re-established control in Gaza, despite the losses it had suffered. But it is now both weaker and facing more competition. According to Mr Netanyahu, Israel has armed the clans, at least six of which claim to have carved out their own enclaves and are engaged in near-daily skirmishes with what remains of Hamas. Israel seems keen to give them more control.

At the peak of its power, in 2009, Hamas demanded a majority of the seats on the Palestinian National Council, the Palestinians' parliament. That was its price for reconciling with Fatah, the Palestinian president's movement in the West Bank, and for reuniting the would-be state's two separate territories. Now, if Israel let them, President Mahmoud Abbas's men could probably take over Gaza.

The world around Hamas has shifted, too. Gone are the monthly stipends of $30m and $15m the group used to get from Qatar and Iran respectively (in Qatar's case via Israel). Israel's pummelling of Iran and its Lebanese satellite, Hizbullah, has also hit Hamas's arms supply and logistics support (though it is rumoured to be buying some weapons from the clans Israel is arming). The movement still has supporters in the diaspora, but they are embattled, too. Britain recently classified a pro-Palestinian civil-disobedience group as a terrorist outfit. If Palestinians in the diaspora had a vote, Hamas might still win an election. But they don't.

For now, Hamas's decision-makers limp on in Doha, Qatar's capital, and Istanbul, the two cities where they can still operate. Without proper control of Gaza, the movement can no longer pack a punch. Its prime remaining leverage is control over the surviving Israeli hostages, which they may soon have to give up as part of a second ceasefire. If anyone cared to ask them, the desperate people of Gaza would probably say that whatever remains of the group should just surrender and go. ■

American diplomacy

Trumpafrique

What a meeting with five leaders says about Donald Trump's interest in Africa

IT IS EASY to make a case that Donald Trump cares little about Africa. On July 1st he closed the United States Agency for International Development (USAID), absorbing an institution that spent 40% of its budget on sub-Saharan Africa into the State Department. The administration has yet to fill several Africa-related posts. AFRICOM, America's military hub on the continent, speaks euphemistically of a new "African-partner-led" approach to security. The African Growth and Opportunity Act (AGOA), which granted duty-free access to the American market for African exporters, expires on September 30th. Of the 19 countries subject to Mr Trump's latest travel ban, ten are African.

Yet Mr Trump is showing surprising enthusiasm for meeting his African counterparts. On July 9th he hosted presidents from five African countries in the first of what is mooted as a series of meetings. In May he met Cyril Ramaphosa, South Africa's president. The leaders of Congo and Rwanda, which signed an American-brokered peace deal in June, may also soon visit. A bigger summit involving dozens of African leaders is planned for September.

The upshot is a paradox. Under Mr Trump, America will do a lot less in Africa than it has done for decades. But African leaders will get more chances to have the ear of the American president.

Mr Trump, who has called Namibia (or maybe Zambia) "Nambia" and said of Congo "I don't know what that is", may end up hosting more African leaders than any of his predecessors. Data from Judd Devermont, a former Africa official in the White House, show that George W. Bush holds the record (see chart). If judged on his first term, Mr Trump would be bottom of the list. In his second he may move up.

The meeting on July 9th is a sign of his personalised and often random approach. Beyond being from coastal states in or close to west Africa (Gabon, Guinea-Bissau, Liberia, Mauritania and Senegal), the guests have little in common. There is no regional hegemon among them. Some have mining prospects, but they lack the mineral resources of, say, Congo.

Instead, the meeting is the result of lobbying by Umaro Sissoco Embaló, president of Guinea-Bissau. The former Portuguese colony of 2m people is best known as a coup-prone narco-state. Yet Mr Sissoco Embaló fancies himself as Mr Trump's Africa whisperer. He has made around 300 foreign visits since taking power in 2020; many of them, according to one African leader, without being invited. An opposition figure from Bissau says his message for Washington is: "I'm your man, tell me what you want me to do to help you."

For Mr Sissoco Embaló the meeting is a way of trying to win support for his efforts to stay in power. Mr Trump, who is as transactional as your typical African leader, felt it was worth an hour of his time to have lunch. The other guests were added later, seemingly on the basis that they were from the same rough neighbourhood without being of first-tier importance.

The Trump administration is clear that its priority in Africa is business. "We no longer see Africa as a continent in need of handouts, but as a capable commercial partner," says Troy Fitrell, the outgoing senior official for Africa in the State Department. The goal is "to increase US exports and investment in Africa, eliminate our trade deficits and drive mutual prosperity." If more business for America means less business for China, all the better.

To that end American ambassadors will have more of their performance assessed on whether they can seal deals for American firms. Government agencies that offer financial incentives to American firms to invest in Africa (and other places) have been told to disburse money more quickly.

At the lunch on July 9th, Mr Trump told his guests he sees "great economic potential in Africa" as they took turns flattering him. Bassirou Diomaye Faye, Senegal's president, complimented Mr Trump's golf skills and offered to build a golf course.

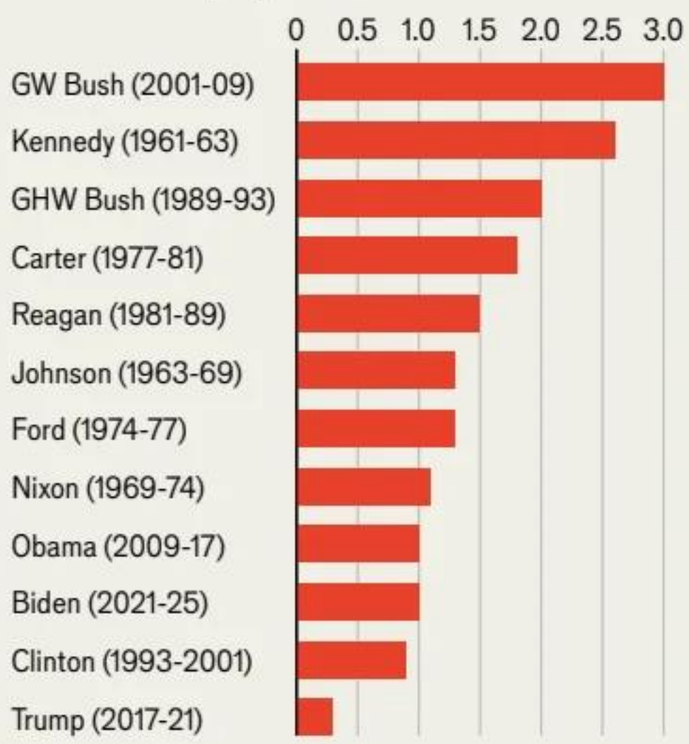
The culture of the Trump administration is familiar to many African leaders, argues Alex Vines of Chatham House, another think-tank. "Neo-patrimonialism", a term used to describe how in post-colonial Africa formal state institutions exist alongside informal networks involving business associates and members of the same family or tribe, is a useful way of thinking about Trump world, says Nic Cheeseman of the University of Birmingham in Britain. Massad Boulos, father-in-law to Mr Trump's youngest daughter and a member of a Lebanese family with business interests in Africa, is the president's senior Africa adviser. Gentry Beach, a university friend of Donald Trump junior, is said to be exploring a deal to invest in a mine in eastern Congo.

Yet it is far from clear that Africa benefits when American policy is all realism and no altruism. "Each deal is an appeasement mechanism," argues Gyude Moore, a former Liberian cabinet minister. "Something to stave off further deterioration of an already negative situation." Except for some resource-rich countries, most will not be able to offset the impact of aid cuts and higher tariffs.

Mr Devermont notes that "on balance" presidents with the most Oval Office meetings with African leaders left the largest impact on the continent. Mr Bush created PEPFAR, an anti-AIDS initiative. Kennedy set up USAID. Mr Trump's legacy, if he leaves one, will be defined by deals, not do-goodery. ■

The African Bush

US presidents, days with meetings with leaders from sub-Saharan Africa, as % of working days in office



Source: Judd Devermont

Crime in South Africa

Assassin's creed

CAPE TOWN

Murder-for-hire is spreading from gangland into wider society

IN LATE JUNE a dozen soldiers from a South African elite special-forces unit appeared in court in Johannesburg. They were charged with the murder of Frans Mathipa, a police detective. He was shot twice in the head from a moving car while driving north from Pretoria in 2023.

The detective's murder is a special case: at the time he was shot, he was investigating the unit whose members have been charged with his killing. Yet it is also part of a grim trend. Having inconvenient people bumped off is disturbingly common in South Africa. What began as a way to settle drug disputes or turf wars between gangs has become a service industry with a varied customer base. Targets range from teachers to civil servants and politicians.

Contract killings are still a small share of all murders in the country of 64m people, where an average of 72 people were killed every day in 2024. Yet there has been a sharp rise since 2015, says Rumbi Matam- ▸▸

ba, who tracks these murders for the Global Initiative Against Transnational Organised Crime (GI-TOC), an NGO. There are now at least ten a month, reckons Ms Matamba, up from around four a month in the early 2010s. She says the rise is mostly the result of the increasing availability of both guns and hitmen, known as *izinkabi* in Zulu. Legitimate jobs are scarce and killers are rarely caught. As a result, many young men who started out as apprentice assassins in gangs are now willing to moonlight for other clients.

The first time he killed someone for money it took him two days to work up the courage, says one teenage killer. He shot three times, missing once, "because it was the first time, and I looked away". The next four murders came easier. "After two or three times you can look at someone's face," he says. He reckons he may survive in the job for a year or two. The most he has ever been paid for a hit was 400 rand ($23). That is at the low end of the scale. Murders that require extensive surveillance of the intended victim, or where the victim has bodyguards, cost more.

The proliferation of hitmen is one factor in the spread of assassinations. Another is impunity. One study estimates that police solve as few as one in ten political assassinations. Partly that is because the criminal networks are so sophisticated. Triggermen rarely know who commissioned the hit, says Mark Shaw, author of a book on assassinations. Both middlemen and *izinkabi* are expendable if powerful clients want to cover their tracks. Yet police are also sometimes complicit, either by renting out their uniforms or body armour to criminals, or by offering themselves as killers for hire. Of the 337 people arrested by an assassination task force since 2016, 47 were members of the police. The task force was disbanded earlier this year; on July 6th a senior policeman broke ranks and accused the minister of police of meddling in its investigations (the minister denies the allegation).

Most contract killings are still linked to disputes over lucrative minibus routes, which are controlled by mafia-like networks, and other organised crime. Together these account for around two-thirds of the total, according to GI-TOC. About a quarter are politically motivated, often linked to rivalries within the African National Congress, the main governing party, as candidates seek to eliminate rivals higher up on election lists or gain control of lucrative municipal budgets.

The practice is beginning to seep into other areas of society. In 2021 the chief accountant in Johannesburg's provincial health department was murdered as she was preparing to expose a big accounting fraud in a local hospital; her death set the investigation back by years. In 2017, the head teacher of a school in KwaZulu-Natal province was shot in front of her history class; school governors barred staff from applying to fill the vacancy because they suspected them of having been involved.

When politicians and civil servants fear for their lives for doing their jobs, the functioning of the state is compromised. That is even more true when lawyers, politicians or members of the police like Mathipa are targeted. Mr Shaw worries that hitmen could increasingly be paid to kill more senior politicians, police officers or judges, further undermining South Africa's already embattled institutions.

The arrests in the Mathipa case are a welcome sign that the South African state is not entirely powerless to deal with the threat. Yet real justice is rare. The men who killed the accountant in Johannesburg were eventually convicted. Their paymasters remain in the shadows. ■

Congo and AC Milan

Football diplomacy

Why a war-torn African country is sponsoring a European sports team

THE WEBSITE of AC Milan, an Italian football club, lists the club's sponsors. Recently, a new name appeared between Clivet, a maker of air-conditioners, and Kumho, a tyre manufacturer: the Democratic Republic of the Congo.

The deal, which is driven by Congo's tourism ministry, may seem unusual. Congo's annual GDP per person is less than $650. Many governments advise their citizens against travelling to the country, large swathes of which are riven by war and lawlessness. Why would it decide to sponsor a wealthy European football team?

The answer is diplomacy. Congo has been in conflict with neighbouring Rwanda for more than 30 years (a peace deal, signed in June, left out important details). Rwanda has been in the football business since 2018, when it made a sponsorship deal with Arsenal, a British team, said to be worth $10m a year. It later struck similar agreements with Paris Saint-Germain in France and Bayern Munich in Germany.

As fighting on the border escalated earlier this year Thérèse Kayikwamba Wagner, Congo's foreign minister, pressed the clubs to end their deals with Rwanda, to no avail. So now Congo is instead trying to emulate its neighbour.

The deal is unlikely to attract many tourists. But it may bring other benefits. AC Milan has close links with Italy's political establishment. The deal aligns with Italy's new Africa policy, for which it earmarked €5.5bn ($6bn) last year, with Congo billed as a chief beneficiary. Announced just before Congo and Rwanda made peace in Washington, it may also please Donald Trump: an American firm bought a majority stake in AC Milan in 2022.

The benefits for AC Milan are less clear. The club did not disclose the value of the deal. It will probably see no money flow its way, reckons Simon Chadwick of Emlyon Business School in France. Even if it did, the amount would probably be negligible. Congo's $18m tourism budget is dwarfed by AC Milan's €457m in annual revenue.

Instead, aligning with a government with a less-than-stellar human-rights record may invite opprobrium, as Arsenal found when it partnered with Rwanda. Yet plans to refurbish sports facilities and set up a youth academy in Congo suggest the club is happy to accept that risk to bolster its reputation for social work—and its relationship with millions of African fans. ■

Europe

The Visegrad Four

Pride before a fall

BUDAPEST

Hungary and its neighbours face an economic slowdown

FOR VIKTOR ORBAN, it was a nightmare. On June 28th over 100,000 people marched in Budapest's Pride parade, championing LGBT rights and defying a government ban. Hungary's hard-right prime minister has dominated his country's politics since 2010. But for months polls have put his Fidesz party well behind a new outfit founded by Peter Magyar, a conservative who rails against government corruption. With a general election due in April, Mr Orban's formula of bashing gays, migrants and the European Union seems to have stopped working.

Yet corruption is far from the only reason voters have turned on the government. "The Hungarian economy is going nowhere," says Peter Virovacz, an economist at ING, a bank. After a good run in the past decade, the country has run out of steam.

Central Europe's "Visegrad" states, or V4 (the Czech Republic, Hungary, Poland and Slovakia), have had strong economies for years. Now, apart from Poland, they are going through a rough patch. All four have revised expectations down in the face of Donald Trump's trade war. Poland is still expecting growth of 3.3% this year, according to the spring forecast of the European Commission. But Hungary is expected to grow by just 0.8%, Slovakia 1.5% and the Czech Republic 1.9%.

In the past five years the V4 have faced repeated tests. Both the pandemic and Russia's full-scale invasion of Ukraine, which hugely inflated energy prices, depressed the growth they need to catch up with western Europe. The latest headaches are rising tariffs, which feel especially threatening to open economies such as the V4, and the woes of German industry. Germany trades more with the V4 collectively than with America or China, and is the biggest investor in the region.

"The broad story is still one of resilience," says Richard Grieveson of the Vienna Institute for International Economic Studies. Consumption and investment are strong and labour markets are tight. Direct trade flows between the V4 and America are low, so the immediate impact of Trumpian tariffs is relatively modest. Slovak exports to America account for 4% of GDP; for the other three the figure is 1%-3%. Poland has the least to worry about, with a big internal market of 39m people, larger than the other three combined. Exports of goods and services in 2023 came to 58% of Poland's GDP; for Slovakia it was 91%.

What will hurt more is the tariffs' collateral damage, which stems from the V4's close ties with Germany's export-dependent industries. These were struggling even before Mr Trump started his trade war. Germany's economy contracted slightly in both 2023 and 2024. The car industry, Germany's biggest, faces declining demand and rising Chinese competition. ▸▸

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Mr Trump's 25% tariffs on European car imports have added to its woes.

That hits the Czech Republic, Hungary and Slovakia hard. Mercedes, Volkswagen (VW) and BMW are big investors in all three countries. Audi (part of VW) employs more than 11,000 workers at a factory in Gyor, in western Hungary. In Kecskemet, south of Budapest, a Mercedes plant has over 5,000 employees. The automotive industry is "the crown jewel" of central Europe's industrial heartland, as a recent paper by the European Council on Foreign Relations (ECFR) puts it. It generates 9% of GDP in both the Czech Republic and Slovakia.

The ECFR paper warns that Europe's industrial might could wither if carmakers close their factories because of competition with Chinese brands. Another possible scenario is a "sinicised heartland", with Chinese firms acquiring or creating car companies in central Europe. This process has already begun. In May BYD, a Chinese electric-vehicle (EV) maker, announced that it will establish its European headquarters in Hungary, where it is building an enormous factory. China's CATL is building a huge battery plant for EVs in the Hungarian city of Debrecen. Volkswagen is reportedly considering Chinese offers to buy some of its excess capacity.

Poland's economy is more diversified, and the car industry plays a lesser role. But Germany is still its largest trading partner, accounting for a quarter of trade, and its biggest European investor. It provides 16% of foreign direct investment.

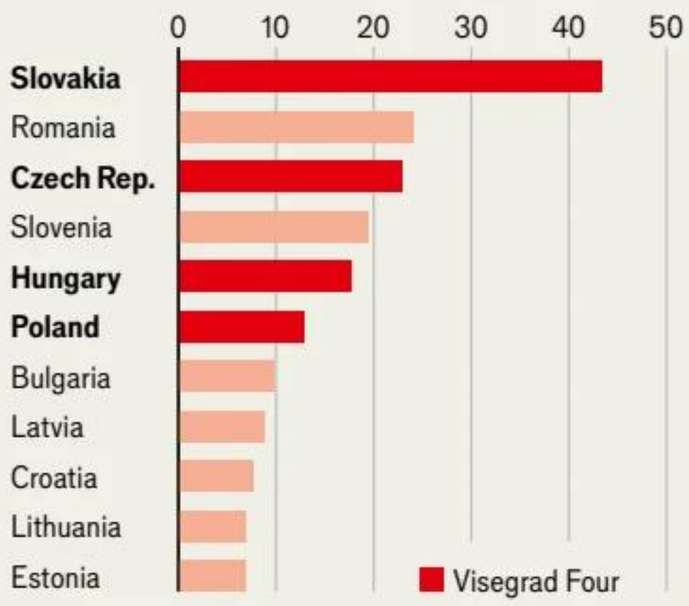
There is a silver lining to the V4's tight intermeshing with German industrial supply chains. The region is expected to benefit from the massive investment programmes in defence and infrastructure launched by Friedrich Merz, the new German chancellor. Mr Grieveson thinks Germany's fiscal stimulus will have a spillover effect in the V4 starting next year.

Some hope peace in Ukraine will provide a boost, if it comes. Reconstruction "will be a growth driver", predicts Adrian Stadnicki of the German Eastern Business Association. A study by the United Nations, the EU and the World Bank estimates the cost of rebuilding at half a trillion dollars. But whether such sums can be ponied up at a time of tight budgets and waning global interest seems doubtful.

Zoltan Torok, an economist at Austria's Raiffeisen Bank in Budapest, agrees that peace will be a boon for the region. But he does not think it will enable the V4, with the possible exception of Poland, to escape the middle-income trap; they may remain stuck at an intermediate level of economic development. They badly lack innovative companies. As they spend only 1-2% of GDP on research and development, this is unlikely to change soon. No wonder that according to Mr Torok, "the mood of Hungarian business is depressed." There seems to be more excitement on Budapest's streets than in its boardrooms. ■

Ride share

Germany, automotive imports from central and eastern Europe, as % of total imports, 2023



Source: European Council on Foreign Relations/Eurostat

Ukraine's politics

A bad time for palace feuds

KYIV

A presidential aide uses the war to amass power

THE NEWS FROM the front is not good. Russian forces are close to turning the city of Sumy into a grey zone and are pressing forward in the Donbas. Record numbers of drones and missiles rain down on Ukraine's cities. On July 1st American military assistance stopped abruptly, with all arms shipments put on hold. Who ordered the halt and why was unclear; Donald Trump may have been unaware of it. On July 7th America's president announced aid would resume and that the Ukrainians "have to be able to defend themselves", prompting wary relief in Kyiv.

But Ukraine's military drama is only part of the story. Equally worrying is political infighting that could do the country more damage than the Russians can. Three developments in June set the tone.

On June 23rd, a deputy prime minister, Oleksiy Chernyshov, became the most senior Ukrainian politician ever charged with corruption. Around the same time, the cabinet was warned of a reshuffle probably including a new prime minister, the 39-year-old Yulia Svyrydenko. And a renewed attempt was made to remove the fiercely independent spy chief, Kyrylo Budanov—though it failed. Multiple sources describe Andriy Yermak, the head of the presidential office, as central in all three plays.

The tall and imposing Mr Yermak's outsize role in government attracts conjecture. Before appearing as a junior aide to Volodymyr Zelensky, Ukraine's president, in 2019, he was known as a TV and film producer; a lawyer; a fashion-industry operative; and a fixer for kiosk businesses. His rise has been meteoric, but many are unimpressed. *Politico*, a news site, reports bipartisan American despair at Mr Yermak's lecturing diplomacy. Doors seem to be closing on him in Washington. Many expected Mr Yermak might have to fight for his political life. But events in June suggest that domestically, he is stronger than ever.

There is no evidence Mr Yermak ordered the probe into Mr Chernyshov. For over a year, detectives have been investigating claims that his associates bought cut-price apartments in a project he greenlit. But three officials, speaking anonymously, say that Mr Yermak wielded his influence by letting the case progress while freezing others. Mr Chernyshov's real offence, they claim, was offering himself as an alternative conduit for American relations. (Ukraine's National Anti-Corruption Bureau denies that politicians have any influence over its investigations.)

His downfall cleared the field for Ms Svyrydenko, a close associate of Mr Yermak. The idea of her replacing the incumbent prime minister, Denys Shmyhal, is not new. A year ago Mr Zelensky vetoed it. But since then Mr Yermak has grown stronger. A parliamentary vote on the switch is expected within weeks. Changes are also expected at many other ministries. One official says that "Andriy is completing what he sees as unfinished business. The [vast majority] of the people are his."

Mr Yermak has been feuding with General Budanov for three years. Sources say he considers the general an erratic revolutionary building his own political machine; "90% of the [presidential] office think he's mad," says one insider, "and 10% think he's a genius." The spy chief's allies call him one of a dwindling few able to tell the president hard truths. But by mid-June, many feared Mr Yermak's "ninth try" at ousting him would succeed. That turned out to be premature. Warnings from the White House not to fire him may have helped.

General Budanov's survival shows that Mr Zelensky retains the final decision. But officials say Mr Yermak is controlling information flows to the president and creating an atmosphere of innuendo and conspiracy. Rough palace politics are not unexpected in a country tested by years of war. But Ukraine's predicament makes dysfunctional power structures dangerous. One solution would be to open up, but that is not likely. There is mounting concern about a drift towards authoritarianism. "The Russians are slow-roasting us over a low flame," despairs one senior official, "while we are playing at idiotism with very serious consequences." ■

Austria's leader

The accidental chancellor

VIENNA

Christian Stocker is striving to fend off the hard right

ON JANUARY 5TH Christian Stocker drove to a leadership meeting of the People's Party (ÖVP) wearing jeans, expecting to resign from his job as party secretary-general. Coalition talks with the Social Democrats (SPÖ) and the liberal NEOS had failed; Karl Nehammer, the ÖVP leader and chancellor, had stepped down. Instead, a few hours later Mr Stocker emerged in a blue suit (quickly driven over from his home) to announce that as the acting party leader he would conduct talks with the hard-right Freedom Party (FPÖ) to form a government led by Herbert Kickl, the FPÖ's head.

The FPÖ, one of the earliest of Europe's parties to embrace anti-immigrant populism, had come first in an election in September. But its coalition talks with the ÖVP under Mr Stocker quickly collapsed too, over disagreements on Europe policy (and whether German should be the sole official language at universities). Austria's president then asked Mr Stocker to try again with the SPÖ and NEOS. Haunted by the thought of seeing Mr Kickl in Ballhausplatz, the chancellor's baroque offices, the parties put together the first three-way coalition in Austria's history. After four months in power, on July 7th Mr Stocker held a press conference with the SPÖ's Andreas Babler, his deputy, and the NEOS' Beate Meinl-Reisinger, his foreign minister, to take stock.

Mr Stocker is not given to hyperbole; his nickname is the Buddha of Ballhausplatz. He terms his team's work so far "presentable". He has curbed refugees' rights to family reunification, and tightened gun laws following a mass shooting at a school in Graz last month, which killed ten people. The budget he has proposed for this year and next includes spending cuts of €15bn ($17.5bn). The deficit in 2024 came to 4.7% of GDP; this year's is forecast at 4.5% even with the cuts, well over the EU's much-abused 3% limit. On July 8th the European Commission subjected Austria to its excessive-deficit procedure, applying pressure to narrow the gap further.

Interviewed by *The Economist*, Mr Stocker says competent, stable government will restore his party's popularity. Immigration has been slashed, he says, comparing the current situation to that in 2019, when Mr Kickl was interior minister in a previous government. Some 14,000 asylum-seekers now receive welfare payments, about 12,000 fewer than in spring 2019. Mr Kickl has shown "he can't do it", says the chancellor.

Mr Stocker says his biggest challenge is to persuade disillusioned voters who backed the FPÖ last autumn that the hard-right party does not have answers to their problems. During the election campaign he called Mr Kickl a threat to democracy and a security risk, and he says he meant every word. At the election the FPÖ got 29% of the vote, the ÖVP 26% and the SPÖ 21%. Recent polls show little has changed. Mr Stocker admits this is not good enough. But with federal elections not due till 2029 and state ones in 2027, he has some time to implement reforms.

Kathrin Stainer-Hämmerle of the Technical College in Kärnten thinks that Mr Stocker and his team are governing competently, but lack vision. At a time of war in Ukraine and turmoil in America, Austrians need a "grand narrative" of where the country is going. The inflation rate stood at 3.3% in June; groceries, especially sensitive for working-class voters, are substantially more expensive than in neighbouring Germany. The trade wars unleashed by Donald Trump weigh heavily on a country where exports account for 60% of GDP. America is the country's second-biggest trading partner after Germany.

