

The Economist

It's Putin's world now

The IPO racket

Modi's India: a special report

How to build a fake-news detector

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Elizabeth Warren's plan

to remake American

capitalism

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The world this week

Politics this week

Politics this week

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EPA

Canada's prime minister, Justin Trudeau, won a second term in office but his Liberal Party lost its majority. The Conservative Party won the popular vote and wiped out the Liberals in the oil-producing western provinces of Alberta and Saskatchewan. To enact his programme, Mr Trudeau will depend on support from smaller parties, especially the left-leaning New Democrats. See [article](#).

Protests against a fare increase on the metro in Santiago, **Chile's** capital, became violent, prompting the government to impose its first curfew since the end of a military dictatorship in 1990. The unrest spread to other cities. At least 18 people died in rioting. See [article](#).

Bolivia's opposition accused the government of Evo Morales, the country's leftist president, of attempting electoral fraud. In the early count in the presidential election his centrist rival, Carlos Mesa, appeared to be doing well enough to enter a run-off. But the count was mysteriously suspended. When it resumed, Mr Morales's lead had widened, sparking protests. See [article](#).

Brazil's senate approved a reform of the country's absurdly generous pensions. It raises retirement ages and increases workers' contributions, and is thus expected to reduce the growth of Brazil's debt.

Mexican security forces captured and then released the son of Joaquín Guzmán (aka "El Chapo"), the jailed former leader of the Sinaloa drug gang. The operation in the city of Culiacán led to a gun battle in which the soldiers were outnumbered; 14 people died. See [article](#).

Where does the time go?

Boris Johnson secured a new **Brexit** withdrawal deal with the European Union, but was compelled to request a further extension past October 31st, which he does not want. The British prime minister's deal won a majority in one of its stages through Parliament, but his three-day timetable to scrutinise the bill was rejected. EU governments discussed whether to grant an extension, and for how long. See [article](#).

Abortion and gay marriage became legal in **Northern Ireland**, despite a last-ditch effort by conservatives to prevent the change. The measures have already made an impact. A judge in a case in which a woman had bought abortion pills instructed the jury to acquit her.

A lorry was discovered just east of London with 39 dead suspected **migrants**—thought to be Chinese nationals—inside. See [article](#).

An EU summit shocked leaders in **the Balkans** when it declined, mainly because of pressure from France's president, Emmanuel Macron, not to begin accession negotiations with North Macedonia and Albania. See [article](#).

Two Green parties made significant gains in a general election in **Switzerland**, taking a combined fifth of the vote. The right-wing populist Swiss People's Party came first again in the multi-party system, but saw its share of the vote dip to 26%.

The new regional powers

Russia and **Turkey** struck a deal over northern **Syria**. Turkey has invaded the region in an effort to push out the Kurds after America, which had backed them, withdrew. Russian and Syrian forces will now ensure that the Kurds pull back 30km from the border. Russian and Turkish forces will then patrol the Syrian side. But Turkey's "buffer zone" is not as wide as it had hoped. See [article](#).

A month after an election that ended in deadlock, **Israel's** prime minister, Binyamin Netanyahu, said he was unable to form a new coalition government. Mr Netanyahu's political rival, Benny Gantz, was then invited to try. Mr Gantz's alliance, though, is more than a dozen seats short of a majority.



The government of **Lebanon** approved a package of reforms in response to big demonstrations. Hundreds of thousands of people have taken to the streets, unhappy with the struggling economy and poor governance. See [article](#).

Mmusi Maimane resigned as leader of the Democratic Alliance, the largest opposition party in **South Africa**. Mr Maimane was the first black person to head the traditionally white DA. His departure suggests it still has a problem reaching out to black voters.

Thousands of people took to the streets in **Guinea**, as President Alpha Condé considered scrapping the constitution. See [article](#).

Russia hosted dozens of **African** leaders at a summit in Sochi, as part of an effort by Vladimir Putin to exert more influence on the continent. See [article](#).

Talking about impeachment

America's most senior diplomat in **Ukraine** told congressmen that Donald Trump had explicitly tied his request to dig up dirt on Joe Biden to a threat to withhold military aid. Earlier, Rick Perry announced his resignation as energy secretary. He is under scrutiny for his role as one of the "three amigos" who liaised with Ukrainian officials. See [article](#).

Elijah Cummings lay in state in Congress, the first black politician to be accorded the honour. Mr Cummings represented Baltimore for 23 years before he died at the age of 68 earlier this month.

After all that trouble

Hong Kong's government formally withdrew the extradition bill that in June sparked an anti-government movement, which continues to roil the city. The legislation would have allowed suspects to be sent to mainland China for trial. Protesters say scrapping it will not satisfy their demands, which include full democracy.

The navies of **China** and **Japan** staged their first joint exercise in eight years, which involved ships practising communications in waters south of Japan. Sino-Japanese relations are thawing after years of tension.

Family members buried the ashes of **Zhao Ziyang**, the Chinese Communist Party's chief during the Tiananmen Square protests of 1989 who was removed for sympathising with the protesters. The ceremony marked a concession by the authorities.

Joko Widodo was sworn in for a second term as president of **Indonesia**. His new cabinet includes as defence minister Prabowo Subianto, the former general whom he beat in April's presidential election. See [article](#).

The most senior American commander in **Afghanistan** revealed that the number of American troops in the country had fallen by 2,000 over the past year, to 12,000. America had been poised to withdraw even more troops as part of a peace deal with the Taliban that fell apart last month.

King Vajiralongkorn of **Thailand** stripped his official mistress of all her titles and honours for being too uppity. He had designated her as "royal noble consort" only three months ago. See [article](#).