The country's mood is middling, says Laurenz Ennser-Jedenastik of the University of Vienna. Planned cuts to pensions and early-retirement rights could depress it. So might the upcoming end of the climate bonus, a rebate of carbon taxes. Mr Stocker knows his government is probably the last chance to prevent one led by the caustic Mr Kickl, a xenophobe who terms political rivals "traitors to the people". It is a tall order. Mr Stocker is approaching it with Buddhist calm. ■

Contemplating political nirvana

Renting prisons

Send the bad guys away

The idea of renting prisons abroad may be catching on in rich countries

EUROPE'S JUSTICE ministries have a problem. Courts are locking up more criminals, but figuring out where to put them is proving tricky. In a growing number of countries, prisons are packed to the rafters. Occupancy levels now average close to 95% in the European Union; they exceed 100% in nearly half the bloc, mainly in western Europe. Beyond the EU, the trend is similar. Even in Switzerland and Iceland, which boast some of the lowest crime rates in the world, jails look uncomfortably full, thanks to lengthier sentences. Britain's are bursting. Building new prisons is expensive, slow and provokes resistance from the NIMBY crowd.

Some governments are turning to unconventional solutions. On May 18th France's justice minister, Gérald Darmanin, announced plans for a new prison in Guiana, a French overseas territory in South America, including a high-security wing for particularly dangerous criminals. To avoid drawing parallels with the days when France ran the notorious Devil's Island penal colony there, Mr Darmanin emphasised that most spaces will be filled by local offenders and drug traffickers.

For countries lacking overseas territories with cheap land and flexible construction rules, the challenge is tougher. One solution lies in European countries that do not face prison overcrowding. Some countries with spare capacity seem open to renting out their vacant cells. For €200m ($234m) over ten years, Kosovo has agreed to house 300 inmates from Denmark in its Gjilan prison. That will cut Danish occupancy levels from near-full to a more manageable 92%. Kosovo is also talking to other countries, including Belgium. Estonia, where nearly half of prison cells sit empty, is putting out feelers to potential renters. Sweden is said to be interested: its crackdown on gang violence is landing ever more people in the slammer.

Backers of prison-rental arrangements argue that they simply allocate resources more efficiently, creating a sort of market for prisoners. But other issues are in play. Both United Nations guidelines (known as the Nelson Mandela rules) and the Council of Europe's rules give prisoners the right to in-person contact with family. The distances involved in some rental arrangements make this prohibitive. Families of Danish prisoners would face a journey of over 2,100km to visit inmates at Gjilan. ▸▸

Big house: not big enough

Prison occupancy as % of official capacity, 2025 or latest available

Source: World Prison Brief *Unweighted

Danish authorities want to arrange virtual visits and provide funding for travel, but inmates will find sentences lonely.

Governments are trying to get round these concerns by reserving the schemes for foreign nationals, who represent a hefty share of the prison population in much of western Europe. This also allows governments to spin the proposals as a way of getting tough on illegal immigration. It is no coincidence that most of the countries considering prisoner transfers are ones where far-right parties are particularly influential, or (in Denmark's case) where the government has adopted a hardline stance on immigration. The idea is that once prisoners have served their sentence overseas, they will be deported directly to their country of origin, rather than going back to the country in which they were convicted.

Others fret about conditions in foreign prisons. Countries with cells for rent have little experience with foreigners in custody. Language barriers pose obvious challenges. If the schemes materialise, governments may need to hire or retrain a lot of new prison staff. Denmark is providing training to Kosovar prison guards and rebuilding the Gjilan facility so that it complies with Danish standards. But prisoners are unlikely to be enthusiastic about being forcibly carted off to faraway facilities, while prison guards may resent treating foreign inmates better than local ones. The atmosphere in such prisons could become extremely tense.

Longer prison terms are one reason for the overcrowding. Moving prisoners to rented jails abroad is a dodge, says Catherine Heard of the Institute for Crime and Justice Policy Research in London: "Rather than accepting that decades of tougher sentencing policies are what caused the crisis, not foreign criminals, it is politically easier to reach for a headline-grabber, like deportation to Kosovo." But in some countries crime is rising; others, such as the Netherlands, have too few corrections officers. Fixing such problems is difficult. Far easier to ship inmates away. ■

Icelandic defence

Army of me

REYKJAVIK

The land of Bjork considers how to defend itself

ZIPPING OVER lava fields and fjords, the Icelandic coastguard were putting a chopper crew through its paces. The coastguard, which Iceland relies on instead of an army, does everything from rescuing wayward tourists to protecting undersea cables from sabotage. But they are starting to feel a bit overstretched. "Three helicopters, two ships and one aeroplane is not enough," sulks one officer after dropping off a colleague next to a steaming volcano.

A founding NATO member, Iceland has relied mainly on America for its defence. But as Europe rearms and the Americans call out laggards, it is feeling the heat. "They are putting pressure on us," admits Thorgedur Katrin Gunnarsdottir, the foreign minister. Iceland has spent just 0.2% of its GDP on defence in recent years.

Home to some 400,000 people, the island matters. Americans use it as a base to watch for Russian submarines sneaking into the Atlantic. This geographical importance has allowed Iceland to outsource its own defences. "We need to do more," says Thorgedur. There are plans to boost spending, perhaps to 1.5% of GDP. That will help keep watch over the Atlantic and build infrastructure that American and European ships, submarines and planes could use as wartime staging posts.

State of emergency?

But neglect leaves Iceland vulnerable elsewhere. It could be cut off if its cables were severed. It has no intelligence service to hunt saboteurs and spies. Thorgedur says she supports setting one up. The coastguard would struggle if multiple ships sank simultaneously; Iceland has only recently begun spending on unmanned submarines and anti-drone technology. A cross-party task force is discussing what else to consider.

Some want to take the next step. Arnor Sigurjonsson, until recently the Icelanders' top defence official, says the government in Reykjavik should bite the bullet and create an army. It is infantilising to outsource defence, he argues. He wants a thousand-strong force to defend airports and harbours in emergencies and says Icelandic infrastructure could be targeted by Russian strikes. "They say that we are too few and too poor," he says. "This is simply not true."

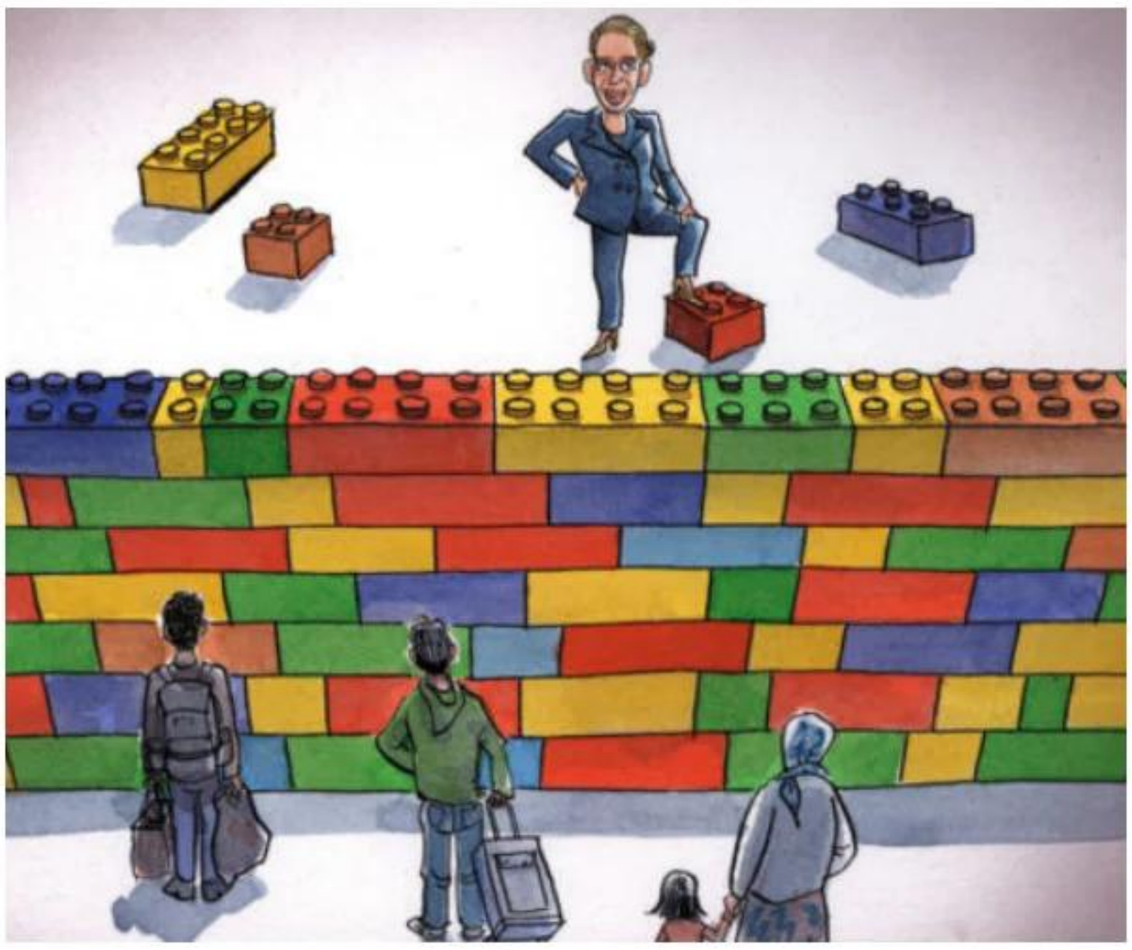
Such views were once laughed at, but no longer. Though most remain sceptical about Arnor's proposal, Icelanders generally agree they should spend more. Thorgedur takes no position on the need for an army, but notes that Luxembourg has a small force. Malta too has a proper fleet. "I am not afraid of this debate," she says. "The main question is: how do we defend Iceland?"

The issue has become more pressing because of Donald Trump's threats against (relatively) nearby Greenland, which Icelanders have followed with alarm. It is Mr Trump who would decide whether America will defend Iceland. He must surely be displeased that Americans have been footing the island's defence bill.

It is a geological fact that Iceland is being torn apart as Europe and America drift away from each other. Volcanoes testify to this. Now Icelanders worry it could become a political reality too. That is rekindling debate over whether to join the European Union. A referendum is planned on resuming accession negotiations. Polls indicate it will pass. Icelanders, says Pawel Bartoszek, a pro-European MP, are looking towards Europe more than ever. The two people doing most to convince them to join the EU, he says, are "Vladimir Putin and, in many ways, Donald Trump".

CHARLEMAGNE
Another brick in the wall

Denmark's lefties defied the liberal consensus on migration. Has it worked?



VENTURING BEYOND the ring road of just about any western European capital, far from its museums and ministries, often means encountering a landscape that mainstream politicians prefer to gloss over. Many suburbs are havens of familial peace. But others are the opposite: run-down dumping grounds into which societies shunt the immigrants whom they have failed to integrate. In the unloveliest *banlieues* surrounding Paris, Berlin or Brussels, criminality—whether petty, organised or drug-related—is often rife. Social indicators on education or employment are among the nation's worst. Ambitious youngsters looking to "get out" know better than to put their real home address on their CVs.

These are uncomfortable facts, so much so that to point them out is to invite the disgust of European polite society. Whether in France, Germany, Italy or Sweden, parties of the hard right have surged as they—and often only they, alas—persuaded voters that they grasped the costs of mass migration. But the National Rally of Marine Le Pen in France and Giorgia Meloni's post-fascist Brothers of Italy have an unexpected ally: Denmark's Social Democrats, led by the prime minister, Mette Frederiksen. The very same party that helped shape the Scandinavian kingdom's cradle-to-grave welfare system has for the past decade copy-pasted the ideas of populists at the other end of the political spectrum. Denmark is a generally well-run place, its social and economic policies often held up for other Europeans to emulate. Will harsh migration rhetoric be the next "Danish model" to go continental?

Ms Frederiksen, who served as party leader for four years before becoming prime minister in 2019, did not pioneer the migrant-bashing turn. Like most western European countries, Denmark had welcomed foreign workers and some refugees from the 1960s on. The tone shifted as early as the early noughties, even more so after an influx of Syrian asylum-seekers reached Europe in 2015. While Germany showed its kind side—the then chancellor, Angela Merkel, asserted with more hope than evidence that "we can manage this"—Denmark fretted that a far smaller number of arrivals might undermine its prized social arrangements.

The Danish left's case for toughness is that migration's costs fall overwhelmingly on the poor. Yes, having Turks, Poles or Syrians settle outside Copenhagen is great for the well-off, who need nannies and plumbers, and for businesses seeking cheap labour. But what about lower-class Danes in distant suburbs whose children must study alongside new arrivals who don't speak the language, or whose cultures' religious and gender norms seem backward in Denmark? Adding too many newcomers, the argument goes—especially those with "different values", code for Muslims—challenges the cohesion that underpins the welfare state.

For a place with a cuddly reputation, Denmark has been cruel to its migrants. Authorities in 2015 threatened to seize asylum-seekers' assets, including family jewels, to help pay for their support. Benefits were cut, as was the prospect of recent arrivals bringing in family members. Being granted permanent residency, let alone Danish nationality, takes longer than almost anywhere else. And it is far from guaranteed: those offered refuge are afforded protection only as long as conflict in their home country rages, their status reviewed every year in some cases. Somalis and Syrians once settled in Denmark are among those who have been asked to head back to a "home" their children have never known.

In 2021 it was proposed that newcomers seeking asylum in Denmark should be processed in Rwanda instead, a plan that fizzled. A law passed by Ms Frederiksen's predecessor, but which she enthusiastically carried forward, cracks down on "ghettos", now known as "parallel societies": estates housing lots of folks with "non-Western backgrounds". If crime, unemployment or other metrics are too high, failure to reduce them (or the "non-Western" resident share) can result in their being razed or sold off.

The upshot of the left's hardline turn on migration has been to neutralise the hard right. Once all but extinct, it is still only fifth in the polls these days, far from its scores in the rest of Europe. For good reason, some might argue: why should voters plump for xenophobes when centrists will deliver much the same policies without the stigma? Either way, that has allowed Ms Frederiksen to deliver lots of progressive policies, such as earlier retirement for blue-collar workers, as well as unflinching support for Ukraine. The 47-year-old is one of few social-democratic leaders left in office in Europe, and is expected to continue past elections next year. Before that, she has a megaphone to pitch her unyielding approach to migration to the rest of the EU: Denmark holds the bloc's rotating presidency until the end of the year.

To tolerate or not to tolerate

Denmark's near-consensual diagnosis that the poor are left to pick up the pieces of botched migration policies is worth pondering. But this recent visitor to Copenhagen left with an uneasy feeling. Immigrants and their descendants make up about 1m of Denmark's 6m-strong population. The ugly upshot around limiting immigration—however noble the motives—is that it seems acceptable to be nasty about immigrants. As a class they are spoken of as a "threat", an inconvenience to be dealt with. Disdain for Muslims seems tacitly endorsed by officialdom, as if each were a potential rapist or benefits cheat. Refugees with proven fears of persecution are expected to learn Denmark's language and adopt its customs—but face being kicked out at any minute. Such an us-versus-them approach is corrosive to a country's sense of citizenship. How can people embrace a society that holds them in contempt? Denmark may have done a better job than others of grasping that migration comes with costs. But it risks shattering the social cohesion it is trying to preserve. ■

Britain

Asset prices

Cheap and cheerful

British stocks and bonds look like a bargain

PUTTING MONEY into an emerging market always carries a frisson of danger. Governments might make sudden, erratic decisions, sending investments plummeting. That risk also makes those assets cheaper, to draw in willing buyers. British assets, too, have started to look cheap in recent years, at least compared with those of other rich countries. Last week's spectacle in the House of Commons, where the Labour government was cowed by its own backbenchers into withdrawing a fairly minor cut to disability benefits, then briefly pummelled by the bond market as a result, helps explain why.

The ongoing public displays of Britain as a basket case were not part of the pledge by Sir Keir Starmer, the prime minister, to "stop the chaos" of his Tory predecessors but it has made Britain interesting for some investors. Gilts (government bonds) now offer higher yields than those of any of Britain's economic peers. The term premium on gilts—economists' estimate of the extra compensation required for buyers to invest in long-dated debt, a proxy for risk—has risen sharply over the past years and is now notably higher than in America, the euro area or Japan (see chart 1).

Moments of panic in the gilt market have become more frequent. Although nothing recent compares with the stress of the brief and disastrous premiership of Liz Truss in the autumn of 2022, yields jumped in October after the Labour Party's first budget increased annual borrowing by around £30bn ($41bn). They rose again in January, as anxiety around Donald Trump's plans pushed up global bond yields. Britain's fragile fiscal position left it particularly exposed. Last week's mess fits into that pattern. Each jolt has subsided eventually; in the most recent episode Sir Keir was forced to confirm awkwardly that Rachel Reeves, the chancellor, was secure in her job, lest investors conclude she would be replaced by someone happier to borrow. But in the background, bond yields have cranked up further, and faster, than in nearly all similar countries.

British stocks have fared poorly, too. Shunning Britain in favour of America has been a stunningly good trade since the early 2010s. For most of that period, Britain's soggy performance reflected the types of companies that chose to list there. Slow-growing firms such as banks and mining companies are overrepresented whereas technology ones are underrepresented, relative to America. Shuffle the sectoral weights on an index of British equities to match America's, and much of the valuation gap vanishes (see chart 2). But over the past years British equities have started to carry a valuation discount even after accounting for those differences, suggesting a problem with Britain itself. ▸▸

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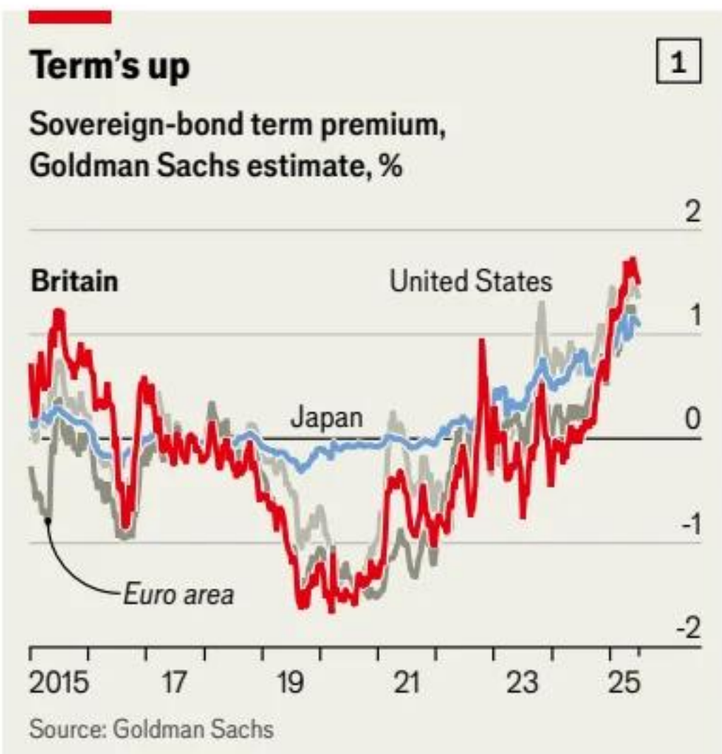
One theory, which this government and its predecessors have flirted with, is that this is the fault of investors. Britons invest too little of their capital, especially their pensions, at home. That, so the argument goes, starves companies of capital and puts gilts at the mercy of flighty, fickle foreign capital. Various schemes have been floated to bribe or compel more domestic investment. The latest is to push British pension funds into holding a higher share of British private assets.

For most assets, particularly stocks, that logic does not stack up. Appropriately attractive assets should not struggle to pull in investors, regardless of whether they come from Britain or abroad. The timing of the cheapening of British assets does not line up with that theory either. Ownership of British stocks shifted from mainly domestic to mainly foreign in the 1990s and 2000s, yet throughout that period they performed in line with stocks in America and Europe, before lagging during America's tech-fuelled boom in the 2010s.

There was, though, a step-change in how British assets behaved during the Truss premiership in 2022. Around then, the sector-adjusted valuation gap between British and American equities started to rise from 10-15% to 25%. (America's AI boom doubtless contributed.) And the way British assets moved from one day to the next started to evoke an emerging market. A previously uncommon pattern of stocks, bonds and sterling all losing value on the same day—meaning investors wanted to dump all British assets, not merely shuffle between them—has become more frequent. A similar change occurred around that time in the euro area, suggesting the supply crunch from rising energy prices also played a role, but that effect was smaller and less persistent.

Investors fear that another Truss-sized blow-up is no longer a ridiculous notion. The Labour Party has argued that, since it won power last July, such fears are misplaced and that Britain is now a haven of stability in a sea of chaos. The government has persuaded a few prominent investors, notably BlackRock's Larry Fink, to echo that view. If they are right, and British assets are pricing in the risk of a blow-up that will not materialise, now would be an excellent time to "buy the dip" in Britain.

That would require the government to do a far better job at establishing its fiscal credibility. Even if it does, the looming threat of a cash-splashing populist government run by Nigel Farage, whose party, Reform UK, is leading in the polls, could spoil things. So far, the bargain-basement pricing in British assets suggests that markets are not yet persuaded. ■



Cheap workers

British labour is a bargain

Thank stagnant wages and Brexit

SUCCESS STORIES in the British economy have been rare of late. But there is one notable exception: the boom in selling services abroad. Over the past decade, Britain's services exports have grown by around 45% in inflation-adjusted terms, even as the wider economy grew by only 11%. America has been a particularly good customer. British services-export volumes across the Atlantic are up by 70% compared with 2016 (see chart 1 on next page).

Several things have fuelled this rise, some old, some new. Britain has always benefited from a well-educated and English-speaking workforce that sits in a favourable timezone for working with both Asia and the Americas. A specialisation in easily traded professional services proved to be a boon as work moved online following the covid-19 pandemic.

Most important of all, Britain is cheap. Real wages fell for years after the financial crisis and have been slow to recover. Sterling took a beating after the Brexit referendum. That adds up to an appealing proposition for would-be foreign outsourcers. As recently as 2014, average weekly earnings in Britain were near-equivalent in US dollar terms to those in America. Today American wages are 30% higher (see chart 2).

Firms have noticed. JPMorgan Chase, a bank, moved some of its digital operations to a big new office building in Glasgow last year. Mark Napier, its Glasgow head, lays out the economic case. In terms of salaries Glasgow-based coders sit mid-way between the bank's lower-cost American outposts (Texas, not California) and its operations in India—but if anything, slightly closer to India. Over the years, that comparison has moved in Glasgow's favour. A coder in India once cost about a quarter of a Glaswegian equivalent, now it's over half. About a third of JPMorgan's Glasgow-based work is now for its American division. Goldman Sachs, another bank, set up stall in Birmingham in 2021 after commissioning a search across Europe for a mid-priced city with a deep talent pool.

Alexander Mann Solutions (AMS), a British recruitment firm, runs part of its American operation from Belfast. The five-hour time difference with the East Coast is a little inconvenient, but labour is almost 40% cheaper than in America, says Nicola Hancock from AMS. The firm does have to brief its offshore recruiters that British vagueness doesn't always land well across the Atlantic, where business culture is more literal and to-the-point, she adds. Americans also do not always know what "half past one" means.

Britain's particular strength lies in the vaguely named category "other business services", encompassing consultants, lawyers, public-relations types, accountants and more—what the post-covid generation might call "email jobs". Along with finance and insurance, these account for two-thirds of the rise in Britain's services exports since the Brexit referendum. The split with the EU, paradoxically, encouraged the services boom by crushing sterling, making British salaries cheaper for foreigners. Goods exports, which are more directly affected by post-Brexit trade barriers, are over 10% lower in real terms over the same period.

Although those sectors have tended to be concentrated in London, which supplies just under half of Britain's services exports, the cheap-but-qualified labour proposition is often strongest in Britain's second cities, such as Birmingham and Glasgow. The expansion of higher education in the 1990s and 2000s pushed up the number of university graduates around the country, but jobs for them did not always follow.

Research by Anna Stansbury of the Massachusetts Institute of Technology and co-authors has found that the gradu- ▸▸

The British are Zooming

Source: Haver Analytics

ate wage premium—the extra amount a degree-holder can expect to earn, controlling for demography—has dropped in every region of the country bar London. That leaves a pool of cheap talent for multinationals such as Goldman Sachs to scoop up. Not quite the muscle-bound factory workers that some advocates for "levelling up", the project of rebalancing the economy away from London, typically like to talk about, but a success story nonetheless.

Britain's success in providing professional services on the cheap has so far mostly gone unnoticed. One exception is the film business, where Britain's cheap and high-quality labour (plus a sprinkling of subsidies) have lured big-budget productions such as the latest entries in the "Mission: Impossible" franchise. Hollywood's complaints to Donald Trump prompted a brief flirtation with movie tariffs, though the president now seems to have dropped the idea.

Tariffs, then, are unlikely to disrupt much. A more plausible candidate for concern from Britain's perspective is artificial intelligence. Mid-wage "email jobs" are prime candidates for automation, if AI models become more reliable and manage to crack the sort of multi-day and multi-week tasks that professional workers spend most of their time on. But for now, any sort of economic win is welcome news of the sort Britain desperately needs. ■

Fiscal risks

Pension pothole

The public finances are bad. Their future looks worse

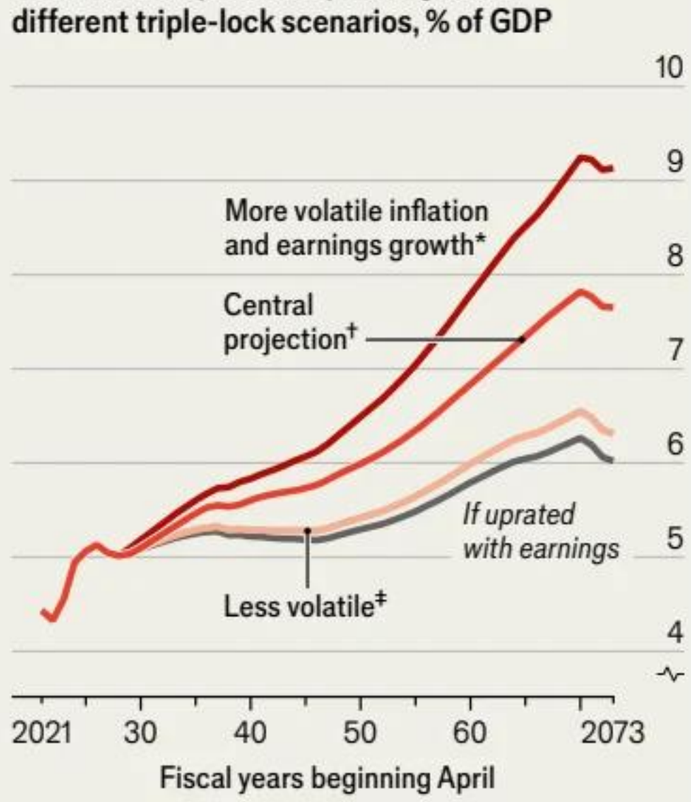
THE GOVERNMENT'S books are in poor shape. Its deficit exceeds 5% of GDP and its debt ratio is close to 100%. Both—along with its borrowing costs—are at the wrong end of international league tables. Rachel Reeves, the chancellor, is struggling to hit her fiscal targets, even more so after U-turns on payments to disabled people and pensioners. Her annual Mansion House speech on July 15th will be closely parsed for clues to how she might try.

Yet it could be worse. According to the Office of Budget Responsibility (OBR), it is likely to become so. The watchdog's annual report on fiscal sustainability, published on July 8th, calls the risks "daunting". In the shortish term, Donald Trump's trade war will hurt the economy; Vladimir Putin's real one in Ukraine means more defence spending. In the long term, says the OBR, if today's policies stay in place, by the 2070s annual borrowing may rise to 20% of GDP and the debt ratio to 270%.

Climate change is a continuing worry: the OBR is more optimistic than it was about the fiscal cost of net zero, but gloomier about the economic impact of rising temperatures. But the report also dwells at length on Britain's pension system—and sounds the alarm.

The state pension is projected to add more to the long-term rise in spending than anything except health care and interest payments. Much of the extra burden comes from the "triple lock", a guarantee that pensions will rise each year in line with consumer prices or average earnings, or by 2.5%—whichever is highest. Proudly maintained by governments of all colours since 2011, the triple lock will be ever harder to afford.

Time to force it



*Like 2010-11 onwards †1992-93 onwards ‡1992-93 to 2009-10
Source: OBR

It has already cost around three times what was first expected, due to more volatile earnings growth and inflation. By the early 2070s, the OBR reckons, the state-pension bill will be 7.7% of GDP, up from 5% now. Of the additional 2.7 percentage points, 1.6 are ascribed to ageing, assuming that the average 65-year-old will by then expect to live to 91, up from 86 today. But just as much of the OBR's projected rise is due to using the triple lock to raise the state pension. (Increases in the state pension age, to 67 in 2028 and eventually to 69, push the other way.) If inflation is as volatile as in the past 15 years, the cost of the triple lock could rise by another 1.5 points. If an earlier, calmer pattern returns, the pressure would ease (see chart).

That said, ever fewer British pensioners rely solely on the state. That trend should continue. Because people are now automatically enrolled in company schemes, 86% of employees had private pension pots in 2023, twice the share in 2012. That may make it easier to release the lock.

But there is a complication. For years companies have been closing defined-benefit (DB) pension schemes, in which payments are based on salaries, in favour of defined-contribution (DC) plans, in which they depend on investment returns. Not only are DC pensions harder to predict; many people do not save enough in them for a decent old age, or cannot afford to. Pensioners may need state help, even to pay rent. By the 2040s, warns the watchdog, 17% of pensioners, unable to afford a mortgage earlier in life, may be renting, against just 6% today.

The pension shift may also mean costlier government borrowing. Private-sector DB schemes hold over £600bn ($815bn), or 52% of their assets, in British government bonds, or gilts—a good match for their predictable liabilities. But DC schemes, with younger members and less certain liabilities, prefer equities and other sources of higher returns. Gilts make up just 7% of their assets. Lower demand for gilts, without obvious buyers, implies higher yields.

Governments may have to swallow that. But on the triple lock, they have a choice, if an unpalatable one. Don't expect Ms Reeves to find the key. Some brave successor will have to. ■

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BAGEHOT

Where are all the briefcase wankers?

The nerd:jock ratio in government is askew

"THE INBETWEENERS", a cult sitcom broadcast between 2008 and 2010, has a surprising hold over British politics. It followed the lives of four teenage boys, offering an amusing portrait of the often psychopathic cruelty of British teen boys decades before "Adolescence" did it on Netflix without the jokes. Will McKenzie, a nerdy boy holding a briefcase, arrives at a new school and within seconds is dubbed a "briefcase wanker".

It is this phrase that lives on in Westminster, which is riddled with millennials who came of age when the sitcom was on screen. The hard left deride Sir Keir Starmer's party as "Briefcase Labour"—technocratic dweebs more interested in policy than politics. Some MPs, meanwhile, complain to the *Sunday Times* about "ultra loyalist briefcase wankers who have been practising their maiden speeches...since they were ten". If only. A good government is an alliance between nerds and the jocks who used to bully them at school. In this government, the nerd:jock ratio is off. Far from too many briefcase wankers, Labour has too few.

After all, a lack of policy thinking is the main reason Labour finds itself in such a mess, dropping ever lower in the polls. In the run-up to the election, jocks held sway over nerds. Thought-through policy proposals were not a necessity but a threat (what if they appeared in the *Mail on Sunday*?). Often those who had done some thinking about how to run a Labour government were not offered jobs in it. A year on and Labour is still dominated by people more interested in winning an election than running the country well, as if the former is unconnected to the latter.

Likewise, Labour MPs may resent it when the briefcase wankers in their ranks point out that more borrowing is unaffordable. But the briefcase wankers are right. Many new Labour MPs are children of "zirp"—the zero-interest-rate policy era, which began when "The Inbetweeners" was broadcast. Having become an adult when borrowing was free, Labour MPs govern when money is expensive. The insults have not moved on; interest rates have.

Part of the problem is that the dominant folk memory of the last time Labour was in power is wrong. The New Labour era is remembered as a period of swaggering jocks, charming or bollocking journalists until they wrote something nice about Sir Tony Blair. For that, blame "The Thick of It", another noughties sitcom set in the period, which also still shapes British politics.

But Sir Tony's government was a nerd-led project as much as a jock one. Correspondents from that era were drowned in documents. Government churned out chunky reports, such as one on gun crime that contained the thoughts of 81 criminals. Sometimes they were boring and finicky, but that was the point. Briefcase wankers rose fast. David Miliband, who wrote the 1997 manifesto, would later become an MP, foreign secretary and leadership contender. By contrast, Rav Athwal, who wrote the 2024 manifesto, left this summer after less than a year in office.

Now only the caricature of New Labour remains, with macho briefing against the weedier elements of the Labour Party. Outriders call for Sir Keir to embrace "Hard Labour", a vision that ditches progressive shibboleths (such as net zero, which Labour voters like) for more macho ones (such as slashing foreign aid, which Labour voters do not like). Sir Keir, a former human-rights barrister from north London, jokes he is a "hard bastard" in interviews, coming across as Jay from "The Inbetweeners" who once claimed to have cycled a pedalo to Africa.

Even wet social democrats in cabinet face criticism from Labour's self-appointed hard men. Any lull in conversation among the Labour right is filled with: "Shall we try to kill Ed Miliband?" Mr Miliband is, after all, comfortably the nerdiest cabinet member (indeed, one wag noted that the young Mr Miliband looked like all four Inbetweeners at once). Yet he is also easily the most effective, for good or ill. Some ideas are bad (yet *more* handouts for fuel during winter) while others are good (committing funding to nuclear power in Suffolk). Briefcase wankers can prevail.

Ideally, government works best when nerd and jock are in sync rather than at war. The best politicians combine a nerdy interest in policy with the jockish drive to push it through. Unfortunately, Sir Keir possesses neither. To his allies, the prime minister is more concerned with output, rather than input; to his critics, the prime minister has little interest in policy at all. One week Sir Keir is a hard man, dishing out tough truths to his party on immigration; the next he is a soft boy, apologising for his own words. At best, he is programmable. At worst, he is a pot plant—an inanimate object to be shunted around by advisers.

Completed it, mate

Nerds can struggle to be heard. "Briefcase wankers don't brief," said one briefcase wanker, briefing. It is a structural problem that goes beyond Labour. Britain's special adviser (SPAD) class is underpowered, sometimes lacking quality and always lacking quantity. Labour employs about 120 SPADs. It could easily employ ten times that. Even a lowly junior minister, responsible for, say, schools could do with half a dozen, rather than one or two. All but the most talented ministers are overwhelmed by departmental inertia because they do not have the manpower to push back.

Nihilism is growing among Labour's nerds. Perhaps whatever achievements New Labour managed came about due to a wall of money, rather than all those PDFs. Such pessimism can become self-fulfilling. Labour is the last chance for sweeping incrementalism. Other more chaotic projects are waiting should the party fail. Sir Keir's project is one of improving the lives of voters—little by little, spreadsheet by spreadsheet—in the hope they will both notice and thank the government. It is an uninspiring vision, but it is all they have. Only the briefcase wankers can save them now. ■

International

The south Caucasus

At the crossroads of empires

BAKU, YEREVAN AND ANKARA

As Vladimir Putin fights in Ukraine, Russia is losing its grip on a key region

FOR MOST people, geopolitics is an abstraction. For those living in the south Caucasus, which consists of Azerbaijan, Armenia and Georgia, it is a daily experience. The region between the Black and Caspian seas, Europe and Asia, sits at the crossroads of old empires: Ottoman, Persian and Russian. Situated alongside the belligerents of today's most dangerous wars—Russia's against Ukraine and the Iranian-Israeli conflict—it illustrates like few other regions the rise of middle powers and retreat of big ones.

These two wars are redefining the region more consequentially than anything since the collapse of the Soviet Union, which showed its first cracks here in the late 1980s. Mr Putin's war against Ukraine inadvertently led to an end to the hitherto intractable conflict between Azerbaijan and Armenia, which is now struggling to break free of Russia's grip and make peace with Turkey. Meanwhile, the conflict between Israel and Iran has boosted the status of oil-rich Azerbaijan, the largest and militarily strongest of the three countries, as an ascending regional power, able to stand up to its bigger neighbours. Backed by Turkey and Israel, which sees it as a strategic ally in its conflict with Iran, Azerbaijan is contemplating joining the Abraham Accords. Only Georgia, once the darling of the West, is moving in the other direction as it slides into an ugly, anti-Western autocracy aligned with Russia.

"We live in a windy place," says Elchin Amirbayov, a special representative of Ilham Aliyev, Azerbaijan's president, of the changes sweeping the region as he looks over the Caspian Sea from a swanky office in Baku, the capital. A whirlwind of high-level diplomacy reflects the change.

On July 10th, as *The Economist* went to press, the leaders of Armenia and Azerbaijan—which have been at war for over 30 years—were meeting for their first-ever direct talks. That follows a historic visit last month by Nikol Pashinyan, Armenia's prime minister, to Istanbul, where he was ceremoniously received by President Recep Tayyip Erdogan. Influential recent visitors to the south Caucasus have included Steve Witkoff, Donald Trump's special representative; Masoud Pezeshkian, the president of Iran; and Kaja Kallas, the EU foreign-policy chief.

What happens next will be felt far beyond the region. Peace between Armenia and Azerbaijan would integrate Armenia into the so-called "middle corridor" for trade and energy that links China and Central Asia to Europe, bypassing Russia. That is particularly vital for Europe's energy security because Georgia is becoming a less reliable partner.

Russia is trying to stop this by putting pressure on the south Caucasian trio, which it still sees as being in its sphere of influence. Yet the speed of Russia's loss of clout is striking, considering the dominant position it had gained five years ago as the result of a 44-day war between Armenia and Azerbaijan over Nagorno-Karabakh and its surroundings—Azerbaijani territ- ▸▸

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ory that had been occupied by Armenia since the early 1990s (see map).

The enclave's occupation, like many of the other "frozen" conflicts in the former USSR, had been a key element in Russia's influence. Yet when Azerbaijan attacked to take it back in 2020, Russia refused to help defend Armenia, partly in retribution for a popular uprising two years earlier that had swept Mr Pashinyan, a democrat, to power, and partly as a chance to deploy Russian troops elsewhere in the region.

Mr Putin allowed Azerbaijan to take some territory around Nagorno-Karabakh, before imposing a ceasefire that allowed Russia to put troops in Azerbaijan under the guise of peacekeepers, and which made Armenia more vulnerable and dependent on it. The armistice agreement also aimed to re-establish transport connections in the region by creating a road and rail link that would cross sovereign Armenian territory to connect the main part of Azerbaijan with Nakhchivan, Azerbaijan's exclave bordering Iran and Turkey. Most importantly, however, Mr Putin imposed a condition that the FSB, Russia's security service, control the corridor.

Peace without keepers

Yet all these machinations unravelled after Mr Putin's full-scale invasion of Ukraine in 2022. In 2023, with Russia distracted by its own war, Azerbaijan recaptured all of Nagorno-Karabakh in less than 24 hours, while Russian peacekeepers stood impotently by. With no pretext for them to stay, Russia was compelled to withdraw them. Buoyed by its victory, Azerbaijan "sought to deal with Moscow as an equal, not as a subordinate, thus challenging Russia's view of the south Caucasus as its playground", says Zaur Shiriyev, a Baku-based expert at the Carnegie Endowment for International Peace, a think-tank.

Azerbaijan has flexed its muscles more of late, making clear that it does not want the FSB to control the corridor between two parts of Azerbaijan. Instead it wants it to be administered by a neutral international body, possibly involving America. Russia's declining influence in the region is a worry for Mr Putin, who has intensified plans to build sanctions-proof transport links through it, such as a rail line to Iran, an important supplier of arms to Russia for its war against Ukraine and for any potential conflict against the West.

Soon a new spat ensued involving Azerbaijan's roughly 2m-strong diaspora, when Russian police rounded up some 50 ethnic Azerbaijanis in the Urals, linking them to a 20-year-old unsolved case. Two Azerbaijani men were tortured and beaten to death during the arrests.

Azerbaijan retaliated, storming the office of Sputnik, Russia's state propaganda outlet, and detaining two employees it accused of being FSB agents. (Russia denies this.) Its security forces also arrested and beat up eight Russians who had moved to Baku after Russia invaded Ukraine.

The leader in Baku cares about human rights as little as Mr Putin does, but the row put a nail into the idea of Russia's military presence in the transport corridor between Azerbaijan and Armenia. The dispute between the two autocrats may subside. But the inherent tensions between an emerging regional power and a former imperial master will not. Azerbaijan, which is armed by both Turkey and Israel, is too powerful for Russia to fight openly. So Mr Putin's best hope to regain influence may be through Armenia, which depends on Russia's energy and food imports, and where Russia still has a military base.

What Russia lacks in Armenia, however, is popular support. Having been so overtly betrayed, few Armenians see Mr Putin as an ally. Yet, paradoxically, the loss of Nagorno-Karabakh and the exodus of 100,000 ethnic Armenians from the disputed territory—painful as it was—has also liberated Armenia from a conflict that had shut its border with Turkey, had forced it to outsource its security to Russia and also made its politics hostage to the Nagorno-Karabakh clans that had close ties with Moscow. "Armenia was de facto a half-colony of Moscow, which treated it as an asset in its relationship with Turkey and Azerbaijan," says Mikayel Zolyan, a historian and analyst in Yerevan, Armenia's capital.

Since losing the war with Azerbaijan, Armenia has been trying to break free of Russia's influence and draw closer to the EU. More important, it has intensified attempts to normalise its relationship with Turkey, which had been poisoned by the memory of the genocide of Armenians inflicted by Ottoman forces in 1915-16.

Mr Pashinyan has tried to move Armenia beyond its trauma and lament for the loss of its historical homeland, symbolised by mount Ararat (now in Turkey). He has emphasised "reconciliation over resentment". Areg Kochinyan, the head of a security think-tank in Yerevan, says Russia was long viewed in Armenia as its only protection against Turkey. Now it is Russia that is viewed as a threat. Reopening the border between Turkey and Armenia, which has been closed since 1993, would cement Turkey's role as the "rising star in the south Caucasus" and the guarantor of the region's security, says Mr Kochinyan. Turkey, however, seems reluctant to reopen the border without the consent of Azerbaijan, which has also invested heavily in Turkey.

Azerbaijan is stalling and imposing new demands. It wants Armenia to hold a referendum to remove a residual claim to Nagorno-Karabakh from its constitution. And it wants unimpeded access through southern Armenia to Nakhchivan. These demands reveal not only Azerbaijan's deep-rooted mistrust of its former foe, but also its economic insecurity. Despite all its oil riches, Azerbaijan's GDP per person is below that of Armenia, which has none of its natural resources.

No time to lose

Yet these demands risk scuppering the deal. Armenians would be more likely to agree to a constitutional change after they have seen the benefits of trade and open borders, than before. Armenia wants to synchronise the opening of the Armenia-Turkey border with the agreement that would establish a corridor across its territory, even if this comes before a formal peace agreement with Azerbaijan.

Privately Ilham Aliyev, the president of Azerbaijan since 2003, knows that Mr Pashinyan is the best Armenian partner he could have in trying to strike a peace deal, yet publicly he has not shown him any support. Azerbaijan risks destabilising Armenia, a country a third of its size, by putting unnecessary pressure on it even as it is being menaced by Russia.

Mr Putin's government has spared no effort to get rid of Mr Pashinyan, who faces elections next year, one way or another. It is hoping for the repeat of the Georgian scenario, in which Bidzina Ivanishvili, a Moscow-friendly oligarch, and the church, halted the country's Westward trajectory and delivered it into Russia's orbit. In June Mr Pashinyan said his government had foiled an attempted coup planned for September. It arrested Samvel Karapetian, a Russian-Armenian billionaire, on charges of making public calls to seize power in the country illegally, which he denies. Margarita Simonyan, the boss of RT, another Russian propaganda channel, called Mr Pashinyan an "Antichrist" and traitor to ethnic Armenians such as herself.

Russia's malign activity both in Azerbaijan and in Armenia adds urgency to the peace process, says Mr Shiriyev. The window of opportunity is narrow. Missing it could throw the region once again into dangerous geopolitical uncertainty. ■

THE TELEGRAM

Dangerous history lessons

A world carved up between Presidents Trump, Xi and Putin would be unstable and unsafe

SOME 120 years on, few remember the outrage provoked by the awarding of the Nobel peace prize to Theodore Roosevelt, the 26th American president and, to his critics, a might-makes-right, America First bully. That fuss offers lessons for the present.

Roosevelt saw stability in a world carved into spheres of influence that balanced the interests of big powers. He earned his 1906 Nobel—the first won by an American—by brokering a peace treaty that rewarded Japan for a war launched on Russia without warning. Morality was not his guide. Roosevelt was "thoroughly pleased" when Japan sank much of Russia's navy, for he saw Russia as the main obstacle to American ambitions in Asia. Still, he aimed to avoid Russia's total defeat. Once safely weakened, Russia would be a useful check on Japan's rise. Envoys from both powers were summoned by Roosevelt to cut a deal in which Russia handed swathes of modern-day China to Japan: the "balance of power" at work. In this chilly system, perfected in 19th-century Europe, large countries seek security by limiting the ability of one power to dominate all others. The same system seeks to limit conflicts by paying heed to the core interests of big states, especially in their neighbourhoods. Small countries do what they are told.

Liberal-minded Europeans were appalled by Roosevelt's Nobel. They called him a "military mad" imperialist. They recalled his assertion in 1904 of an American sphere of influence from the Arctic to Cape Horn, including an "international police power" to intervene anywhere in the western hemisphere. Roosevelt's declaration built on the Monroe Doctrine, a 19th-century warning to European colonial powers to stay clear of the Americas. Roosevelt meant what he said, sending troops to foment revolution in Panama, and to grab territory there for an American-owned canal.

President Donald Trump's fans detect thrilling parallels, and not just because Mr Trump covets his own Nobel prize. To America Firsters, spheres of influence are a smart response to a world of problems that America cannot fix, and should not have to.

Mr Trump certainly seems to take a 19th-century view of the western hemisphere. He wants America to own ports at each end of the Panama Canal, which currently belong to a Hong Kong-Chinese conglomerate. And he is hostile to Chinese-funded infrastructure across Latin America. In 1895 it was Britain that angered America by trying to build a telegraphic-cable station on an island near Brazil, and by claiming land at the mouth of the Orinoco river in Venezuela. President Grover Cleveland's secretary of state successfully browbeat his British counterpart into backing off, explaining: "Today the United States is practically sovereign on this continent, and its fiat is law." As for Greenland, American governments first talked of buying that cold island in 1867, though Mr Trump's preferred excuse—that America must keep Greenland's minerals out of Chinese hands—is new.

If Mr Trump cedes a sphere of influence to Russia's president, Vladimir Putin, MAGA types would stand ready to defend him. America Firsters agree with Mr Trump that Russia had a right to feel menaced by NATO enlargement. Jump to Asia, and some Trump loyalists even sound ready to accommodate China's core interests. Donald Trump junior, the president's eldest son, wrote in February that an America First foreign policy should seek "a balance of power with China that avoids war", by "avoiding poking the dragon in the eye unnecessarily".

During the cold war, American- and Soviet-led blocs amounted to spheres of influence. After the USSR fell, both Democratic and Republican administrations repudiated such spheres as deplorable artefacts of the past, calling instead for a liberal world order, open to all. Mr Trump's secretary of state, Marco Rubio, sounds less definitive. In March he was asked whether Mr Trump's aim is an understanding with China, whereby the two powers avoid one another's backyards. Rather than denounce the very notion as illegitimate, Mr Rubio replied that "we don't talk about spheres of influence" because America is "an Indo-Pacific nation" with friends and interests in the region.

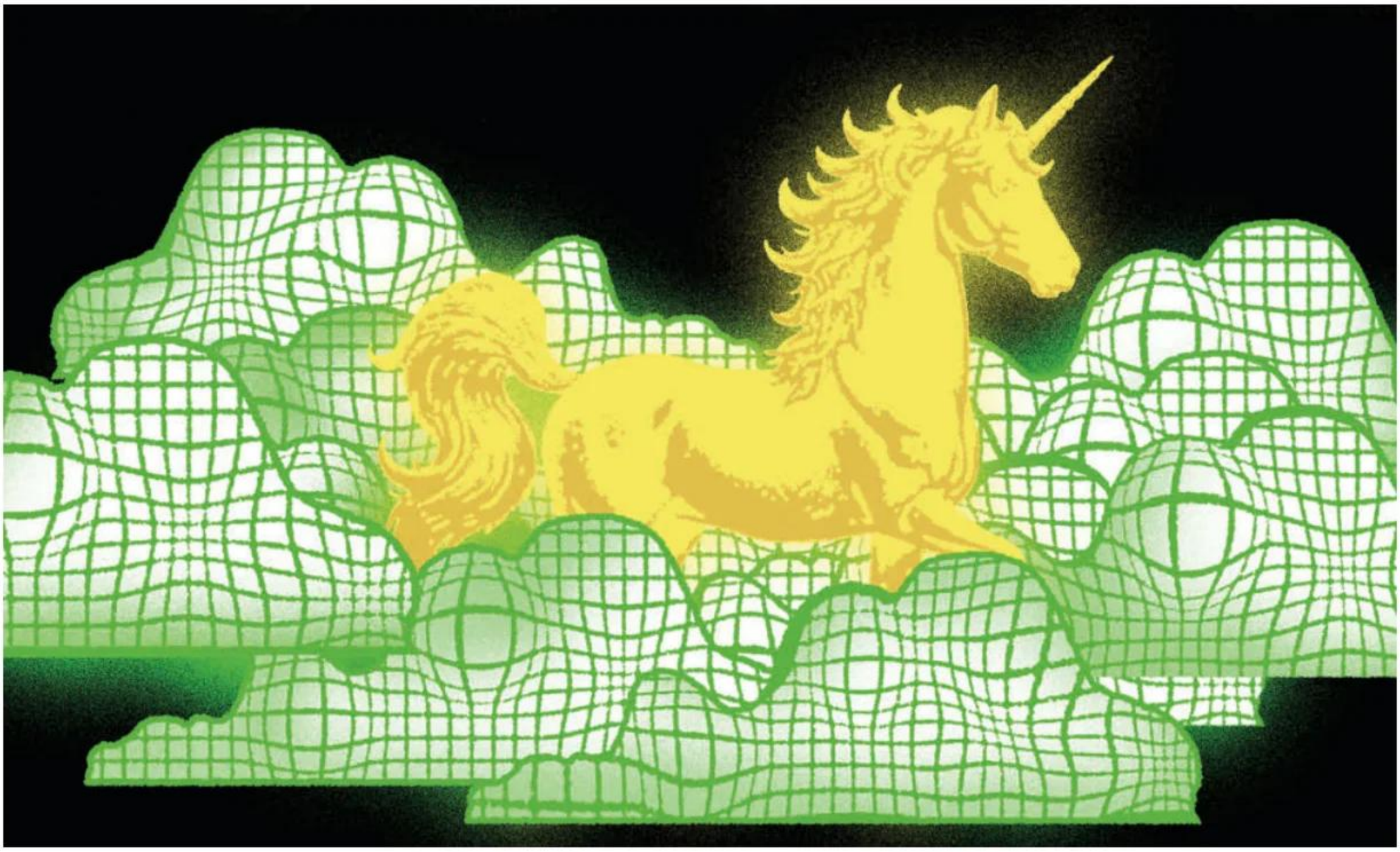
China denies wanting a sphere of influence, chiding Westerners with a "bloc mentality" for trying to divide the world. For all that, Xi Jinping in 2014 rejected the meddling of outsiders, saying: "It is for the people of Asia to run the affairs of Asia."

Speak loudly and wave a big stick around

In fact, nostalgia for spheres of influence is misplaced. Such compacts would not bring stability today. The 1880s were simpler in several ways. An empire could feel (somewhat) secure once it controlled its own set of key resources, such as coal, iron, oil, copper, rubber and grain, as well as guaranteed colonial markets for its industrial exports. Today, indispensable inputs are generated by supply chains spanning many continents, and will be for years. What is more, the contests to develop certain future technologies, from artificial general intelligence to quantum computing, resemble winner-takes-all arms races. Until those races are won, neither America nor China can feel safe in its own economic sphere. Compared with a century ago, lots of mid-rank countries are too strong to be forced to comply, even assuming that great powers could agree where new blocs begin and end. Poland and South Korea have tragic histories of being divided by others. Today politicians in both countries wonder aloud if they need nuclear arsenals.

Mr Trump is no Teddy Roosevelt. If he were a master of Rooseveltian statecraft that tempered spheres-of-influence policies with balance-of-power realism, he would fear a Ukraine armistice that dangerously strengthens Russia. Were he focused on denying China hegemony in Asia, he would pick fewer pointless fights with allies in that region, and plan trade wars with China less impulsively. Cynicism without skill is no way to put America First. ■

Business



Artificial intelligence (1)

Venturing big

SAN FRANCISCO

Silicon Valley is racing to build the first $1trn unicorn. What could go wrong?

TWO YEARS ago, when Nvidia first joined the club of trillion-dollar firms, plenty of investors worried that its shares were beginning to look pricey. Yet those who happened to buy a slice of the artificial-intelligence (AI) chipmaker at the time would since have quadrupled their money. On July 9th Nvidia became the first ever company to reach a market value of $4trn.

The sizzling returns enjoyed by investors in publicly traded tech giants over the past few years has been the cause of much envy among Silicon Valley's venture capitalists (VCs). It is not just Nvidia. CoreWeave, a cloud-computing provider, has seen its market value rise by over 300% since it listed in March (see next article). Flush with cash and fired up by the AI boom, many VCs are now looking to hold on to the most promising startups for longer, hoping to ride their valuations into the stratosphere. Some now say it is a case of when, not if, Silicon Valley creates its first unlisted firm worth $1trn. The pursuit of that goal is transforming how the VC industry operates—and making a volatile business riskier still.

As recently as 2023 the VC industry was in a funk. Fully 344 unicorns—unlisted firms worth more than $1bn—were minted in America in 2021 amid the pandemic-era funding bonanza. Two years later the figure was just 45, as higher interest rates brought the VC industry crashing down to earth. Many of the valuations set amid the boom became as illusory as the mythical beasts for which they were named. So-called zombie unicorns from that period, whose valuations would now be far lower if VC firms were to correct them, still haunt the Silicon Valley landscape.

Yet generative AI has sent Silicon Valley into a new frenzy that is beginning to look even more berserk than the last. According to PitchBook, a data gatherer, almost two-thirds of VC dollars invested in America in the first half of this year went to AI firms. Unicorns have given way to decacorns (worth over $10bn) and hectocorns ($100bn-plus). OpenAI, maker of ChatGPT, was most recently valued at $300bn. Coatue, an investment-management firm, has calculated that there are currently more than $1.3trn-worth of private companies valued at $50bn or higher, greater than double the level two years ago.

These rich valuations are partly the result of an abundance of capital. Last year assets managed by American VC firms approached $1.3trn, more than three times the level in 2015. Money left over from the pandemic-era fundraising boom has been swiftly diverted to AI startups. New foreign investors eager to splurge on AI, such as Middle Eastern sovereign-wealth funds, have been handing fistfuls of cash to VCs, making up for the retreat of some pension funds and endowments. ▸▸

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VCs have also been allocating a much greater share of their expanding cash pile to mature startups, rather than fledgling ones (see chart). In the first half of 2025 these accounted for 78% of the value of VC deals, up from 59% in the same period a year before. In a sign of the times, SoftBank, a Japanese tech investor, is throwing sums around that are wild even by its profligate standards. Masayoshi Son, SoftBank's boss, has said it will put $32bn into OpenAI by the end of the year—more than any initial public offering has ever raised.

The fact that startups are staying private for longer partly reflects the preferences of founders who would rather avoid the drudgery—and scrutiny—that comes with being listed on public markets. But whereas VCs once used to press them to list, today they are in no hurry, and are eager to capture more of the growth in valuations as companies scale up.

The trouble with pushing out investment horizons is the need for liquidity. Traditionally, VC firms have had to exit their holdings after a few years in order to return the proceeds to those whose money they are investing. Even before the latest bonanza, Silicon Valley's financiers had begun to experiment with changes to their investing model to enable them to keep hold of startups for longer. These efforts are being turbocharged.

One workaround is secondary tender offers, which allow early VC backers and employees paid in equity to sell their shares without having to wait for a public listing or another private funding round. According to PitchBook, there were some $60bn-worth of such transactions in the first quarter of 2025, up from $50bn in the final quarter of last year. Still, that level of liquidity is a far cry from what is available in public markets. Over the past month an average of $26bn-worth of Nvidia shares have traded hands each day.

Another solution is permanent capital. Sequoia, a VC stalwart, declared the traditional ten-year fund "obsolete" in 2021, and has since replaced it with a permanent structure, the Sequoia Capital Fund, which combines investments in unlisted startups with liquid stakes in public companies it has previously backed. Other VCs, such as Lightspeed Venture Partners, have recently turned to continuation funds, which bring in fresh capital to allow them to hold on to startups.

All this is changing the character of the VC industry. The largest firms, such as Andreessen Horowitz, Sequoia Capital, Lightspeed and General Catalyst, have ballooned in size. They now deploy tens of billions of dollars across numerous funds, with scores of people hunting deals.

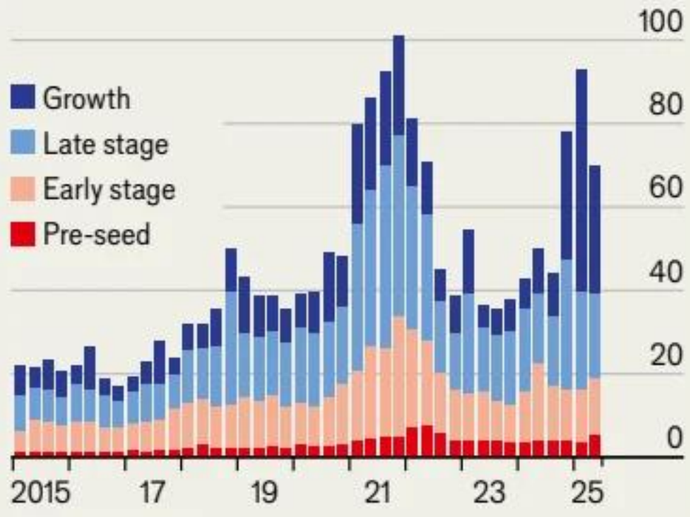
At the same time, a small cohort of youngish firms, such as Thrive Capital, led by Josh Kushner, and Greenoaks, led by Neil Mehta, are competing with a different approach. They are raising sizeable funds of their own, but are using them to back a select few companies, with small investment teams writing big cheques to rival those of the VC giants. Vince Hankes of Thrive, which has invested over $1bn in OpenAI, believes that even within the firm's relatively small portfolio of companies, there could be more than one startup that in time will be worth $1trn. His firm is also experimenting with a private-equity-like model of acquiring and combining existing companies in industries such as IT services and infusing them with AI.

The transformation of the VC industry brings risks. Writing ever bigger cheques for companies that have yet to prove they can turn a profit, and holding on to them in the hope that they eventually will, raises the likelihood of enormous losses. The stratospheric valuations enjoyed by the current generation of buzzy startups could turn out to be as overinflated as today's zombie unicorns were a few years ago. A venture drought could follow. Yet the prospect of trillion-dollar rewards makes it hard to keep the pocketbook closed. ■

Late bloomers

United States, venture-capital deal value, $bn

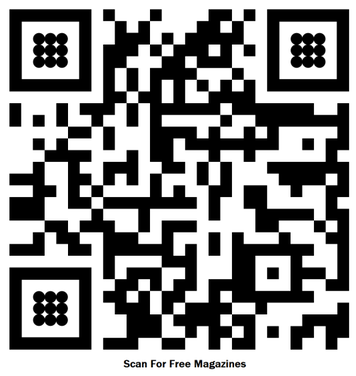
By stage



Source: PitchBook

Artificial intelligence (2)

Up in the clouds



Can a $9bn deal sustain CoreWeave's stunning growth?

EVEN BY THE mind-boggling standards of the artificial-intelligence (AI) boom, the growth of CoreWeave is striking. Two years ago the so-called neocloud, which rents out access to AI computing power, was a scrappy startup generating about $200m a year in revenue with a small fleet of data centres. Today things look rather different. Analysts expect it to make over $5bn in sales this year. As of January it operated 28 data centres, with ten more being added this year. Since it listed in March, its market value has rocketed by over 300%, to around $75bn (see chart).

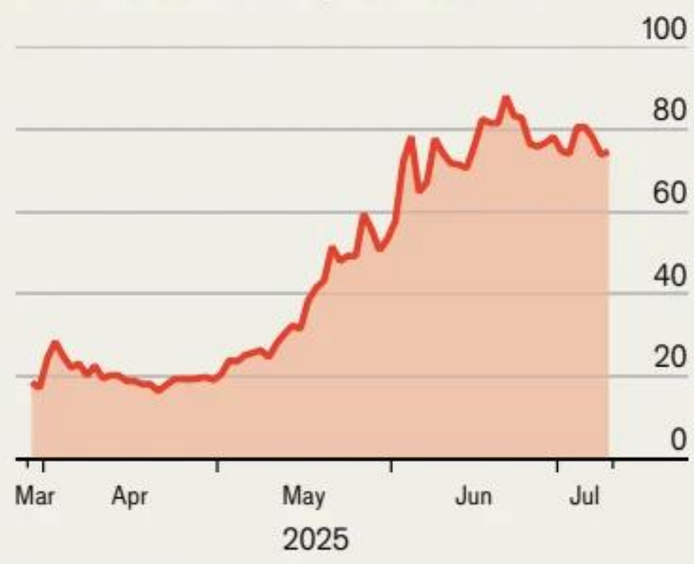
In an effort to sustain that trajectory, CoreWeave announced on July 7th that it planned to acquire Core Scientific, a cryptocurrency miner, in a $9bn all-stock deal. The transaction gives it ready-built data centres and power agreements with local utilities, both of which are needed to meet ballooning demand for AI.

CoreWeave, which also started life as a crypto miner, already leases facilities from Core Scientific and other similar firms. The deal will thus lower its operating costs, saving around $10bn over the next 12 years, according to the company. CoreWeave has also said that the added scale will cut the interest rate on its borrowings by a few percentage points. That matters because the firm has piled on debt to fuel its expansion, including novel loans backed by the value of AI chips. As of March it had $10.6bn of net debt, equivalent to around six times its annualised operating profit (before depreciation and amortisation).

CoreWeave's rapid ascent could still be derailed, however. One risk is competition. Although it is the biggest of the neoclouds, it has plenty of rivals, including Lambda, one of the first AI-focused cloud providers; Crusoe Energy, another former crypto miner; and Nebius, which was spun off from Yandex, Russia's answer to Google. These other neoclouds are expanding. Lambda raised a fresh tranche of financing in February. Nebius recently increased its ▸▸

Profit from the core

CoreWeave, market capitalisation, $bn



Source: LSEG Workspace

planned capital spending for 2025 by a third. Meanwhile, the cloud giants have been busily building more AI data centres of their own. Some are cutting prices, too. Last month Amazon Web Services, the e-commerce giant's cloud arm, lowered the cost of renting its AI chips by between 25% and 45%.

That, in turn, points to a second problem for CoreWeave: its awkward relations with the tech giants. Microsoft accounted for 72% of revenue in the first quarter of this year. It leases CoreWeave's capacity as a way to serve its own cloud-computing customers when demand outstrips what it can supply. To reduce its dependence on its biggest customer, CoreWeave has been pursuing direct relations with companies that need access to its computing power, including striking a deal worth $12bn over five years with OpenAI, a big spender with Microsoft.

CoreWeave's relations with Nvidia, its principal supplier as well as a big investor, make matters more delicate still. The AI-chip colossus wants CoreWeave to succeed because that weakens the bargaining power of the cloud giants, which are Nvidia's biggest customers. As a pawn in the power games of the world's most valuable companies, CoreWeave could well be sacrificed if it is deemed to no longer serve a purpose. In the long run, simply owning AI chips won't be a defensible "moat" for neoclouds, argues Antoine Chkaiban of New Street Research, a firm of analysts.

That will be especially true if demand for AI cools—the third, and gravest, risk for CoreWeave. Many companies, hamstrung by archaic IT systems and a lack of technical talent, are struggling to make use of the technology. Some are already quietly scaling back their ambitions. Still, if interest falters, the neoclouds could always pivot back to crypto. Bitcoin, after all, is trading at a record high. ■

Office mandates

Work-life-balancing act

Does working from the office really improve company culture?

"THIS ISN'T just about productivity metrics," Dara Khosrowshahi, the boss of Uber, told employees recently, after the ride-hailing company said they should all work from the office at least three days a week. "It's about building the culture that will drive Uber's next phase of growth." Mr Khosrowshahi is not the only boss to appeal to such fuzzy ideas while herding workers back through the turnstiles. In January staff at Amazon were told to return to the pre-pandemic norm of being in the office five days a week. "People riff on top of one another's ideas better when they're together," Andy Jassy, Amazon's boss, told the *Harvard Business Review* when asked about the policy.

Although company culture can be a slippery concept, executives are right to worry about it. Research suggests that a company's values and norms, including those governing how employees work, behave and interact, can affect innovation, profitability and stockmarket returns. But does forcing people into the office really improve a company's culture? Our analysis suggests that the answer may depend on the type that a firm is trying to instil.

Bosses, by and large, claim that having people in the office is a cultural boon. The spontaneity that often leads to new ideas is lost when staff work from home. Collaboration suffers, too. A study of 61,000 Microsoft employees found that remote working in the first half of 2020 made the tech giant more "siloed" and less "dynamic". It is also harder to integrate new staff.

Yet virtually all employees say they would prefer to do at least some work at home. Mark Ma of the University of Pittsburgh and his colleagues found that firms which insisted on workers returning to the office after the pandemic saw job satisfaction fall and staff turnover rise—with no improvement in firm performance.

To assess the link between firms' working policies and their culture, we turned first to CultureX, a research firm run by Don and Charlie Sull. They supplied us with a database of nine corporate-culture indicators across some 900 firms, built using feedback on Glassdoor, a workplace-review website. Our second source was Work Forward, an advisory firm that publishes the Flex Index, a database of the remote-work policies of employers. It sorts firms into three categories—full-time in the office, fully flexible and hybrid.

Combining the two databases, we found that firms which insist on staff being in the office five days a week won better ratings from their employees on "agility"—a company's ability to anticipate and respond quickly to changes in the marketplace. "If you're in the office," explains Charlie Sull of CultureX, "you're going to be able to receive information much more quickly and efficiently, and respond to new circumstances in a more adaptive way."

But on other measures, companies that were strict on office time scored worse than more relaxed ones (see chart). Firms with five-day mandates received lower marks from their employees for supportiveness (whether workers feel their bosses care about them), quality of leadership, toxicity (the extent to which disrespectful behaviour is tolerated in the workplace), candour and work-life balance. On the remaining three measures tracked by CultureX, the scores were not meaningfully different based on location policies.

The analysis has its limitations. For example, it could be the case that firms which care less about supporting employees or rooting out toxic behaviour are less inclined to heed workers' pleas for more flexibility. Even so, the results are suggestive. "Companies that really score highly on agility—Nvidia, SpaceX, Tesla—tend to strike a deal with their employees," says Don Sull (who is also a professor at the MIT Sloan School of Management). Employees are offered generous pay, great career opportunities and other perks. "But the trade-off is the work-life balance tends to be really bad."

More than five years after the pandemic began, companies are still trying to find the right mix of in-person and remote work. As labour markets cool, shifting power from employees to employers, bosses may be tempted to demand more office time, claiming that it will help corporate culture. For firms that prize agility, this makes sense. But the data suggest it comes at a cost. ■

Reindustrialising America

Deconstructed

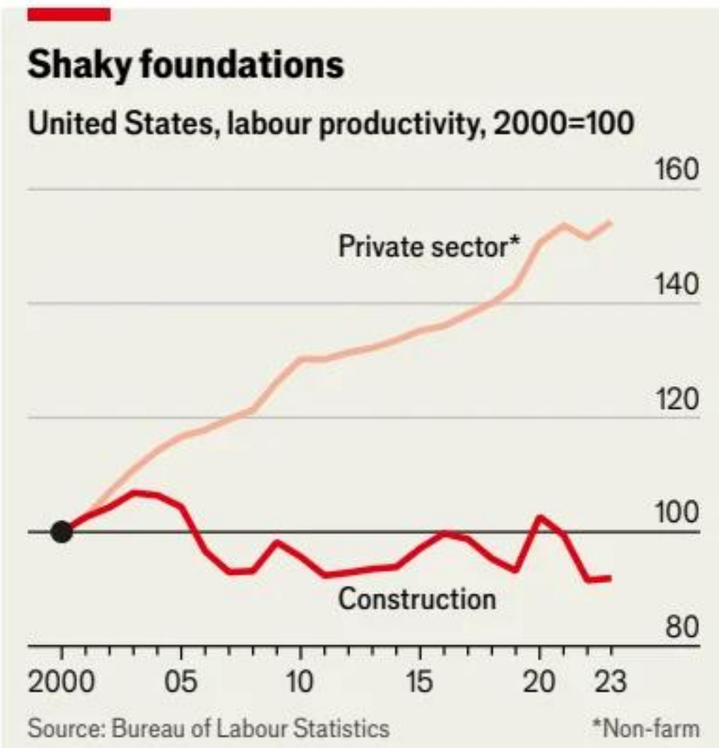
America's broken building industry is a problem for Donald Trump

THE EMPIRE STATE BUILDING, finished in 1931, was erected in just 410 days. That same year construction began on the Hoover Dam. It was meant to take seven years, but was built in five. Such feats now seem hard to imagine. Last year half of America's construction firms reported that commercial projects they were working on had been delayed or abandoned. In 2008 Californian voters approved a high-speed-rail line connecting Los Angeles to San Francisco, to be finished by 2020. It will be at least a decade late.

America's inability to build is a problem for Donald Trump. Although he has again delayed levying "reciprocal" tariffs until August 1st, the president's commitment to reviving American manufacturing through protectionism is as strong as ever. But can the country build the factories, warehouses and bridges needed to reindustrialise, and do so quickly enough? And if the administration is to achieve its ambition to win the artificial-intelligence race, it will have to ramp up the construction of data centres and electrical infrastructure, too.

Demand for projects is certainly soaring. Turner Construction Company, America's largest commercial builder, reported that its order backlog rose by a fifth, year on year, in the first quarter of 2025. Yet delays and cost overruns remain inevitable. Productivity has gone from bad to worse. Since 2000, output per worker in the construction industry has fallen by 8%, even as it has risen by 54% for the private sector as a whole (see chart). The trouble is not limited to commercial projects. America's housebuilding companies constructed the same number of dwellings per employee as they did nine decades ago, contributing to widespread shortages and soaring prices. Behind this dismal state of affairs is a combination of fragmentation, overregulation and underinvestment.

Start with fragmentation. By one count, there are around 750,000 companies operating in America's construction industry, roughly three times as many as in manufacturing, which accounts for twice the share of GDP. The result is forgone economies of scale. According to a study by Leonardo D'Amico of Harvard University and co-authors, construction firms with more than 500 employees are around twice as productive as those with between 100 and 499, and four times as productive as those with fewer than 20 workers.



The industry is also characterised by a lack of vertical integration. Giants such as Turner or Bechtel will take on responsibility for big commercial projects but contract out much of the building work to smaller local firms, some of which also sub-contract parts of the job. Housebuilding follows a similar model. That leads to layers of co-ordination, negotiation and payment, all of which can slow down projects. The business of distributing building products is fragmented, too, with inadequate inventories adding to delays.

Why, then, has the industry not consolidated? Part of the answer lies in the thicket of building regulations that has grown steadily denser since the 1970s. These have not only gummed up projects, they have also made it essential for firms to develop detailed knowledge of building codes, which vary from state to state and even across towns. Often the easiest path for national giants has been to enlist local contractors to help complete projects. Such contractors may also be better placed to recruit workers, another challenge in an industry long beset by labour shortages.

This has, in turn, contributed to endemic underinvestment. The legions of sub-scale contractors, which typically operate with razor-thin profit margins, lack the wherewithal to invest in labour-saving technologies, particularly in an industry with such volatile demand. According to Jan Mischke of McKinsey, a consultancy, capital expenditure by the average American construction firm comes to about 3% of revenue, compared with 13% across other industries.

The adoption of new technologies has been lacklustre as a result. The patchy uptake of software tools to plan and manage jobs does not bode well for the industry's embrace of artificial intelligence. Builders have also been slow to make use of the robots that are increasingly found in factories. There are only six of these for every 100,000 workers in America's construction industry, according to ING, a bank, compared with almost 3,000 in manufacturing (which is still far below its potential). Of course, the variation in building projects means they cannot be automated in the way factory production can. Even so, robots are able to perform plenty of the tasks, such as laying bricks, welding or moving materials, that take up a significant share of construction workers' time.

What could pull the industry out of its rut? Mr Trump has promised to hack away ▸▸

Not lifting a finger

at federal rules that stymie construction. On July 1st the Occupational Safety and Health Administration proposed easing rules on things such as the required amount of illumination on building sites, which should help. Yet the president also wants to deport workers who entered America illegally, which would worsen labour shortages, and has slapped tariffs on materials such as steel, which will make projects more expensive.

There are some signs that the industry is starting to consolidate, spurred on at last, perhaps, by meagre profits. Deloitte, another consultancy, notes that there has been an uptick in dealmaking of late. In January Flatiron and Dragados, two big builders, finalised a tie-up. Private-equity firms have been busily buying up and merging smaller specialty contractors.

There has been consolidation in the supply chain, too. In April QXO, a distributor, acquired Beacon Roofing Supply, another builders' merchant, for $11bn. It now holds a fifth of the market for roofing materials in America. Last month QXO's bid to acquire GMS, another stockist, was pipped by a $5.5bn offer from Home Depot, a DIY chain that has expanded into supplying contractors. Brad Jacobs, QXO's boss, argues that digitising the supply chain and improving the flow of materials to builders, as he hopes to do, would help productivity. "There's a real crisis here," he says. Digging the construction industry out of its hole will be the mother of all projects. ■

BARTLEBY

On Lego, love and friendship

Human relations are a useful way to think about brands

THERE IS A locked room in Lego's corporate museum, in Billund in Denmark, which is called the Vault. It is a large space, filled with shelves that are arranged in chronological order, starting in 1958 and stretching towards the present day. Between them, the shelves contain around 10,000 sets of Lego.

The Vault is used by the toymaker's designers as a source of inspiration, but its effect on first-time visitors is what makes the room remarkable. It's impossible not to seek out sets from your own childhood, not to be drawn back to an earlier version of yourself and, for lots of people, not to well up. We thought about having Kleenex as a sponsor, says Signe Wiese, an in-house historian.

Visiting Lego's vault is a chance to experience the emotional power of a much-loved brand (you can hear more in this week's final episode of our Boss Class podcast). Marketing experts have a whole taxonomy to describe the ties that bind consumers and brands. In a recent review of the literature, Claudio Alvarez, Meredith David and Morris George of Baylor University identify five types of connection that have been the subject of concerted study.

The feeling that every marketing manager dreams of eliciting is "brand love". This goes well beyond a belief in the quality of a firm's products to include things like emotional attachment, feelings of passion, frequent use, a strong sense of identification with a brand and more. It's not quite doodling a business's name and yours with a love-heart, but it's not far off.

The flipside of brand love is "brand hate", a reaction that might reflect bad experiences with a product, a strong dislike of a brand's values or simply a rivalry with a loved brand. A diverting piece of research by Remi Trudel of Boston University and his co-authors looks at how consumers choose to dispose of products, and finds that people who strongly identify as Coca-Cola drinkers are more likely to recycle a Coke can and throw a Pepsi one in the rubbish; the reverse is true of Pepsi fans.

The three other types of consumer-brand connection identified by Mr Alvarez and his co-authors are "communal relationships", in which people feel a sense of obligation or concern for a brand (local stores can often fit into this category); "brand addiction", often characterised by uncontrollable urges to buy a firm's products and services; and "brand friendships", to denote positive feelings that fall somewhere short of love.

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These are the five types identified in the literature review, but the analogies between humans' relations with each other and with brands can be extended in all sorts of directions. Researchers use the term "brand flings" to describe shorter-lived, intense interactions with brands, often in zeitgeisty industries such as fashion. "Brand flirting" involves a little dabbling with a competitor of your preferred brand; it can redouble your liking for the original. Friendships have subcategories, too: best friends, casual friendships and so on.

Some of this taxonomy can feel a bit forced. You're going shopping, not joining an orgy. Brands cannot reciprocate feelings. But the idea of gradations of attachment rings true; how people feel about a brand determines their behaviour. Vivek Astvansh of McGill University and his co-authors found that people are more likely to report safety incidents when they believe a brand is well-intentioned than when they do not. The reason? They want to provide feedback that can help it to solve the problem.

Lego elicits a depth of emotion that feels like brand love. But Mr Alvarez wouldn't put it in that category, because most adults do not continue to have frequent interactions with the products. It's more like a childhood friend, he says, one that depends on the trigger of nostalgia to cause a wave of warm feelings.

Such distinctions are not just academic. Lego's bosses, for example, make no bones about the fact that they have a limited window early in a child's life to form a bond that can cause them to shed tears in a room in Billund decades later. If managers know what kind of connection a brand is likely to have with its customers, the bricks of a marketing strategy will fall into place.

SCHUMPETER

A CEO's guide to protecting profits

America's bosses are sharpening their axes

MID-JULY is the time to bare it all. On the beach, this involves swimwear that, au fait with the latest fashion, varies in skimpiness from extreme to disturbing. In the boardroom, it consists of a ritual of corporate exhibitionism known as the summer earnings season. Results from the second three months of the year will trickle out over the next few weeks. Back in April it looked on course to be a distinctly awful quarter. President Donald Trump had just launched his trade war, sending stock-markets down and bond yields up. Bottom lines were imperilled by rising costs and slowing economic growth. Think walking around in tiny Speedos makes you feel naked? Try fielding analysts' questions about plunging profits on an earnings call.

In the event, bosses have had little to feel bashful about. Mr Trump chickened out in the face of market forces and promptly paused most of his tariffs for 90 days. Bond vigilantes retreated. The S&P 500 index of American big business has recouped all its losses and then some. Yes, the average forecast for its constituents' second-quarter earnings growth has declined, from 9%, year on year, at the end of March to 5%, according to FactSet, a data provider. Nonetheless, many bosses will be able to parade record profits over the coming weeks.

Even so, they may experience some residual discomfort when asked about what comes next. Pressure on profits is building. Although Mr Trump has extended the tariff pause until August 1st, he has told Uncle Sam's trading partners to brace for more levies. On July 8th the price of copper futures in America jumped by 13% after the president threatened a 50% tariff on the red metal. Days earlier he had signed into law a budget bill that will add perhaps $4.5trn to public debt, which may raise borrowing costs for everyone eventually (and pronto if bond traders stir).

Companies have little control over the cost of imports and of debt. They can, however, contain that of labour. In an effort to reassure investors, many have been telegraphing just such containment lately. On July 2nd Microsoft said that it would lay off 9,000 workers, or about 4% of the software giant's total, on top of the 6,000 let go in May. That month Walmart told employees to prepare for 1,500 job cuts. In June BlackRock, Citigroup, Disney and Procter & Gamble all carried out "simplification", "strategic realignment" or other euphemisms for sackings.

So far this year American companies have signalled a total of 439,000 redundancies, according to Challenger, Gray & Christmas, an outplacement firm. In the same period last year the figure was below 400,000. On July 2nd a closely watched jobs report from ADP, an HR firm, revealed that American businesses shed a net 33,000 workers in June. Official figures released the following day painted a rosier picture, but chiefly thanks to growth in public-sector and health-care payrolls.

Corporate employees should brace for more terminations. If innovation is America Inc's mightiest superpower, ruthlessness in keeping its workforce lean comes a close second, especially next to the cuddlier capitalisms found in places like Europe or Japan.

On first glance, corporate America does not immediately look more pink-slip-happy than businesses in other rich economies. Three-quarters of S&P 500 firms saw their workforces shrink in at least one year over the past decade, identical to the share of Europe's STOXX 600 index that reported such a decline. The index-wide workforce fell in nine of the past 24 years in Europe and seven times in America. One in four large European companies has a smaller workforce today than it did ten years ago, compared with just one in five American counterparts.

The big difference, of course, is that American businesses have been trimming nearly as much fat as European ones while growing much more robustly. Between 2014 and 2024 aggregate revenues for the S&P 500 increased by just over a fifth, after adjusting for inflation. For the STOXX 600 they contracted by the same amount. Sales outpaced employment at more than half of the American blue-chip companies. At 27 of them turnover rose even as the workforce diminished. By comparison, revenues grew more slowly than payrolls at two-thirds of large listed European firms.

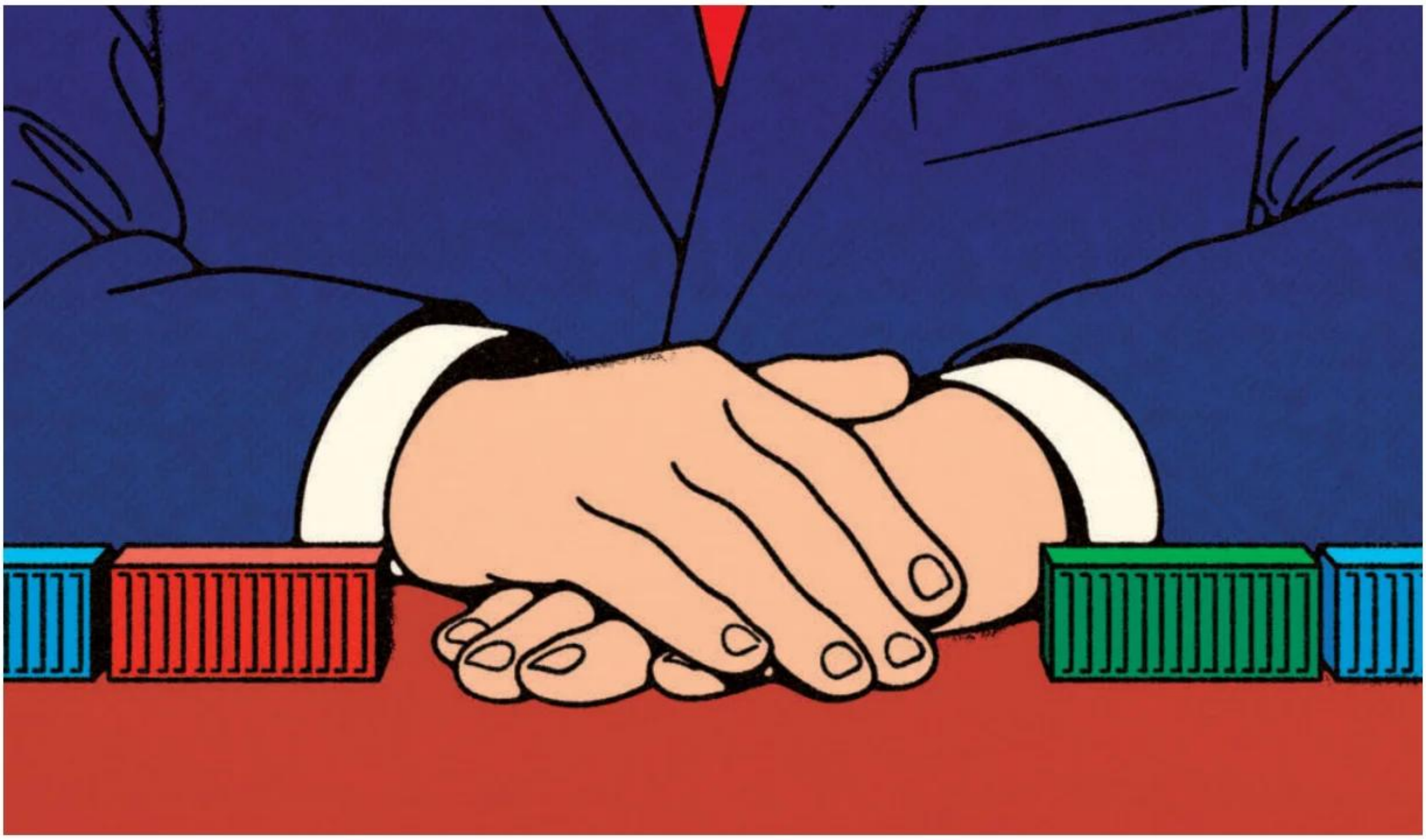
The tendency to prune workforces whenever the opportunity arises is especially pronounced in America's most go-getting sector. Since 2016 combined annual sales dipped just once for the S&P 500's information-technology champions, whereas their total workforce was cut four times. Meta had 12,000 fewer techies at the end of last year than at its peak of 86,000 in 2022. On average, they generated $2.2m in revenue each in 2024, up from $1.4m three years ago. In January Mark Zuckerberg, Meta's boss, channelled his inner Jack Welch by vowing to rank employees and yank the worst 5% of performers as he transforms his social-media empire into an artificial-intelligence (AI) powerhouse.

Computer says you're fired

Advances in AI, and especially semi-autonomous AI agents, promise to hand bosses an even bigger axe. Chief executives cannot wait. In April Tobi Lütke informed his staff at Shopify, a maker of e-commerce software, that before asking for more people or more money, teams "must demonstrate why they cannot get what they want done using AI". Last month Andy Jassy told Amazon's white-collar employees that AI will reduce the tech titan's total corporate workforce in the next few years.

When the next downturn does hit America Inc, as sooner or later it will, such pronouncements will multiply. Businesses can use recessions, when lay-offs are more excusable, to adopt labour-saving technologies. And even if AI does not save all that much labour, it provides convenient cover for CEOs seeking to slim down their workforces. Anything to avoid profitless nudity. ■

Finance & economics



International commerce

Tariff-hopping mad

How Donald Trump is forcing countries to pick a side in his trade war with China

IN THE FIRST cold war between America and the Soviet Union, the two superpowers fought each other by proxy. Something similar is happening in America's trade war with China. After conciliatory talks in Geneva and London, the two sides are no longer bashing each other with new tariffs. Instead, America is waging its war indirectly, through unfortunate third countries.

Its new deal with Vietnam and its fresh tariff threats issued to many other countries seem designed to reduce China's role in their supply chain. Countries that had hoped to stay out of the new cold war now fear they are being forced to pick a side. To appease the world's biggest market, they must anger the world's biggest trader.

On July 7th Donald Trump, America's president, sent letters to Japan, South Korea and a dozen other trading partners pushing back the deadline for their trade talks from July 9th to August 1st, and tweaking the tariffs they will face if talks fail. Japan and South Korea, for example, will incur duties of 25%. Cambodia will be clobbered with tariffs of 36%; Myanmar and Laos face 40%. The letters also said that any goods "transshipped" from elsewhere would face the higher levies they were seeking to avoid. Although China was not named, no one was in any doubt about the elsewhere Mr Trump had in mind.

More letters followed on subsequent days, including to Brazil and the Philippines. Separately, the president threatened an extra 10% tariff on countries aligned with the "anti-American policies" of the BRICS group, established in 2009 by China alongside Brazil, Russia, India and later South Africa. He has previously warned it not to try to dethrone the dollar as the world's dominant currency.

America's deal with Vietnam will apparently slap 20% tariffs on most of the Asian country's goods. Ominously, it will also impose 40% tariffs on "any transshipping". The deal follows one struck with Britain on May 8th. It promised to treat British aluminium, drugs and steel favourably if Britain ensured the security of its supply chains to America's satisfaction. That is assumed to mean buying fewer inputs from China and allowing American scrutiny of Chinese-owned factories in the country.

Offering favours to one country if it imposes penalties on another is "something new" in trade negotiations, note Achyuth Anil at the University of Sussex and co-authors. The innovation has not escaped China's attention. China firmly opposes any country making trade deals at the expense of its interests, the Ministry of Commerce has said. "China will not accept it and will take resolute counter-measures." Countries must "remain on the right side of history".

China does not know precisely what it is up against. Mr Trump's team has not clarified what it means by transshipment. But it is clearly concerned China will try to evade the tariffs it faces by serving Amer- ▸▸

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ica's market via other countries. During Mr Trump's first trade war, China exported fewer products to America and more to countries like Mexico and Vietnam, which then exported more goods to America. A similar pattern recurred this year after Mr Trump's sweeping "reciprocal" tariffs in April. Although China's exports to America fell by over 34% in May, against a year earlier, its overall exports continued to grow. Many countries that bought more from China also sold more to America.

This is not itself proof of any tariff-hopping. Countries could be buying and selling unrelated goods. Those enjoying bumper exports to America might have bought other things from the world's second-biggest economy. Australia, for example, exported $133m more in frozen beef to America in April and May than a year earlier. It also bought $186m more in lorries from China. Australian companies were not relabelling the trucks as beef.

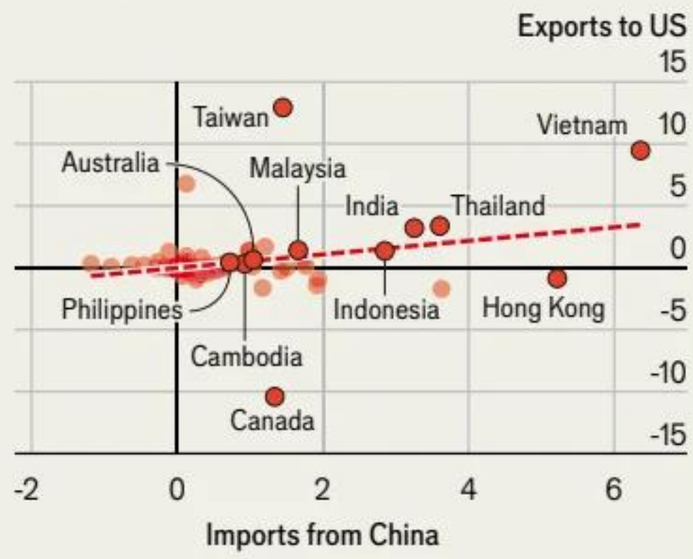
Thus it pays to study the figures product by product. Cambodia sold an extra $26m of sweaters to America in April and May, having increased its sweater imports from China by over double that amount. Thailand sold $42m more car parts to America, having bought $114m more from China. We have added up all such extra exports. The totals were nearly $2bn for Vietnam, followed by Thailand ($1.8bn), India ($1.6bn) and Taiwan ($1.1bn).

Some of these flows may represent legal "trade diversion", says Leah Fahy of Capital Economics, a consultancy. High tariffs could have priced Chinese firms out of the American market. Rivals in Thailand and Vietnam could have rushed to take their place, leaving a gap in these countries' home market, which Chinese firms filled. In such a scenario, the goods arriving from China would not be the same ones leaving for America. They would just belong to the same statistical category. Nevertheless, it seems unlikely this kind of diversion explains all the extra exports.

The Trump administration is probably also worried about imports from Thailand, Vietnam and elsewhere that include parts, materials or components from China. Under existing rules, these goods are not considered Chinese so long as they have been "substantially transformed" elsewhere. What counts as a substantial transformation varies from product to product. Chinese flour is transformed when baked into a cake. The same is true of fabric cut and stitched into a shirt. Assembling Chinese parts counts if the assembly is "meaningful and complex". In one case, America's border authorities decided that a piece of exercise equipment had been substantially transformed from its Chinese parts, because the parts had to be welded, degreased, sprayed with clear coat and assembled in as many as 255 steps.

Above board?

Change in value of trade, $bn
April and May 2024 to April and May 2025



Sources: China Customs; US Census Bureau; *The Economist*

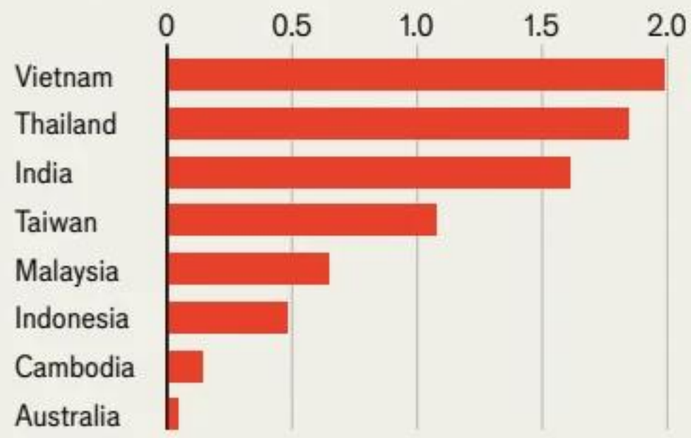
Mr Trump may abandon this qualitative standard for a quantitative one. America's trade agreements often require that a certain percentage of a product's value originates in a country before it can be said to be "made" there. In this scenario, notes Ted Murphy of Sidley Austin, a law firm, Vietnam would face tariffs of 40% on goods that have been substantially transformed in the country, but still contain too much Chinese content in American eyes.

If the new threshold is demanding, the results could be troubling for Vietnam. Its manufacturers depend on China for parts and components, a reliance that has increased sharply since Mr Trump's first trade war. China contributed 6% of the value of Vietnamese exports serving the American market for manufactures in 2017, according to Natixis, a bank. That figure had jumped to 16% by 2022.

Vietnamese officials must hope that Mr Trump has something narrower in mind: what Caroline Freund at the University of California, San Diego, calls "the China wash". This refers to goods from China relabelled as "made in Vietnam", even though they are largely unchanged. Peter Navarro, one of Mr Trump's advisers, has complained that "China uses Vietnam to transship to evade the tariffs...They slap a made-in-Vietnam label on it and they send it here." According to Mr Navarro, the China wash accounts for a third of Vietnam's exports to America. A better estimate by Ms Freund suggests the share peaked at less than 8% in 2020, and has since fallen.

Sailing close to the wind

Estimated rerouted exports from China to US*, $bn
April and May 2025, selected countries



*Derived from comparison with a year earlier. Includes some non-Chinese goods of a similar type to rerouted exports
Sources: China Customs; US Census Bureau; *The Economist*

Relabelling may annoy Mr Navarro, but it is also already illegal. Anyone engaging in it risks penalties far worse than a 40% tariff. Last year a Florida couple earned over four years in prison for illegally importing Chinese plywood, sometimes reboxed in Malaysia or Sri Lanka. They even had to pay the government for the cost of storing the wood until the case was resolved. During its talks with America, Vietnam vowed to crack down on such mischief. America is doing the same. In May the justice department put "trade and customs fraud, including tariff evasion" second on its list of priorities for white-collar crime.

Of course, the best way to prevent misdeclarations is to remove the incentive to do it. If America charged the same tariff no matter where a product was from, why would exporters lie? Everyone would face the lowest tariff charged on anyone else. Or, to put in another way, every country would receive the same treatment offered to the most favoured nation. It is a bold idea to fight waste, fraud and abuse. Someone should suggest it to Mr Trump. ■

Tariff impact

Uncertain success

WASHINGTON, DC

America's economy is dodging disaster

ECONOMIC DOOM beckoned after President Donald Trump announced his "Liberation Day" tariffs on April 2nd. Stocks crashed; forecasters predicted a recession within the year. Three months on, the mood is more relaxed. Prices in shops are not noticeably higher, unemployment is flat and the S&P 500 index of big American firms is resurgent, back at all-time highs. Although Mr Trump has sent letters threatening a whole host of countries with swingeing tariffs if they do not reach an agreement on trade with America by August 1st, nobody is too worried.

What gives? Was the president right in thinking that tariffs were a smart way to squeeze money from foreigners? Were the doom-mongers overdoing it?

For the moment, businesses, households and financial markets are locked in an elaborate game of wait-and-see. Companies stocked up heavily early in the year in anticipation of tariffs. Indeed, they did so by enough to drag measured GDP ▸▸

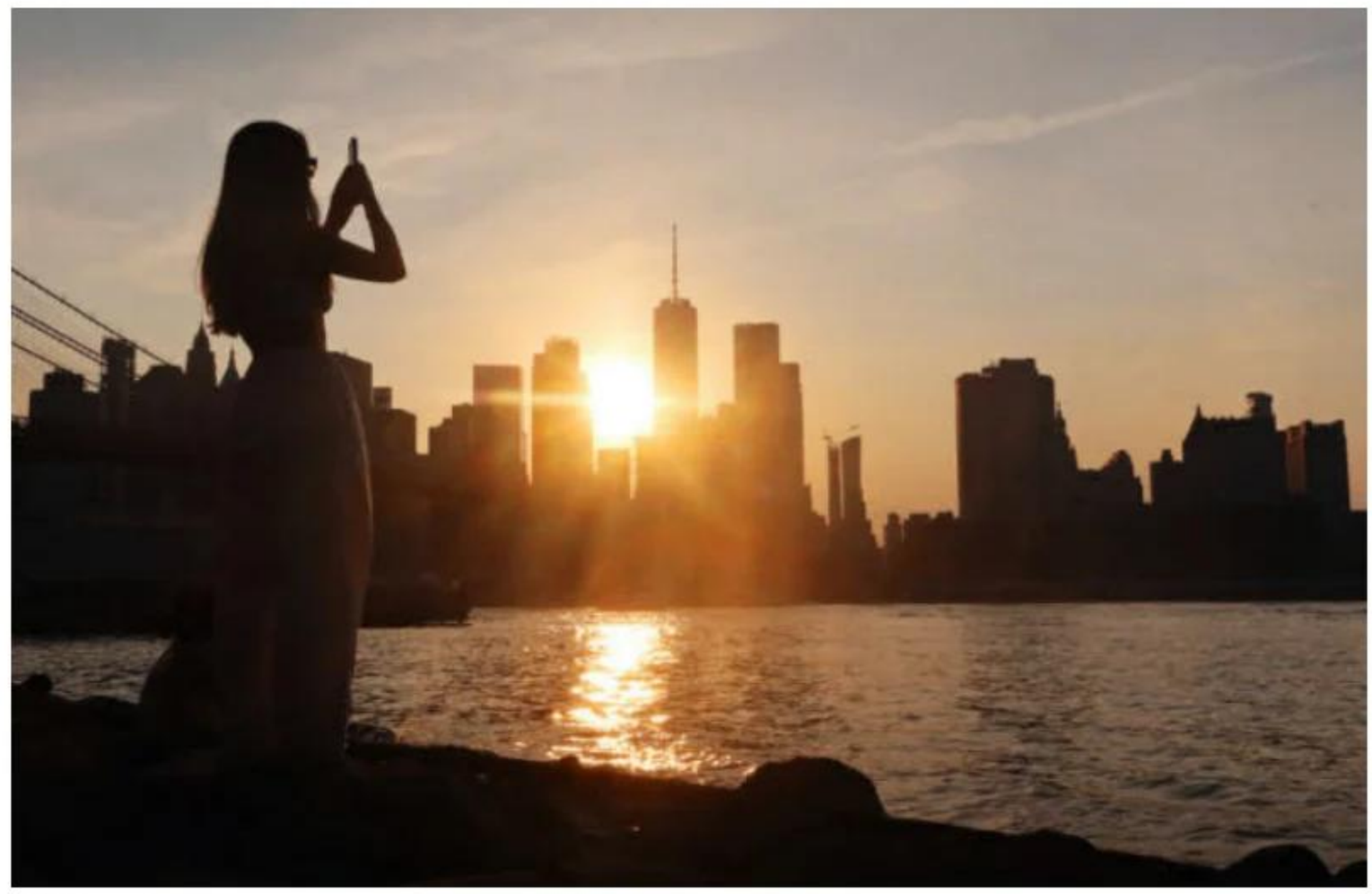
growth into the red in the first quarter, as a surge of imports distorted the numbers.

These stockpiles will be run down. In many cases, they have already been depleted, meaning that businesses are turning once again to imports. Last month customs duties were more than three times as high as the average in recent years (see chart 1). Companies that bring in goods from abroad now face an unpalatable choice: either they can eat the tariffs and accept lower profits, or they can pass on the additional costs to their customers.

So far, they have mostly chosen the first option. Bosses are attempting to wait out the president. Why alienate customers with higher prices if Mr Trump may change his mind and render the exercise pointless? Even in the latest consumer-price data, which still shows inflation a little above the Federal Reserve's target of 2%, it is difficult to spot a tariff impact.

In fact, doing so requires something of an economic microscope. Zooming in on the prices of affected categories at a handful of large retailers, Alberto Cavallo of Harvard Business School and co-authors do discern some slight price rises in both imported goods and their domestically produced competitors (see chart 2). However, such prices have risen by only a percent or two—a far smaller increase than that seen in tariffs. America's effective tariff rate was at 10% in June, its highest in eight decades. Mr Trump's threats, as are due to come into effect on August 1st, would mean a significant step up.

Oddly, though, tariffs may be pushing down prices via another mechanism—by taking a toll on the economy. The Liberation Day drama crushed consumer confidence, possibly softening demand. Until recently, this has been evident only in "soft" data (surveys and the like). Now signs of it are starting to appear in "hard" data, too. A recent release showed that household spending fell month-on-month in May. Employment figures for June were strong, but bolstered by government hiring, especially of teachers. Those for the private sector were lower than expected.



Still burning

A running estimate of GDP, produced by the Fed's Atlanta branch, suggests that its core components (private investment and consumption) have fallen from an annualised growth rate of 2-3% at the start of the second quarter to 1% now (see chart 3). Goldman Sachs, a bank, has compared the latest data to previous "event driven" shocks that led to recessions, and found that today's slowdown is roughly in line with the historical norm.

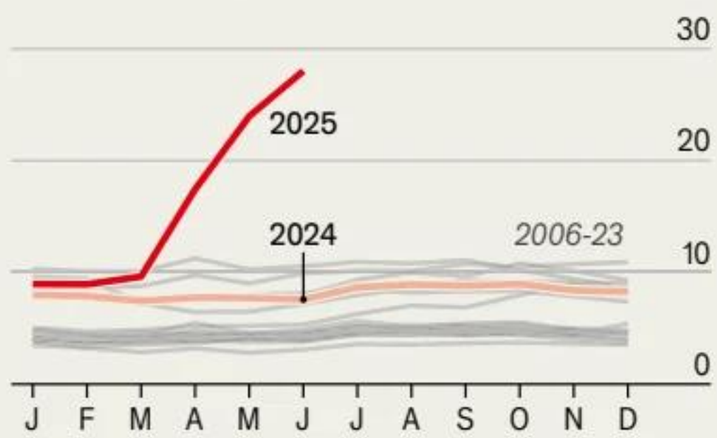
Brexit redux

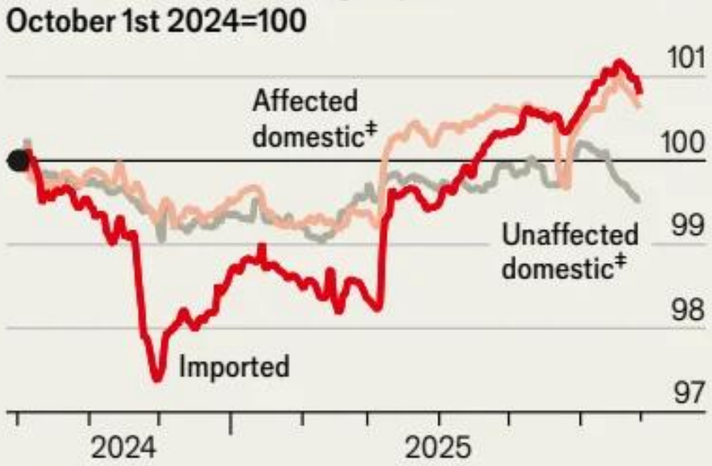
Whether this is the start of something more serious depends, in large part, on quite how punchy the president feels on August 1st. Without another deadline extension or similar, a further slowdown seems likely. Moreover, as Britain discovered after leaving the European Union—the most recent case of a rich country imposing large trade barriers on itself—elevated uncertainty can by itself be sufficient to suppress business investment for quite some time. And America is now an extremely uncertain country.

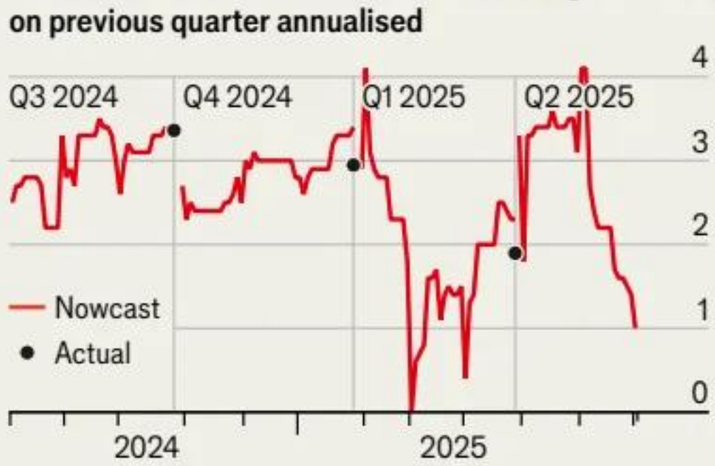
All the same, a more significant slowdown does not necessarily mean a recession. Tariffs are colliding with an American economy that is, by any historical or international standard, extraordinarily dynamic. It has been growing at a consistent 2-3% a year since 2022. As a consequence, America is one of the few rich countries that might be able to shoulder even a sizeable hit to its growth without falling into recession. The additional stimulus in Mr Trump's "Big, Beautiful Bill" is also front-loaded, meaning that it will provide a boost this year and next, which could help obscure the impact of tariffs (even if it also creates an inflationary mess for the Fed to handle). All this suggests a future in which economists endlessly debate the actual impact of the tariffs, while the American public barely notices them, despite having been left poorer. Not a triumph for Mr Trump—but not a disaster either. ■

Forgotten but not gone

United States







*And related taxes †Online data from four major US retailers ‡By tariff policies §Final sales to private domestic purchasers

Sources: Penn Wharton Budget Model; "Tracking the short-run price impact of US tariffs", by A. Cavallo, P. Llamas and F. Vasquez, HBS working paper, 2025; Federal Reserve Bank of Atlanta; Haver Analytics

China's economy

Back of the net

SUZHOU

Having export troubles? Simply set up a wildly popular amateur football league

SUZHOU IS ONE of China's most important electronics manufacturing centres. But who cares about that? On June 29th nothing was more important to the city than its team beating nearby Yangzhou in a football match. The fierce rivalry stretches back more than 1,000 years to when the cities competed for pre-eminence along the Grand Canal. For centuries they also sought to outdo each other's sublime gardens. Suzhou, the larger and richer of the two, was victorious during the Song dynasty. It continued its winning streak in 2025, comfortably beating Yangzhou 3-0.

Since the local football league was launched in May, China has been engrossed by matches in Jiangsu province, an eastern coastal region. Stadiums of 40,000 seats regularly sell out. Attendance is sometimes double the average for China's professional Super League. Touts resell tickets for 60 times the original price. At the match in Suzhou, hundreds of people, including your correspondent, had to watch a live stream outside the stadium because they could not obtain a ticket.

As one of China's leading manufacturing provinces, Jiangsu's cities are richer than most. Suzhou has a bigger economy than the Czech Republic; Wuxi, a nearby conurbation, boasts a GDP per person higher than Portugal's. But the region is also one of the first places to feel the pain from China's trade war with America. Some 9% of China's exports to America came from Suzhou alone last year, most in the form of electronics and machinery. Youth unemployment was said to be particularly high in Kunshan, the area of Suzhou that hosted the match on June 29th, even before the trade war got going.

So thank God for football. Officials came up with the idea of a league earlier this year, and have done all they can to promote it. The results look good. Tens of thousands of football fans have been showing up in Jiangsu. Airlines and hotel bookings are up considerably from last year, as are visits to local tourist sites and restaurants. Beer sales on one delivery platform have risen by 90% month on month in Jiangsu since the league launched.

The tournament's success may seem hard to fathom, but it is part of a pattern. China has been struck by a number of budget travel fads that send swarms of young tourists, living on the cheap, to otherwise quiet cities. Examples have included a sudden yen for the kebabs of a chemicals hub and for an oily soup found in a remote north-western city. The trend then usually dies off within a few months.

Blossoming

Will Jiangsu's amateur footballers also lose appeal? A few factors make the league especially marketable. The most important is heated inter-city rivalries (and horticultural feuds). Locals joke that Jiangsu province does not exist. Instead, it is a collection of cities with little in common and plenty of ill-feeling. For example, Nanjing, the provincial capital, is mocked by other cities because its local culture, cuisine and dialect have more in common with neighbouring Anhui province. These types of rivalries are usually played down by officials, who want to project a sense of unity. This time, though, Jiangsu's cadres have fanned the flames, helping the tensions go viral.

Raise a glass

Loose sponsorship rules have also played a part. The Chinese Football Association mandates that sponsors of professional leagues must be legitimate brands with "positive social images". Jiangsu has skirted these rules. Heineken, a Dutch brewer, is a sponsor; so, too, are local barbecue stalls. This gives the league a more authentic feel, especially compared with China's professional league, which has been hit by corruption scandals. Fans in Suzhou say the league is "pure", meaning they will overlook the amateurish talent.

Henan in central China has kicked off a rival league; Guangdong and Sichuan have plans for their own. All the same, Jiangsu's wealth and first-mover advantage put it in a strong position. The province has good infrastructure and world-class stadiums in all 13 competing cities. Suzhou may have won the match on June 29th, but the whole region is benefiting. ■

Perks of inflation

At long last

TOKYO

Japan has been hit by investing fever

IT IS NOT difficult to spot the change. Bookshops now dedicate entire sections to financial guides. Trains are plastered with advertisements for investing seminars. Financial influencers command enormous online audiences with tutorials on how to build a portfolio or open a brokerage account. As Ponchiyo, a 31-year-old YouTuber with almost 500,000 subscribers, puts it: "People are realising it is wasteful to leave money sitting in savings."

At the end of 2023, cash and bank deposits of ¥1,128trn ($7.6trn) counted for over half of Japanese household assets, compared with less than a third in Britain and an eighth in America. Then, in January 2024, the government overhauled its NISA scheme, a tax-free investing option modelled on Britain's ISAs. The scheme has proved much more successful than ministers anticipated. Investors have opened 5m new accounts. And earlier this year, assets in NISAs reached ¥59trn, having hit the government's target three years ahead of schedule. Japan is at a "turning point", as Kishida Fumio, a former prime minister, put it at a recent conference. The shift is "a test of whether it can leave behind its deflationary past and embrace growth".

After Japan's asset-price bubble burst in the early 1990s, years of deflation and stagnation left savers wary of risk. Today, though, economic developments are creating additional incentives to invest. Japan's core inflation has reached 3.7%, the highest in the G7, which erodes the value of idle cash, especially given the country's relatively low interest rates. Meanwhile, Japan's fast-ageing population has raised concerns about the durability of the pension system. "Investing used to be seen as something for people chasing big returns," says Suzuki Mariko, who runs *Kinyu Joshi* ("Finance Girls"), a group for young women. "Now many people feel they have no choice but to consider it, even just to protect what they already have."

The boom has also coincided with progress in Japan Inc. Tokyo's stock exchange has accelerated its corporate-governance reforms as part of a broader official effort. In 2023 it instructed listed companies to "implement management that is conscious of cost of capital and stock price". Many have responded by buying back shares, raising dividends and focusing on profitable activities; indeed, dividend payouts and share buy-backs have both reached re- ▸▸

cord highs. Cross-shareholdings—used to cement corporate alliances and insulate management, often at the expense of minority shareholders—have fallen from more than 50% of publicly listed shares in the early 1990s to just 12%.

Next up: old people. Those aged 60 and over hold nearly 60% of Japan's household assets. The government is considering a new scheme called "Platinum NISA", which would allow those over 65 to invest tax-free in monthly dividend funds, currently excluded from NISAs, making it easier for pensioners to draw down assets. "Many seniors used to think NISA was just for young people to build their assets over a long period," says Shiraishi Hayate of SBI Money Plaza, which runs investment seminars for retirees. "Now they are realising it can work for them."

Not everyone is happy, however. As in Britain, critics, including local asset managers and commentators, complain that much of the money invested through NISAs is going abroad. Estimates suggest that around half of total investments go into foreign stocks, as do as many as 80-90% of those made through mutual funds. The default purchase for beginners is either America's S&P 500 index or the *Orukan*, shorthand for "All Country", a tracker of global stocks. As annoying as this may be for policymakers, neophyte Japanese investors are demonstrating wisdom beyond their years: it is never wise to be too exposed to your home market. ■

BUTTONWOOD

Through the rearview mirror

Markets are supposed to look forward; too many investors look back instead

IN A MORE predictable world, stocks would be easy to price. A share gives its owner claim to a series of cash flows, such as dividends and earnings. Investors would forecast the future value of each, then discount it to a present value based on prevailing interest rates, the riskiness of the cash flow and their own risk appetite. Add them all up, and that would be the stock's price.

In the actual, radically uncertain world, things are rather more difficult. Few equity analysts, for example, even attempt to forecast earnings more than a few years into the future. But the "discounted cash flow" model is still useful. Divide stock prices by current earnings, and you get an indication of the discount rate the market applies to future cash flows. It turns out that this discount rate has historically been a reasonable, if imperfect, guide to the stockmarket's long-run returns. A low discount rate (or, equivalently, a high price-to-earnings ratio) forecasts low returns, and vice versa. That is valuable information for investors considering, say, how much to save for retirement, or to allocate to stocks compared with other assets.

It might be surprising that such readily available measures help predict the future. The bigger surprise is that so many investors ignore them altogether. Similar forward-looking measures of expected returns are widely employed by academics and big institutional investors; indeed, they underpin many investment firms' long-term forecasts of capital markets. Yet when it comes to individual investors, this reasoning is often turned on its head. Instead of looking forward, surveys consistently show that, as a group, they look back, expecting returns that are extrapolated from those in the past.

Think of it as investing through the rearview mirror. Such an approach says that if stock prices have soared recently, they will continue to do so. Admittedly, for most of the time since 2009, this has been a better prediction than the supposedly forward-looking ones. American share prices climbed for most of the 2010s, and price-to-earnings ratios with them, but the bull market just kept going. Trimming your stock allocation as valuations rose and the academics' expected returns fell would only have cut your profits. Even after the bear market of 2022, prices began marching up again despite above-average valuations, and then rocketed. No wonder that, this year, retail investors are eager to buy shares whenever the market dips.

It is not just amateurs who look back rather than ahead. Stock analysts have strong incentives to accurately forecast the earnings growth of the companies they cover. They nevertheless tend to do so by extrapolating from past years, despite the fact that the true correlation between historical and future growth is negative. Theory suggests that the prices

of options, a form of derivative contract, should depend on the volatility traders expect in the future. In practice, the volatility implied by foreign-exchange options often tracks the size of past jumps. Analysts at Goldman Sachs, a bank, find that over the past year this has led traders of foreign-exchange options to consistently underestimate future volatility. They have been wrongfooted by changing economic conditions and geopolitical uncertainty.

That points to the real problem with rearview-mirror investing: it is all very well until something smacks into the windscreen. Betting on a surging bull market continuing looked clever in the late 1990s, before the dotcom bubble burst, and again in 2021, before the following year's crash. Both times, forward-looking measures would have noted exceptionally high valuations, forecast low returns and rightly cautioned against outsize investments in stocks. As animal spirits roared, such pessimism would have struck many investors as the very worst kind of downer—right up until the plunge began.

The rearview-mirror mindset, writes Antti Ilmanen of AQR Capital Management, a hedge fund, is most pronounced when such investors have recently "got it right". It is most misleading when their success has come from rising valuations, since this is a trend that can readily go into reverse. And it is most dangerous when "the times they are a-changing". For American stocks in particular, all three conditions are in place today. Those who have spent recent years investing through the rearview mirror have scored a victory over the ivory tower and some of the world's grandest financial institutions. But it is probably time to start inspecting the road ahead.

Financial misadventures

Taking heat

NEW YORK

As Jane Street is chucked out of India, other marketmakers ought to be nervous

INDIAN REGULATORS speak with a little more flamboyance than their peers. On July 4th the Securities and Exchange Board of India (SEBI) accused Jane Street, a trading firm, of perpetrating a "sinister scheme" of manipulation in the country's manic options market. In a lengthy document, it concluded that "the integrity of the market, and the faith of millions of small investors and traders, can no longer be held hostage to the machinations of such an untrustworthy actor."

SEBI has banned the firm from India's securities markets. The drama has thrown a bright light on Jane Street, a company of legendary opacity even in an industry that prioritises secrecy. And it could carry political and regulatory consequences, not just for Jane Street, but for an entire, ascendant industry of marketmakers.

Although Jane Street was set up 26 years ago, it first made waves when its earnings exploded in 2020, hitting $8.4bn in the first half of the year. A willingness to take risks when opportunities present themselves has fuelled its growth. Jane Street reportedly made $21bn in revenue last year, with fewer than 4,000 employees. Citigroup, a giant bank, made $20bn in its markets business, with 9,000 employees.

The company has a nerdy culture. (To see quite how nerdy, attempt the puzzles it occasionally posts on its website.) Beyond that, it is mysterious. Even its management structure is unclear: Jane Street is run by a series of committees on behalf of its partners, and has no chief executive. Staff once asked interns coming to the end of their time at the firm to guess who the equity holders were. They had mixed success.

What is clear is that Jane Street made hay in India. During the covid-19 pandemic Indian retail investors, many with little experience, soared in number as online-trading platforms took off. Options trades could be leveraged aggressively; influencers on social media touted vast returns. By mid-2023 stock derivatives had trading volumes 422 times larger than those of the underlying cash market. America's ratio was nine to one. In early 2024, by one estimate, 84% of all global derivatives trading was occurring in India, meaning arbitrage opportunities abounded.

The scale of the options market is core to SEBI's allegations of misconduct. Its officials say that Jane Street was trading aggressively in the stockmarket, particularly the BANKNIFTY index of bank shares, to move much larger positions in the options market. It argues that Jane Street made losses on the trading of less liquid underlying stocks and futures, but that they were more than offset by enormous profits in the options market—a red flag for market manipulation. Sometimes, SEBI says, the firm's trading moved prices in its favour shortly before the market closed. The tactic is an old one, known as "marking the close", which is illegal in most markets. Over 21 separate trading days, the regulator estimates that Jane Street made 48bn rupees ($560m) with the strategies.

Nothing to see here

Jane Street rejects the allegations. In a note to staff, the company said its trading on the days in question was bread-and-butter arbitrage, bringing stock prices into line with those in the options market. SEBI's theories demonstrate "a misunderstanding of standard hedging practices", it argues. The firm also says it has communicated repeatedly with SEBI, despite the regulator's suggestion it has been unco-operative. Jane Street is working on an official response, which it has 21 days to make.

The firm's unusual management model, lacking leaders to make its case, is a poor fit for a high-stakes public argument. Jane Street now runs the risk that a casual observer knows only two things about it: that it is the subject of a financial scandal in India, and that it was the training ground for Sam Bankman-Fried, an erstwhile crypto billionaire now serving a 25-year prison sentence for a range of financial crimes.

Other marketmakers will be paying close attention. Boston Consulting Group, a consultancy, suggests that banks' global markets revenue has grown by just 3% a year since 2018, compared with 22% a year for non-bank marketmakers such as Jane Street, Citadel Securities, Susquehanna International Group and Virtu. The upstarts now have a 26% share of the $331bn total, a record. They have benefited as banks have retreated from marketmaking—an unintended result of tighter regulation after the global financial crisis in 2007-09.

Financial scandals vary in their consequences. Goldman Sachs and JPMorgan Chase took heavy fines for their respective involvements in the 1MDB and London Whale blow-ups, but neither led to tighter rules for the industry. On the other hand, the revelation that traders at Barclays and other institutions had been fixing the London Interbank Offered Rate, a reference rate used in the pricing of hundreds of trillions of dollars of derivative contracts, resulted in a complete overhaul.

Jane Street and its rivals borrow from a blend of bond markets, private lenders and, somewhat ironically, the banks they are displacing. All will suffer if tighter rules on risk-taking result from the scandal. At the very least, watchdogs will want to make sure that they truly understand what the trading firms are up to.

Some of Jane Street's competitors are looking on with barely disguised glee. "How much of JS revenue globally is derived from similar activity?" asked Alexander Gerko, boss of XTX Markets, a quant firm, in a LinkedIn post. "Regulators elsewhere should pay attention." He might want to be careful what he wishes for. ■

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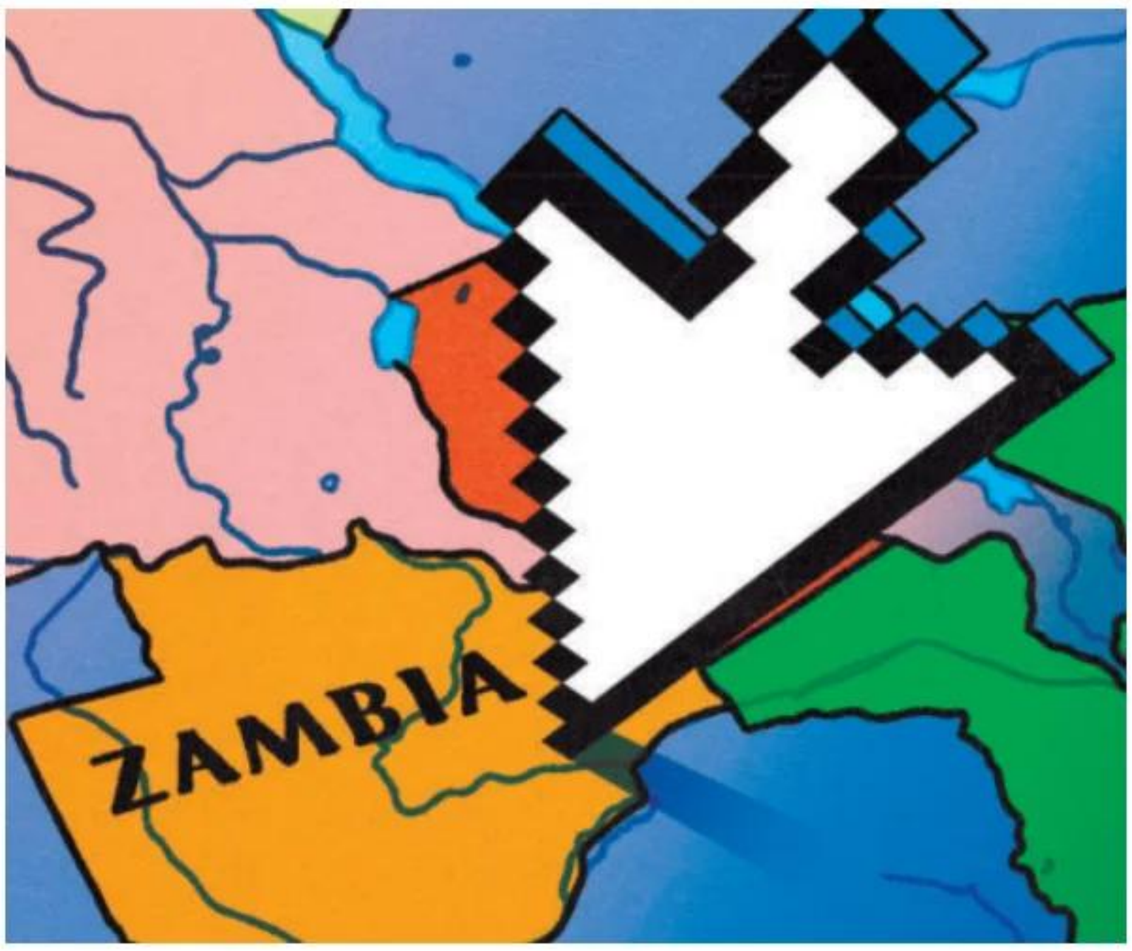
Tunnel vision

The need to reduce risk has shaped centuries of exploration



DEEP IN ZAMBIA'S Copperbelt province, explorers from Kobold Metals are testing the ground for a new mine shaft. Although the arc of copper running through central Africa was first mapped by Victorian explorers and was mined by a colonial British firm, the search for deposits has been only occasionally fruitful in the years since. Kobold's discovery is the biggest in a century. Born in California and backed by Bill Gates, the company uses everything from ancient maps to artificial intelligence in order to learn about what lies beneath the ground. Perhaps its biggest idea, though, is an economic model, pioneered at Stanford University, that helps process vast reams of information. It guides where Kobold drills, the most important decision for any miner.

The idea of a purely scientific explorer, financed by maverick philanthropists, is appealing. In reality, ever since the Renaissance the vast majority of ventures have been financed by companies and governments with an eye on profit. As with more typical projects, investors want to estimate, and then reduce, risk—in much the same manner as the risk-management department of a modern bank. Sailing to foreign lands, trekking to new wildernesses and excavating underground reserves is extraordinarily expensive. It is also fraught with uncertainty. Companies such as Kobold are just the latest to do battle with the unknown.

At best, early financiers were able to support those who returned with evidence of success, even if flimsy. Unfortunately, one batch of treasures offered little certainty of finding a second or third. Aside from the ever-present threat of disease and storms, few explorers understood the resources they sought to extract. Riverbeds moved, populations migrated, rockfaces crumbled.

In the 17th century financiers began to share risk more often. Even the most challenging ventures could purchase insurance through Lloyd's Coffee House, an insurer that later became known as Lloyd's of London, or on Amsterdam's financial markets. Firms set up for the purpose of exploration, such as Hudson's Bay Company and the East India Company, could not hedge against undefined and unknowable risks; they could, however, sell contracts that passed some of them on to others. By 1616 the Dutch East India Company was insuring its ships by selling sophisticated policies in which the buyer promised to contribute a share of the voyage's cost should it meet an unfortunate end.

Governments and financiers also set out to map the world. The deluge of information this produced changed their investment decisions, allowing them to pick the most promising topographies for investigation. In the 1760s, for instance, American and British investors noticed iron-rich rocks on maps of the Andes drawn by Spanish conquistadors, spurring several expeditions.

Over time, maps, surveys and rock samples transformed exploration. The additional information was used to produce geological models—often the result of algorithms borrowed from statistical economics—that provided best guesses as to the location of economically viable mineral ores, thus representing predictions about maximum pay-offs. Mining companies did not spend their time attempting to estimate and reduce risk. Instead, they simply drilled in such places and hoped for the best.

Most modern resource exploration still suffers from very low success rates. Although at least 80% of the world's valuable resources show no sign of existence above ground, some 85% of operating mines were dug as a result of surface observations. Much of what lies beneath the ground remains a mystery.

Kobold wants to return the focus to risk, by using new algorithms and data to reduce uncertainty. This includes quantifying how much geologists do not know—producing somewhat surreal numbers that indicate how likely a rock is to be somewhere. The idea, pioneered by Jef Caers, a geologist at Stanford who also designs economic models, comes from game theory. Faced with two options that hold an equal probability of success, the choice between them is arbitrary. When more information becomes available, it becomes less so. Yet you need to be convinced that the additional information is relevant, and that obtaining it costs less than just taking an arbitrary gamble.

Rock and a hard place

Suppose, for a minute, that you find yourself in charge of a directional drill with two prospective sites to excavate. How do you pick between them? A regular mining firm would make a bet on the rock core's geology, and drill where it thinks valuable minerals are most likely to be found. Kobold holds several ideas about what could be going on beneath the surface at once. Its algorithms then create thousands of scenarios for each idea; any one could reflect the real rock core. The algorithms resemble those used by banks to ascertain the credit risk of countries.

How much is unknown about an area, and where is the uncertainty concentrated? Kobold can now answer both questions, along with the probability of finding a mineral in a particular place. The firm's geologists then drill the hole that reduces the unknowns most drastically, rather than at the site where it expects to find the biggest prize. The idea is that, in time, it will come to know enough to pinpoint resources. As that will probably take fewer moves than a rival making a series of guesses about where the richest mineral seam lies, Kobold's pay-off will be bigger.

After drilling just a few dozen holes, Kobold has dug millions of tonnes of copper in Zambia, outperforming local rivals. "If you could see inside the black box of everything under the Earth's surface," says Kurt House, the company's chief executive, "you would be a perfect explorer." Long dead Victorian gentlemen, who spent their lives seeking out mysterious and unknowable places, might disagree. Their financiers, however, would not. ■

Science & technology

Psychiatry

When hormones hijack the mind

Many cases of mental illness resist treatment. Could hormones be the key to understanding them?

THEIR NAMES are unknown but their pain is nonetheless evident. A user on Reddit, a social-media site, was "fairly close to being just another young man that killed himself because of depression". On the website of Menopause Mandate, a campaign group, a woman tells of her grief "for the lost years where suicide seemed my only option".

Both people described poor mental health that had resisted standard treatments. Both, eventually, found their answers where psychiatrists seldom look—their low levels of sex hormones.

Mental illnesses resistant to treatment affect millions of people worldwide. Around a third of those seen by doctors for major depression, for example, are in this category. For some of these patients, an emerging consensus among scientists—bolstered by evidence from years of research on menopausal women—suggests that hormonal deficiencies could be causing their conditions.

From a biological point of view, this connection has been hiding in plain sight. The sex hormones oestrogen, progesterone and testosterone, all of which are produced by both men and women, are known to be potent governors of behaviour, mood and stress. Proteins sensitive to oestrogen are found scattered across many important regions of the brain, and studies have shown that this hormone can enhance memory formation, recall, decision-making and problem-solving. Progesterone and testosterone, meanwhile, exercise a calming effect via interactions with the brain region called the GABA-receptor complex. Other hormones, such as cortisol produced by the adrenal glands and those produced in the thyroid, also play a role in mood and behaviour.

It is evidence from medical practice, though, that is now leading scientists to look more closely at the role of hormones in mental health. Data from menopausal women, particularly from the past five years, have shown that they find relief from symptoms of depression and anxiety (and have therefore needed fewer antidepressants) because of hormone-replacement therapy (HRT). The evidence strongly suggests that a wider group of people—and middle-aged men and women in particular—could potentially benefit from similar hormonal treatments.

Start with men. The Endocrine Society, a scientific group, says that about 35% of men over the age of 45 have hypogonadism, a condition in which their testes produce little or no testosterone; it is rarer for those in their 20s and 30s.

There is a dearth of good data on diagnosis of hypogonadism rates but experts ▸▸

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say it is widely underdiagnosed and undertreated. Men with low testosterone often report symptoms such as depression, irritability and cognitive impairment.

Even though testosterone-replacement therapy (TRT) is not in the standard toolkit for treating depression in men, some evidence suggests it may be useful—a meta-analysis of studies on almost 2,000 men in total, published in 2019, showed that TRT was associated with a reduction in the symptoms of depression.

In America the popularity of TRT has risen sharply since 2019, with many men with hypogonadism finding their mental health greatly improved after receiving it. The perception of TRT, however, has become muddied by sloppy prescribing practices and the aggressive promotion of testosterone as an easy solution for low energy, muscle growth or ageing (see United States section).

Women in the run-up to menopause—a period known as perimenopause—are another group that may be missing out. Some experience serious mental-health problems. Last year researchers from Cardiff University published an analysis using data from UK Biobank, a research body, of almost 130,000 women who had gone through menopause and who had no history of psychiatric disorders. During perimenopause, the risk of major depression and bipolar disorder increased by 30% and 112%, respectively, compared with the risk of developing the illnesses during their younger reproductive years.

The group is small: some 1,133 women (0.88%) reported new psychiatric conditions during this period. But many more are likely to experience more subtle symptoms, ranging from low mood, anxiety, mood swings and irritability to aching joints and memory problems (often referred to as brain fog). Because these problems may start during a woman's 40s, and long before the obvious symptoms of menopause, such as night sweats, emerge, the correct diagnosis can be easy to miss.

Enone McKenzie, a consultant psychiatrist specialised in women's hormonal health at the Soke, a clinic in London, rattles off symptoms that can help identify midlife hormone-driven mood disorders in women. Anxiety, for example, is usually driven by a specific worry or psychological trigger. But women who, for no reason, wake up with anxiety, or feel anxious most of the time and overwhelmed by previously manageable tasks, may have a hormonally driven condition. She also describes a "smiling depression" where women feel fine some days and can be suicidally depressed on others.

Important reproductive transition points, such as the period after having a child, perimenopause and menopause itself are also times at which women are likely to relapse from psychiatric conditions they thought they had recovered from. Katie Marwick, a consultant psychiatrist for NHS Lothian, in Scotland, says that women may seem absolutely fine but then, as perimenopause approaches, have serious episodes of illness that can affect their relationships and jobs. And some women can also experience serious declines in mental health during their monthly menstrual cycles.

There is still little awareness among patients and doctors of mental-health conditions related to hormonal changes in both men and women. But researchers are taking heed. A new study, Our Future Health, will look in detail at the health of 5m Britons. Dr Marwick hopes to use this data to find out the extent to which women's mental health is affected by reproductive transitions, and determine the risk of psychiatric admissions during perimenopause. It may be possible to work out if genetic variants that heighten sensitivity to hormones exist. That could give clues to the molecular mechanisms at work in hormone-related mood disorders and inspire new treatment ideas.

Doctors and psychiatrists also need to pay more attention. In trying to diagnose mental-health problems, clinicians routinely evaluate their patients for psychological, social and lifestyle factors. Hormones are rarely scrutinised.

Whereas in men a blood test can easily determine low testosterone levels, testing sex hormones in women is far harder, because their levels can fluctuate more widely from day to day. Questions from doctors that probe a woman's sensitivity to changes in hormones, therefore, including asking whether she has suffered mental-health effects from hormonal contraception, can be helpful.

There is still a lot to learn. How sensitive a person's body is to their hormone levels may, in some cases, be more important than what those levels actually are. This sensitivity, in turn, may depend on how a person's other bodily systems, such as metabolism and immunity, are working. Sleep can be another contributing factor. "Sex hormones exist to optimise us for reproduction and that needs a lot of systems to co-ordinate," says Dr Marwick.

How many mental-health conditions are driven by hormonal factors is hard to know. But there is clearly enough evidence to take hormones and their effect on the mind more seriously in both sexes. HRT was, for a long period, viewed suspiciously because of an unreasonable alarm over its safety. Its rehabilitation has been a boon for menopausal women, their families and society more broadly. Embracing hormones as a potential treatment for mental illness could help more women, and men, across much more of their lives. ■

Palaeontology

Buried treasure

Newly discovered proteins in ancient fossils could transform palaeontology

ANCIENT PROTEINS nestled in fossils contain troves of information about long-dead creatures. However, like all ancient molecules, proteins degrade. Until recently the oldest proteins recovered for reliable, in-depth analysis were around 4m years old. But two separate studies published in *Nature* on July 9th, one by researchers at Harvard University and the Smithsonian Institute and another led by researchers at the University of Copenhagen, have recovered ancient proteins, some of which could be up to 29m years old. The discoveries should help palaeontologists investigate the behaviour, diet and evolution of animals long thought too old to be studied with molecular tools.

Both research teams recovered the ancient proteins from tooth enamel, the hardest substance in vertebrates' bodies, in fossils they assessed to be many millions of years old. They first ground the enamel to a powder and then applied a chemical solution to draw out the proteins. To confirm that the proteins were not the result of modern contamination, they identified chemical damage to the proteins accrued over time, a process called diagenesis. The amount of damage lined up with what they would expect for fossils of that age.

The team from Harvard and the Smithsonian Institute focused on the enamel of big African animals, such as elephants, in Kenya's Turkana Basin, which were be- ▸▸

I gotta get my protein

tween 1.5m and 29m years old (although they have high confidence only in fossils up to the age of 18m). Finding old proteins in one of the warmest places on Earth, where biological molecules easily break down, suggested that even older proteins could be recovered in better conditions. The researchers from Copenhagen confirmed this suspicion. In the Haughton Crater in the much colder climes of the Canadian Arctic (pictured on previous page), they managed to extract protein sequences from the tooth of a 24m-year-old rhinocerotid, a squat, single-horned mammal in the rhinoceros family.

Having recovered the proteins, the two teams were able to compare their sequences against databases of known protein sequences from other species. This allowed them to place the extinct species on the tree of life. For example, the Harvard study suggests that an 18m-year-old creature in the Anthracotheriidae family is probably the ancestor of modern hippos, whereas the close relatives of a rhino-like animal called *Arsinoitherium*, thought to be 29m years old, are all extinct.

Enrico Cappellini, who was part of the Copenhagen study, says that the new discoveries expand the timeline of proteins available for analysis ten-fold compared with ancient DNA (aDNA), which lasts about 1m years. That means palaeontologists can now understand the evolution of organisms that are too old for other ancient molecular analysis. Future analyses of carbon and nitrogen isotopes within the preserved proteins could also offer insights into the diet, environment and migratory behaviour of extinct species.

There are tantalising hints that scientists may have even older proteins to discover. Back in 2009, researchers from North Carolina State University retrieved fragments of collagen protein from the fossil of an 80m-year-old duck-billed dinosaur called *Brachylophosaurus canadensis*. Although the collagen had degraded into small bits, they were able to confirm that it was of a specific kind now only found in birds. Better preserved proteins yet to be found might be able to reveal even more.

Commenting on the Copenhagen findings, Matthew Collins, a palaeoproteomics expert at the University of Cambridge who was not part of either study, says the results are "spectacular if true" and that they could transform interpretation of fossil records. Because some proteins in tooth enamel vary between the sexes, they could help determine the sex of some fossils, which can otherwise be tricky. Placing species on the tree of life could also clear up long-running evolutionary disputes, such as the debate over the true ancestry of horses. Whereas aDNA took palaeontologists into the distant past, it seems ancient proteins could take them further still. ■

Astronomy

Flying visit

An interstellar object cruising through the solar system presents a major test for a new branch of astronomy

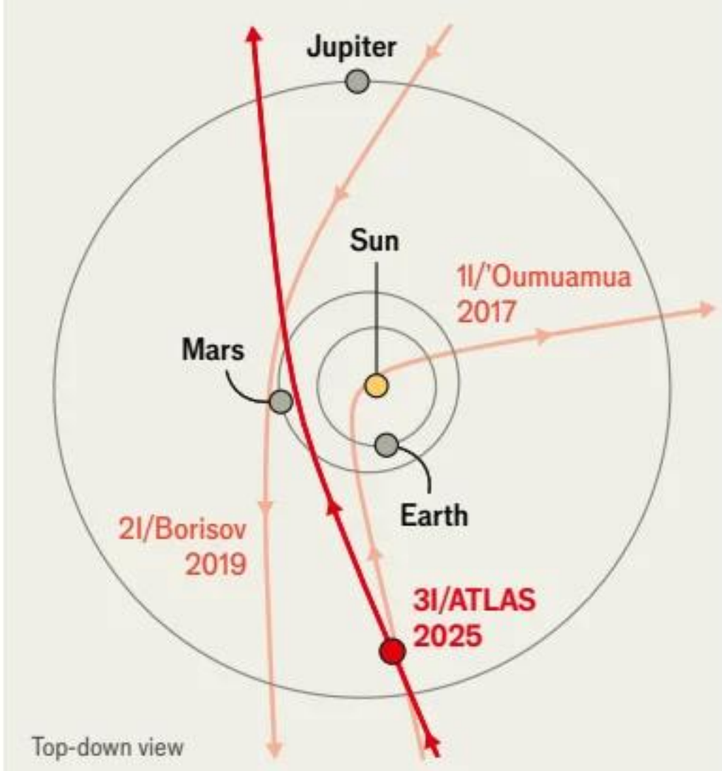
ON THE NIGHT of July 1st, in a remote corner of Chile, a small robotic telescope noticed something moving in the sky. What at first seemed a routine detection of an object travelling through the solar system soon turned out to be anything but. The object's trajectory revealed it to be a much rarer visitor than first thought. Formed around a distant star elsewhere in the Milky Way, it is an interstellar wanderer, not a merely interplanetary one.

That realisation sparked a scramble. "It's been full gas for the past week," says John Noonan, an astronomer at Auburn University in Alabama. 3I/ATLAS—named after the Asteroid Terrestrial-impact Last Alert System, the project that discovered it—is only the third such interloper ever spotted. Dr Noonan is one of the authors of a quickly written paper that tries to establish some basic facts about 3I/ATLAS, including what it is (a comet); how big (perhaps 10km across); how fast it is moving (around 60km/sec) and how far into the solar system it will come (well inside the orbit of Mars; see chart).

Most excitingly, 3I/ATLAS offers a chance to test some early theories of interstellar-object-ology, a fledging branch of astronomy (though one in need of a snappier name) that began to receive serious attention only after the detection of 1I/'Oumuamua in 2017, the first interstellar object discovered. "We think these are the most common macro-scale objects in the galaxy," says Chris Lintott, an astronomer at the University of Oxford. "In hindsight it's odd that people hadn't been thinking more about them before." The current thinking is that interstellar objects (ISOs) are leftover bits of protoplanetary discs, the doughnuts of dust and ice that surround young stars and from which their planets condense. Some 90% of the asteroids and comets formed this way might be ejected from their parent star systems by gravita- ▸▸

Ex astris

Paths of interstellar objects in the solar system



Source: "Discovery and preliminary characterisation of a third interstellar object: 3I/ATLAS", by Darryl Seligman et al., 2025

tional interactions with bigger objects.

One paper, published in 2018, concluded that there might be around 10^{26} ISOs in the Milky Way, a million billion times more than the number of stars. Others have modelled how they spread through the galaxy (in braided streams, it seems); or worked out that, because of the Sun's orbit around the galactic core, they should come more often from certain directions. A study from 2019 proposed that ISOs could help explain planet formation: a tiny fraction of ISOs might get captured by young stars and act as nuclei around which full-size planets can grow.

In a preprint posted online on July 9th, Dr Lintott and his colleagues apply some of these new theories to 3I/ATLAS. They conclude that there is a two-thirds probability that it is more than 7bn years old—around half the age of the universe, and far older than the Sun. Its trajectory suggests it comes from a star somewhere in the Milky Way's "thick disc", a group of old stars that sit above and below the central plane of the galaxy. If so, chemical differences between old and young stars mean it should contain more water than comets native to Earth's solar system. Such predictions will be checked as bigger telescopes catch sight of the comet. The James Webb Space Telescope, a powerful instrument launched in 2021, could make observations towards the end of July, when 3I/ATLAS comes into its field of view.

As 3I/ATLAS approaches the Sun, it will grow brighter and begin to shed parts of itself, making it easier to study. Frustratingly, it will disappear from earthly view in September before its closest approach to the Sun on October 30th. But it will remain visible from Mars. Plans are afoot to get probes there to take pictures of their own—though one called MAVEN, which carries an instrument capable of probing the comet's chemical composition, may be decommissioned on October 1st as part of big cuts planned to NASA's budget. "We'll be taking our glasses off right before the fireworks," Dr Noonan says, glumly.

Still, the future of ISO-ology looks bright. The Vera Rubin Observatory in Chile, which saw its first light on April 15th, could spot dozens of ISOs over the next ten years. At that point, says Dr Lintott, "We'll have a proper population of these things, which will be transformative." It may even be possible to send a probe to look at one up close. The European Space Agency's Comet Interceptor mission, due to launch in 2029, will sit in a parking orbit waiting for a comet to chase after. But it could also run down an ISO, if a suitable one presents itself. Astronomers have dreamed of building an interstellar probe for decades. But why go to the trouble of flying all the way to an alien star system when the alien star system can come to you? ■

Well informed

Should America ban thimerosal?

Research shows that this vaccine ingredient does more good than harm

ON JUNE 26TH a vaccine advisory panel installed by Robert F. Kennedy junior, America's health secretary, recommended that thimerosal (also spelled thiomersal), an ingredient used in some multi-dose vaccine vials, should be removed from all flu jabs.

Mr Kennedy says that thimerosal is a neurotoxin that causes neurodevelopmental disorders, notably autism, in children. So against the chemical is he that in 2014 he published a book condemning it. His panellists seem to share his opinion: five out of seven voted in favour of the recommendation. An American ban on thimerosal now seems imminent. The evidence, however, strongly suggests this is a mistake.

Thimerosal is an antimicrobial agent that has been used for decades in multi-dose vaccine vials to reduce the risk of contamination from repeated syringe insertions. Sceptics gripe that it contains ethylmercury, a compound of mercury. Exposure to high levels of this metal has been shown to impair cognitive development in children. When American rates of autism were found to be increasing in the 1990s, the thimerosal in childhood vaccines was closely scrutinised. As a precautionary measure, the Food and Drug Administration (FDA) recommended that thimerosal should be removed from childhood vaccines.

Since 2001 thimerosal has consequently been reduced in or removed from almost all vaccines recommended for American children aged six and under. Most now come in single-dose vials that need no preservatives. The lone holdouts were some multi-dose flu shots (about 4% of those administered in the most recent flu season) which, being cheaper and more durable than single-dose vials, are key to efficient annual mass-vaccination campaigns. In any case, FDA guidance suggests a single dose contains about as much mercury as a tin of tuna.

The weight of scientific evidence strongly suggests that the FDA was being too cautious. A study by scientists at the University of Aarhus, published in 2003 in *Pediatrics*, found that rates of autism in Denmark increased despite the removal of thimerosal from all the country's vaccines in 1992.

What's more, large population studies in America and Europe have consistently shown no link between exposure to thimerosal and autism. Notably, a study of over 100,000 children in Britain published in *Pediatrics* in 2004 concluded that there was no evidence for thimerosal causing neurodevelopmental disorders (tics were the only potential exception). The link to autism has been "thoroughly debunked", says Kathryn Edwards, an expert in vaccine safety who recently retired from Vanderbilt University. In fact, the only well-established health risks are minor symptoms such as redness and swelling at the site of an injection due to an allergic reaction to the chemical.

Although thimerosal is barely used in American vaccines, a ban may still do harm. It would make the cheapest flu vaccines less available to the most poorly served communities and slow America's response to pandemics, says Jake Scott, an infectious-disease specialist at Stanford University. Developing alternative chemicals is possible, but would take years. Dr Edwards worries that the real damage could arrive in the long term. If America's public-health authorities begin lending credence to the unsupported beliefs of vaccine sceptics, she says, a very worrisome precedent will have been set.

Culture

The economics of warfare

Invisible hand-to-hand combat

In war, incentives matter more than courage, as a new book shows

Blood and Treasure. By Duncan Weldon. *Pegasus Books; 320 pages; $32. Abacus; £25*

OF ALL HUMAN activities, war is the least rational. It costs a fortune. It spreads death and misery, from the killing fields of Sudan to the tunnels of Gaza. It is often started out of personal hubris or blind patriotic zeal: think of Napoleon's invasion of Russia or Japan's decision in 1941 to provoke a war with a superpower it could not hope to defeat. So you might think economics—a discipline associated with rational self-interest—would have little to say about it. You would be wrong, argues Duncan Weldon, a former writer for and occasional contributor to *The Economist*, in "Blood and Treasure".

Economists think a lot about incentives—as do soldiers. When Italian cities hired mercenaries to fight their wars in the 15th century, the *condottieri*, or mercenary leaders, devised a complex strategy of feints and retreats to put the enemy off balance. At least, that's what they said they were doing. Though they sombrely cited Roman and Greek military history to justify their actions, in fact they just wanted to avoid battle. They were paid either way, as were the hired swords on the other side. By tacit agreement they kept failing to fight—and grew rich. Some then splashed out on conspicuous consumption, such as paintings by Leonardo da Vinci, thus helping bankroll the Renaissance.

Sometimes a military strategy seems irrational, but is not. Consider France's reluctance to adopt the longbow. English longbowmen slaughtered a much larger French army at the battle of Agincourt in 1415. The French should have seen this coming, since the English had pulled off exactly the same trick at the battle of Crécy, 69 years before. A longbow was difficult to master, but a skilled archer could fire six shots in the time it took a crossbowman to fire one. English kings required their male subjects to practise archery every week. French kings, by contrast, discouraged it.

As it happens, the one who lost at Agincourt was known as Charles the Mad. But his no-longbow policy was quite sane, Mr Weldon argues. France was unstable. Kings had to worry more about internal threats than foreign ones. The last thing they wanted was legions of peasants who could massacre mounted knights with weapons they could easily make at home. In England the monarchy was more secure (at least, until the Wars of the Roses), so kings favoured the weapon that would help them win foreign wars.

Incentives matter in other kinds of conflict, too. Pirates of the 18th century were also keen to avoid fighting. Not only was it dangerous; it risked sinking the vessel they were trying to capture, plunging all those pieces of eight into the depths. They threatened to slaughter crews that resisted, ▸▸

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but spare those who surrendered without a fight. To communicate this clearly, regardless of language barriers, they adopted the Jolly Roger flag—an early example of effective global branding.

Victory, in popular myth, depends on the exceptional courage and skill of the nation to which the mythmaker happens to belong. Mr Weldon offers more convincing explanations. The Vikings, for instance, were successful not because they went "berserk" and ran into battle terrifyingly naked, but because they had two advantages over their Anglo-Saxon victims. First, they were not Christian. They had no compunction about raiding churches, which were full of treasure and essentially unguarded, since the locals deemed it sacrilegious to plunder them.

Second, Viking longboats were the stealth fighters of the Dark Ages. A conventional boat would make landfall wherever the prevailing winds blew it, and then have to creep along the coast towards its target, giving its intended victims plenty of time to hide. A Viking longboat, by contrast, could use its sails for most of the journey and then switch to oars when still just over the horizon. Thus, a monastery might have only a couple of hours' notice that it was about to be raided.

The Mongols' military triumphs have sometimes been ascribed to their horsemanship. Mounted archers would race up, loose a hail of arrows and dash away—a devastating tactic. But logistics mattered more, especially "the easy availability of fresh remounts". In 1300 the Mongol empire had half the horses in the world: perhaps 20 for every warrior. So the great horde could sweep across the steppe at a pace of 80 to 100 kilometres a day, while its foes barely managed ten. Mr Weldon argues that, by unifying Eurasia and promoting trade between China and Europe, Genghis Khan was the "father of globalisation".

In the late 18th and early 19th centuries, Britain's Royal Navy ruled the waves. Between 1793 and 1815, it lost one ship for every seven enemy vessels it destroyed or captured. Looking only at big "ships of the line", the ratio was one to 33. Again, the reason is not that British sailors were braver than French ones, but that their commanders' incentives differed. A French captain who surrendered his ship faced the death penalty, so the shrewd ones avoided battle. British captains were given a fat share of the value of ships they captured, which made them more aggressive.

Though economics is a useful tool for understanding war, individual economists have often misunderstood it. Walt Rostow, a star economist who became President Lyndon Johnson's national security adviser, thought the Vietnam war could be won by bombing the north's industrial base to cinders. He misunderstood the incentives at play. Ho Chi Minh, North Vietnam's leader, cared far more about uniting the country under communist rule than about protecting bridges and factories in the north. And the harder America hit the communists, the more aid the Soviet Union and China sent them. Even dropping hundreds of kilograms of explosives per Vietnamese person was not enough to prevent America's eventual defeat.

Time and again, Mr Weldon spots the invisible hand behind hostilities. Yet he neglects one especially useful tool: public-choice theory. This idea, for which James Buchanan won a Nobel prize in 1986, holds that many policies exist because they benefit self-interested decision-makers rather than the people they are meant to serve.

Consider Vladimir Putin's invasion of Ukraine. It was not in Russia's interest: it has cost 1m Russian casualties and made Russia a pariah in the West, dependent on China to stay afloat. Mr Putin started it for selfish reasons: he dreamed of going down in history as a great conqueror, and he knew from experience that a war could win him a burst of patriotic support and an excuse to call dissidents traitors and lock them up. What was irrational for Russia made perfect sense for its warmonger-in-chief. Alas, since the supply of awful leaders greatly exceeds the need for them, wars will keep breaking out. Sometimes, the dismal science offers dismal conclusions. ■

Comics and politics

A man of steel for all seasons

NEW YORK

What Superman tells you about American foreign policy

IT IS HARD to take a man in blue tights and red briefs seriously. But in a new movie, released on July 11th, Superman has taken on the extremely serious job of being the world's policeman. The Man of Steel (David Corenswet, pictured, snapping on the Spandex for the first time) stops one country from invading another. He has done a good thing, he feels, and saved lives. Yet Lois Lane (Rachel Brosnahan, who brings a welcome spikiness to the role) is sceptical of unilateral action: does Superman stop to think about the consequences of getting involved in other countries' conflicts, she wonders?

Such geopolitical musing might seem out of place in a superhero film, usually a vehicle for rippling muscles and elaborate stunts. But many have also been parables of how America feels about its role in the world. This is particularly true of stories about Superman, whose stated aim is to defend "truth, justice and the American way". The character has endured for almost nine decades because he is handsome, bland and adaptable—able to reflect whatever "the American way" means at any particular moment.

Rick Bowers, author of a book about Superman, described him as the "quintes- ▸▸

Can't help but muscle in

sential American". Though the hero arrived in the country from the planet Krypton as a baby, he was brought up in the Midwest, learned to love hard work and became the only American who can literally lift himself up by his bootstraps. Superman was created by Jerry Siegel, the son of Lithuanian Jewish immigrants. Siegel, an awkward child, spent his formative years making up stories. He was close to his father, who ran a second-hand clothes shop in a rough part of Cleveland. After his father died during a robbery, Siegel's imaginings cohered into a character with superhuman strength. In the first tale, his hero rescues a middle-aged man from an assailant.

The public met Superman in June 1938, holding a car aloft on the cover of "Action Comics 1". On the first page, Superman realises "he must turn his titanic strength into channels that would benefit mankind", and ever since he has exuded square-jawed goodness and *noblesse oblige*. Initially his focus was domestic—in that first story he saves an innocent woman from going to the electric chair—rather than international. America was isolationist at the time, despite Franklin Roosevelt's growing concern about Nazi Germany.

Siegel and Joe Shuster, the illustrator, faced a dilemma when America entered the war. The character's sense of justice would undoubtedly have led him to intervene on the Allies' side. But even the fearsome Luftwaffe would have been no match for the caped wonder. They worried that soldiers would be dispirited by tales of Superman's easy victories. Some 80% of the American army's reading material was comics, with Superman atop the charts.

So they had Clark Kent, his civilian alter ego, rejected from the army after failing an eye test. Superman spent the war fighting villains, some of them German and Japanese, elsewhere. He was still used as a symbol of Americans' valour and righteousness. A cover of a comic in July 1944 depicted Lane arm-in-arm with servicemen, declaring: "You're my Supermen!"

Later Superman grappled with whether he should interfere in earthly affairs. In "Superman II" (1980) he forsakes his powers in order to live a normal life with Lane, which leaves America, and the world, vulnerable to the ambitions of General Zod, a belligerent expansionist. (It is not hard to parse the message of this cold-war-era story.) Naturally the film ends with Superman recovering his strength, returning to his duty as global protector and reinstating the American flag above the White House.

Comics and films of the late 20th and early 21st centuries depict Superman as increasingly nervous about overstepping when it comes to foreign intervention and questions of sovereignty. "What right do I have", he asks at one point, "to impose my values on anyone?" He aims to achieve as much as possible with as little force as possible, using surgical strikes to eliminate terrorist cells. This mirrors America's policy, since 2002, of killing individual foes with missiles fired from drones.

Now the Man of Steel has been recast to fit today's politics. The new "Superman" film has the usual hokey dialogue and planetary peril. But—without giving too much away—it reveals that the conflict that he has rushed into is a setup. This is, more or less, how some of Donald Trump's foreign-policy team feel about skirmishes elsewhere: that America loses by getting involved. It may seem odd for a man who can do anything to contemplate doing nothing. But it makes for a timely film. ■

Spanish music

A thumping success

MEXICO CITY

What explains the global popularity of Bad Bunny, a Puerto Rican rapper?

MOST MUSICIANS, when they decide to do a concert residency, head to Las Vegas. In recent years megastars including Adele, Celine Dion and U2 have made tens, if not hundreds, of millions of dollars playing to crowds in Sin City. But not Bad Bunny. On July 11th the Puerto Rican rapper and singer will begin a run of 30 concerts in San Juan, the capital, before setting off on a world tour. It is symbolic of how the musician has become a global hitmaker while keeping one foot on the island. "He is Puerto Rican and he wants you to know it," says Kacho López Mari, a filmmaker who has worked with the musician.

It took Bad Bunny (whose real name is Benito Antonio Martínez Ocasio) less than a decade to hop to the top of pop music. In 2013 he began uploading his songs to SoundCloud, a streaming site. Three years later he was signed by a record label. And two years after that he collaborated with Cardi B, an American rapper, and J Balvin, a Colombian singer, on a track called "I Like It", which topped the *Billboard* Hot 100 chart in America.

Since then Bad Bunny's fans have multiplied like, well, rabbits. In 2018 his songs were streamed 2.5bn times according to Luminate, an analytics firm; by 2024 that figure had jumped to 11.5bn. Between 2020 and 2022 Bad Bunny was the most-played artist on Spotify, making him the first musician to claim the top spot for three consecutive years.

Bad Bunny's record-breaking is all the more notable because he raps and sings almost exclusively in his mother tongue. In the early 2000s the biggest rappers in the world were all American; Latin artists, such as Enrique Iglesias, had to perform in English if they wanted to reach a global audience. No longer.

In 2022 Bad Bunny's album "Un Verano Sin Ti" ("A Summer Without You") was the first Spanish-language record to be nominated for Album of the Year at the Grammys. His forthcoming tour sold 2.6m tickets in a week. The majority of the concerts will take place in Hispanophone countries, including Argentina, Chile, Mexico and Spain. But Bad Bunny will also perform in places with very few Spanish speakers, such as Japan and Poland.

Three factors explain his success. The first is the music itself. Bad Bunny puts a Latin twist on popular genres such as trap (a style of hip-hop) and house (a type of electronic music) by incorporating local ▸▸

There's no smoke without fire beats

sounds such as *reggaeton*, *plena* and *salsa*. *Plena,* an Afro-Puerto Rican mode, is highly rhythmic, involving syncopated beats on instruments such as *panderos* (hand drums) and maracas. When combined with Bad Bunny's swagger, this makes for tracks both danceable and distinctive.

Bad Bunny borrows freely and often, never hewing to one influence for long. This keeps his work exciting. "We never know what we're going to get," says Vanessa Díaz of Loyola Marymount University in Los Angeles, who teaches a course on Bad Bunny and is the co-author of a forthcoming book on the musician. "He doesn't follow trends. He sets them."

The second factor is his lyrics. Some of Bad Bunny's fans will not understand what he is saying, but those who do often appreciate his political sensibilities. In 2019 Bad Bunny collaborated on a track, "Afilando Los Cuchillos" ("Sharpening the Knives"), which criticised Puerto Rico's governor at the time and the "manipulation, corruption, conspiracies" of the island's politics. The title of "El Apagón" ("The Blackout"), a hit in 2022, refers to the regular power failures that plunge the island into darkness. In a documentary film tacked on to the music video, locals complain about gentrification and being forced out of their homes by luxury property developers. *"Esta es mi playa / Este es mi sol / Esta es mi tierra,"* the song asserts: "This is my beach / This is my sun / This is my land."

He encourages listeners to feel pride in where they are from. Ms Díaz says Bad Bunny has made speaking Spanish cool at a time when it is often denigrated in America. He sees his Puerto Rican upbringing as something to honour, not ignore. "All of PR is my crew," he raps on "ACHO PR". Fancy festivals in California are all well and good, but he prefers "singing for free in Loíza than at Coachella".

The third reason for Bad Bunny's breakout is timing. Demand for Spanish-language culture has soared. In the first half of 2024 viewers spent almost 7bn hours watching shows in Spanish on Netflix, according to Omdia, a research firm. Bad Bunny has ridden that wave and helped it surge. Anamaria Sayre, a co-host of Alt.Latino, a music show on National Public Radio, says that when she was growing up in America, "You didn't hear Spanish music in white spaces...now it is everywhere."

Bad Bunny is certainly doing his best to make sure that it is: he will be stopping in 18 countries across four continents on his tour. "We will look back on this as a turning-point," says Ms Díaz. "Bad Bunny didn't just succeed in Spanish—he changed what global success could look and sound like." Yet even when he is "travelling the whole world", Bad Bunny says on "ACHO PR", he is still the young man "who sat in La Perla with my grandma". ■

Literary lives

Sparkling but chilly

Electric Spark. By Frances Wilson. *Farrar, Straus and Giroux; 432 pages; $35. Bloomsbury Circus; £25*

HOW DO YOU write a book? For Muriel Spark the process was simple. First, the novelist said, "I write the title, and then I write my name." Then, she explained, "I write 'Chapter One' and then I write on." Spark's account of her method was clear, straightforward—and total nonsense.

So how did she write a book? The actual answer was with great difficulty. Spark's books were slim but her archives are capacious: the box files extend to 195 feet, or 60 metres, "equivalent in height to an airport control tower". Remove "The Prime of Miss Jean Brodie", "The Ballad of Peckham Rye" and the 20 other novels she produced and you will still be left with at least 194 feet of letters, cast-offs and notes. The idea that all this material was turned out effortlessly was rubbish, as Spark well knew: "It has always", she wrote, "been my intention to practise the arts of pretence and counterfeit on the reader."

This was particularly true, it turns out, when it came to her own life. Biographers, it is often said, "add a new terror to death". For Spark—the subject of two biographies while she was alive, both of which she loathed—they added a new terror to life, too. She attempted to control her story by writing it herself but that was largely a failure: Spark could write a book only once she knew "how it is going to end". That, for autobiography, is rather tricky.

Biography, then—which Frances Wilson attempts in this beautifully written book—is the closest readers can get to Spark, which is to say: not that close at all. "What chance", as Julian Barnes, a novelist, has put it, "would the craftiest biographer stand against the subject who saw him coming and decided to amuse himself?" Spark's craft—and craftiness—are clear from the beginning, not least because her habit of not throwing anything away created such a whopper of an archive. If her books, writes Ms Wilson, are "'minor' surrealist masterworks" then her archive is "a major realist masterwork".

Some things are clear: Spark begins life, dully, in Edinburgh, attending a prim school that would inspire "The Prime of Miss Jean Brodie" and writing the sort of earnest poetry that involves the word "'Tis". Then things perk up: she marries a "Mr Spark", moves to Southern Rhodesia (now Zimbabwe) and starts to meet people with names such as "Princess Marie Bonaparte" and "Leigh Francis Howell Wynne Sackville de Montmorency Vaughan Henry". Sparkian things happen to her. A cousin is put in an orphanage. Mr Spark turns out to be a lunatic and tries to jump out of a window. A colleague turns out to be a spy. Almost everyone seems to have affairs. Absolutely everyone seems to have arguments about modernist poetry.

Later, Spark would write a short story in which she imagines that, as a baby, she was like a human radio receiver "able to tune in from her cot in Edinburgh to scenes...from around the globe". She certainly seems to have been tuned in to the literary moment. Anyone who is anyone in English 20th-century letters has a walk-on part here: Evelyn Waugh calls her a saint; W.H. Au- ▸▸

Writing off her losses

den is awed by her; Graham Greene sends her cheques and bottles of wine.

What she does not seem to be is very tuned in to her emotions. A jilted lover once, somewhat spitefully, wrote that Spark was chilly, and approached "human feeling...only with rubber gloves". It was cruel—and true. Her life is characterised by the same strange, stark abruptness as her prose. She decides to end an affair with a man because "One day I woke up and decided that I didn't like him."

Her iciest moment was her decision to leave her son. A lot has been written about the different parenting standards to which men and women are held. Rightly: this inequality can be seen in everything from literary lives to the English language itself (consider the different meanings of the verbs "to mother" someone and "to father" them). Yet Spark's description of leaving her son is, even by her standards, brittle. When he is five, she flees Southern Rhodesia, depositing her son in a convent school and abandoning his nanny. "We were sad to leave each other," Spark wrote. She was referring, Ms Wilson wryly notes, not to the boy but to the nanny.

It is a typically Sparkian moment: elegant, abrupt, emotionally odd. Some writers become an adjective: Dickensian, Orwellian, Joycean. "Sparkian" has not entered common parlance but, by the time you finish this brilliant book, you think it probably should. For, even after 400 pages, Spark herself remains elusive. ■

BACK STORY

The summer of love-to-hate

Artists have a right to share their views. Doing so is not always noble or wise

THE HIGH priests of speaking out are John Stuart Mill, an English philosopher, and Martin Niemöller, a Lutheran pastor. "Bad men need nothing more to compass their ends," Mill warned, "than that good men should look on and do nothing." Niemöller famously ventriloquised the many Germans who kept silent when the Nazis "came for the socialists", the trade unionists and the Jews: "Then they came for me—and there was no one left to speak for me."

Like Mill and Niemöller, artists and musicians who call out injustice avowedly see standing up for the oppressed as a moral obligation. Speaking out on world affairs is in vogue, as it tends to be amid political ructions, and much of it is doubtless heartfelt and sincere. But it can also have other motives—and unintended consequences.

Two developments explain the current clamour. First, the re-election of Donald Trump, a bogeyman for the showbiz elite, give or take a few country singers and wrestlers. At a recent gig in Britain, Bruce Springsteen (pictured) labelled him "an unfit president" in charge of a "corrupt, incompetent and treasonous administration". Olivia Rodrigo, Katy Perry and others have criticised his migrant round-ups and deportations.

The other new factor is Gaza. At the recent Glastonbury music festival, the frontman of Bob Vylan, a punk duo, followed his de rigueur "Free Palestine" chants with another that advocated "Death, death to the IDF", or Israel Defence Forces; some in the crowd joined in. Bob Vylan was the warm-up act for Kneecap, a hip-hop trio already in hot water after a show in which a band member yelled "Up Hamas! Up Hizbullah!"

Publicly wishing death on anyone is grotesque (and potentially illegal). But in

general, it must be said, musicians should be free to express their political opinions, whether sensible or idiotic. After all, song lyrics themselves are often political. Mr Springsteen denounces conflict in his song "War"; Bono and U2 lament the Troubles in Northern Ireland in "Sunday Bloody Sunday". Expecting them to keep schtum about such subjects when the music stops would be odd.

Artists have the same right as everyone else to speak out. But doing so is not always noble, sensible or effective. One wrinkle is that outbursts which purport to be bold are often predictable, even conformist. Festivals like Glastonbury might as well fly banners proclaiming that the bands on stage support the Palestinians unless otherwise stated. Many young fans do, too. Speaking out to people who already know your views or largely share them is not what Niemöller envisaged.

Meanwhile, evidence suggests that celebrities change few minds—or not in the way they intend. Take the galaxy of stars who backed Kamala Harris last year, of whom the brightest was Taylor Swift. Pollsters found her support turned more voters off Ms Harris than it attracted, perhaps because it fed fears of an establishment stitch-up. Tirades like Mr Springsteen's are grist to an omnivorous metabolism that turns all publicity to Mr Trump's advantage, showcasing his pugilism and hogging attention. (He dismissed Mr Springsteen as a "dried out 'prune' of a rocker" and claimed Ms Swift was "no longer 'HOT'".)

In any case, artists and their admirers are prone to ascribe more power to their craft than it usually wields. Autocrats and despots, it is true, are wary of mass gatherings like rock concerts: a crowd can turn into a mob and then into a revolution. Tyrants often crack down on dissident artists. But they crack down on lots of people. When musicians have real clout, it mostly comes from amplifying or refracting a cause in shimmering work—not clunky rants. Think of Nina Simone's sculpted fury in "Mississippi Goddam" or Bob Dylan's lapidary imagery in "The Times They Are A-Changin'".

Times have indeed changed. More than their forebears, today's celebs are expected to share their private lives and convictions. In this coercive culture, tact is timidity and silence is complicity in violence. To adapt Mill, speaking out means you have done something and are therefore good. Some stars seem less to use their fame to publicise a cause than use a cause to publicise themselves.

The pursuit of moral glamour can set off a spiral of grandstanding, which in Britain led to a singer calling for death at a music festival. This kind of speaking out draws attention only to itself. "The more time [politicians] talk about Bob Vylan, the less time they spend" on Gaza, the group protested amid the ensuing furore. Quite.

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*United Nations, Department of Economic and Social Affairs, 2018

Economic & financial indicators

	Gross domestic product % change on year ago latest		quarter*	2025†	Consumer prices % change on year ago latest		2025†	Unemployment rate %		Current-account balance % of GDP, 2025†	Budget balance % of GDP, 2025†	Interest rates 10-yr gov't bonds latest, %	change on year ago, bp	Currency units per $ Jul 9th	% change on year ago
United States	2.0	Q1	-0.5	0.9	2.4	May	2.8	4.1	Jun	-3.7	-5.9	4.3	4.0	-	
China	5.4	Q1	4.9	4.7	0.1	Jun	-0.3	5.0	May‡§	1.7	-5.9	1.5 §§	-49.0	7.18	1.2
Japan	1.7	Q1	-0.2	0.6	3.4	May	3.2	2.5	May	2.7	-4.8	1.5	40.0	146	10.2
Britain	1.3	Q1	3.0	1.0	3.4	May	3.4	4.6	Mar††	-2.9	-4.5	4.5	38.0	0.74	6.8
Canada	2.3	Q1	2.2	1.0	1.7	May	2.1	7.0	May	-0.5	-1.9	3.4	-4.0	1.37	-0.7
Euro area	1.5	Q1	2.5	1.2	2.0	Jun	2.1	6.3	May	3.1	-3.3	2.6	7.0	0.85	8.2
Austria	-0.5	Q1	0.6‡	0.1	3.2	Jun	2.7	5.3	May	1.6	-4.5	3.0	-8.0	0.85	8.2
Belgium	1.1	Q1	1.6	1.0	2.8	Jun	3.0	6.5	May	-0.1	-4.4	3.2	12.0	0.85	8.2
France	0.6	Q1	0.5	0.6	0.8	Jun	0.9	7.1	May	-0.1	-5.7	3.4	11.0	0.85	8.2
Germany	nil	Q1	1.7	0.3	2.0	Jun	2.1	3.7	May	5.3	-2.7	2.6	7.0	0.85	8.2
Greece	1.8	Q1	0.2	2.2	3.6	Jun	2.6	7.9	May	-5.9	-0.2	3.4	-26.0	0.85	8.2
Italy	0.7	Q1	1.1	0.5	1.7	Jun	2.0	6.5	May	0.8	-3.6	3.5	-39.0	0.85	8.2
Netherlands	2.2	Q1	1.5	1.3	2.8	Jun	3.4	3.8	May	8.5	-2.4	2.8	-2.0	0.85	8.2
Spain	2.8	Q1	2.3	2.6	2.2	Jun	2.3	10.8	May	2.4	-3.2	3.2	-13.0	0.85	8.2
Czech Republic	2.4	Q1	2.8	1.9	2.9	Jun	2.0	2.5	Q1‡	0.5	-2.4	4.2	14.0	21.0	11.0
Denmark	2.6	Q1	-5.0	2.6	1.6	May	1.8	2.9	May	12.9	1.6	2.5	-3.0	6.37	8.3
Norway	-0.4	Q1	-0.3	1.3	3.0	May	2.3	4.5	Apr‡‡	14.1	9.4	3.9	17.0	10.1	5.2
Poland	3.2	Q1	2.8	3.0	4.1	Jun	4.0	5.1	Jun§	0.1	-6.1	5.3	-44.0	3.62	8.8
Russia	1.4	Q1	-2.3	0.9	9.9	May	8.7	2.2	May§	2.3	-2.6	14.8	-60.0	78.2	12.3
Sweden	1.0	Q1	-1.0	1.8	0.2	May	2.2	9.7	May§	5.8	-1.4	2.4	14.0	9.52	10.9
Switzerland	2.0	Q1	2.1	1.3	0.1	Jun	0.1	2.9	Jun	7.0	0.7	0.4	-17.0	0.79	12.6
Turkey	2.0	Q1	4.0	2.9	35.0	Jun	32.8	7.6	May§	-1.7	-3.6	29.5	358	40.0	-17.9
Australia	1.3	Q1	0.8	1.7	2.4	Q1	2.1	4.1	May	-0.9	-1.8	4.2	-26.0	1.53	-3.3
Hong Kong	3.1	Q1	7.9	1.5	1.9	May	1.6	3.5	May‡‡	11.6	-5.4	3.0	-46.0	7.85	-0.5
India	7.4	Q1	9.8	6.2	2.8	May	4.0	7.5	Jun	-0.4	-4.4	6.3	-68.0	85.7	-2.6
Indonesia	4.9	Q1	4.8	4.7	1.9	Jun	1.5	4.8	Feb§	-0.9	-3.3	6.6	-45.0	16,242	0.1
Malaysia	4.4	Q1	5.1	4.0	1.2	May	1.8	3.0	Apr§	1.8	-3.9	3.4	-41.0	4.25	10.8
Pakistan	4.8	2025**	na	3.0	3.2	Jun	4.8	6.3	2021	-1.4	-5.2	12.1 †††	-202	284	-2.1
Philippines	5.4	Q1	4.9	6.1	1.4	Jun	1.6	4.1	Q2§	-3.1	-5.4	6.2	-10.0	56.6	3.3
Singapore	3.9	Q1	-2.6	1.9	0.8	May	0.8	2.0	Q1	14.4	0.2	2.1	-109	1.28	5.5
South Korea	-0.3	Q1	-0.9	0.6	2.2	Jun	1.8	2.8	May§	2.9	-2.3	2.9	-33.0	1,375	0.5
Taiwan	5.5	Q1	7.2	3.8	1.4	Jun	1.9	3.3	May	14.9	0.6	1.4	-32.0	29.1	11.9
Thailand	3.1	Q1	2.8	1.8	-0.2	Jun	0.2	0.8	May§	1.8	-5.8	2.1	-48.0	32.7	11.3
Argentina	5.8	Q1	3.4	5.7	43.5	May	41.1	7.9	Q1§	-1.0	0.4	na	na	1,255	-26.9
Brazil	2.9	Q1	5.7	2.2	5.3	May	5.3	6.2	May§‡‡	-2.4	-8.1	13.7	176	5.47	-0.6
Chile	2.3	Q1	2.8	2.8	4.1	Jun	4.3	8.9	May§‡‡	-1.9	-2.0	5.7	-57.0	950	-1.9
Colombia	2.7	Q1	3.2	2.3	4.8	Jun	4.9	9.0	May§	-2.6	-7.2	12.3	170	4,034	-0.3
Mexico	0.8	Q1	0.8	-0.2	4.3	Jun	3.9	2.7	May	-0.2	-3.5	9.1	-82.0	18.6	-3.3
Peru	3.9	Q1	5.1	2.8	1.7	Jun	1.8	5.7	May§	2.1	-2.8	6.1	-96.0	3.55	6.8
Egypt	4.8	Q1	-23.0	3.2	14.9	Jun	16.9	6.3	Q1§	-5.1	-7.7	na	na	49.6	-3.1
Israel	1.5	Q1	3.7	2.8	3.1	May	3.4	3.1	May	3.4	-5.7	4.2	-76.0	3.32	10.5
Saudi Arabia	2.0	2024	na	4.4	2.2	May	2.6	2.8	Q1	-1.8	-2.9	na	na	3.75	nil
South Africa	0.8	Q1	0.4	1.1	2.8	May	3.6	32.9	Q1§	-1.4	-4.8	9.8	4.0	17.8	2.1

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted ‡New series **Year ending June ††Latest 3 months ‡‡3-month moving average §§5-year yield †††Dollar-denominated bonds Note: Euro-area consumer prices are harmonised

Markets

In local currency	Index Jul 9th	% change on: one week	Dec 31st 2024
United States S&P 500	6,263.3	0.6	6.5
United States NAS Comp	20,611.3	1.1	6.7
China Shanghai Comp	3,493.1	1.1	4.2
China Shenzhen Comp	2,101.6	1.8	7.4
Japan Nikkei 225	39,821.3	0.1	-0.2
Japan Topix	2,828.2	0.1	1.6
Britain FTSE 100	8,867.0	1.1	8.5
Canada S&P TSX	26,972.3	0.4	9.1
Euro area EURO STOXX 50	5,445.7	2.4	11.2
France CAC 40	7,878.5	1.8	6.7
Germany DAX*	24,549.6	3.2	23.3
Italy FTSE/MIB	40,821.3	2.6	19.4
Netherlands AEX	918.8	0.9	4.6
Spain IBEX 35	14,254.4	1.5	22.9
Poland WIG	106,354.3	1.7	33.6
Russia RTS, $ terms	1,086.6	-3.6	21.7
Switzerland SMI	12,006.9	0.1	3.5
Turkey BIST	10,167.3	-0.2	3.4
Australia All Ord.	8,777.9	-0.6	4.2
Hong Kong Hang Seng	23,892.3	-1.4	19.1
India BSE	83,536.1	0.2	6.9
Indonesia IDX	6,943.9	0.9	-1.9
Malaysia KLSE	1,529.2	-1.4	-6.9

	Index Jul 9th	% change on: one week	Dec 31st 2024
Pakistan KSE	132,577.0	1.7	15.2
Singapore STI	4,057.8	1.2	7.1
South Korea KOSPI	3,133.7	1.9	30.6
Taiwan TWI	22,527.0	-0.2	-2.2
Thailand SET	1,110.4	-0.5	-20.7
Argentina MERV	2,129,785.5	3.2	-15.9
Brazil BVSP*	137,480.8	-1.1	14.3
Mexico IPC	56,687.5	-2.8	14.5
Egypt EGX 30	33,152.4	1.0	11.5
Israel TA-125	3,130.8	1.7	29.0
Saudi Arabia Tadawul	11,277.7	1.3	-6.3
South Africa JSE AS	97,230.0	0.6	15.6
World, dev'd MSCI	4,030.0	-0.2	8.7
Emerging markets MSCI	1,231.5	0.1	14.5

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	94	95
High-yield	343	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

***The Economist* commodity-price index** 2020=100	Jul 1st	Jul 8th*	% change on month	year
Dollar Index				
All items	131.0	130.9	-2.3	-2.4
Food	143.8	143.2	-5.8	-0.4
Industrials				
All	120.4	120.7	1.2	-4.2
Non-food agriculturals	122.8	122.2	0.6	-9.0
Metals	119.7	120.4	1.4	-2.9
Sterling Index				
All items	122.7	124.2	-2.6	-7.7
Euro Index				
All items	127.0	128.0	-4.6	-9.7
Gold				
$ per oz	3,342.6	3,292.6	-1.0	39.9
Brent				
$ per barrel	67.1	70.2	4.9	-17.4

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ *Provisional

For historical indicators data, visit economist.com/economic-and-financial-indicators

OBITUARY
Jimmy Swaggart

The hellfire televangelist who tripped on the way to Heaven died on July 1st, aged 90

HE HAD BEEN there before. Ever since 1978—when in vision he stood at the portals of glory on the glassy sea, with the cherubim singing "Holy, Holy, Holy"; when he saw God sitting on the throne, and at His right hand his personal Redeemer, Jesus Christ—he knew things would not be straightforward. The scene was familiar, for it was there in Revelation, plain as day; but his feelings shocked him. He didn't shout "Hallelujah!", or fling up his arms in adoration and praise. He wasn't overcome with gladness. Instead, his body shook until he fell to the ground.

What did he fear? And why? Few people in their lifetimes could have harvested more souls to be saved by the Blood of the Lamb. At the peak of his ministry in 1986 he was on more than 3,000 American local TV stations as well as cable, and transmitted to 140 countries. Dozens of his books were sold. Income from donations and merchandise was $500,000 a day. Every Sunday 7,500 souls packed his Family Worship Centre in Baton Rouge, Louisiana, and 100,000-seater stadiums were filled to capacity as he toured up and down the land. They came to watch him dance, and shout, and whisper, and weep; sing gospel songs at the piano in his ringing baritone; fall to his knees, speak in tongues. The Holy Spirit laid such burdens on his heart that it also filled the congregation, til they cried out and were slain with him. Even faithless onlookers, the secular humanists and the news media on their toboggan slide to Hell, said no one could hold a crowd as he could.

In an age of televangelists, he stood out. He was not one of those pompadoured pretty boys who called themselves preachers. He spoke the plain truth of the Bible to people who had turned their itching ears away (II Timothy, 4:4). Poverty brought him from the backwoods, preaching God's word in the street and from flatbed trucks. In an ancient Plymouth he criss-crossed the South in the 1950s, making perhaps $30 a week, finding beds where he could. He anointed the sick with oil. If, after many devoted years, he had become a billionaire, with two Lincoln Town Cars, a private jet, an estate of 200 acres and a plantation-style house of 9,000 square feet; if he wore a gold Rolex encrusted with diamonds and had, in his master bedroom, a Jacuzzi with solid gold taps in the shape of swans, this was God's reward for his faithfulness.

He had been at the service of the Holy Spirit since he was eight years old, when He spoke to him outside the Arcade Theatre in Ferriday, Louisiana as he waited to see a movie. The Spirit told him not to go in, and made the machine jam when he tried to pay. His father was already a part-time preacher in the Pentecostal Assemblies of God, as well as a part-time grocer, trapper and bootlegger. As for him, he prepared for his calling by living cleanly; as well as praying hard for the salvation of his first cousin, Jerry Lee Lewis, whose life was a mess of drinking and cheating but who, with his "Great Balls of Fire", was already a rock 'n' roll star.

He could not guarantee that Cousin Jerry was not in the other place. That was up to the judgment of God, which he was facing now. He was praying and praying, unable to look at Him. Surely he himself was not destined for the Fire. For as Heaven was a literal place, so too was Hell (Luke, chapter 16). It was the torment department of Sheol, or Hades, in the heart of the Earth, where Satan ruled and from which dark forces attacked him. One took the hideous shape of a bear with the face of a man; another was the Evil One himself, as a hundred-pound weight on his back. When he shouted the name of Jesus, the bear-man collapsed and twitched like a wounded snake.

In the great war between Good and Evil he fought as hard as he could. But he still had the sin nature all human beings shared. Ever since Adam and Eve had disobeyed God, men and women had been born broken; unless they turned to Jesus Christ, none would be saved. Even he had shown that inner weakness by casting stones at other preachers, calling them adulterers, when in the late 1980s he too was visiting a pretty woman in a hot-sheet motel along Airline Highway outside New Orleans, where he asked her to pose for him. With her he called himself "Billy" and wore hats, as if anyone could hide from the gaze of God—or from the camera of the private detective one rival employed to catch him.

He knew from his vision, as he huddled before the Lord, that he would see every sin he had committed. That one was the worst. He had sinned against his faithful wife Frances, his consort of 36 years, and against the Lord whom he had loved for even longer. In February 1988, before his congregation and on national television, he had repented with many, many tears. He asked for this stain to be washed into the seas of God's forgetfulness and not to be remembered against him any more.

He hoped this was the case. He hoped too that the Lord's memory was not jogged by that time in 1991 when he was caught in a car with a prostitute in California. For he had suffered from his disgrace. Donations had fallen away, his ministry had shrunk, and the private jet had to be sold. He was suspended from the Assemblies of God and forbidden to preach for a time, though he soon defied that order. He went on preaching, though independently and on far fewer channels, til the end of his days.

His battle against the world, the flesh and the Devil had not been a total success. But he had still brought thousands of souls to Jesus Christ. They had been saved from the false cults of other religions, or from ignorance or indifference, by recognising Him. So when God now commanded him to stand up on his feet and look, look at his Redeemer, it should have been easy. As he got up, though, he was still unsteady. His only prop was his Bible, and he did not have it with him. But he didn't need it, because he was suddenly washed, released, transformed, in the Blood of the Lamb, as if a warm bath flowed around him.

"Right," said God. "You'd better come in." ■

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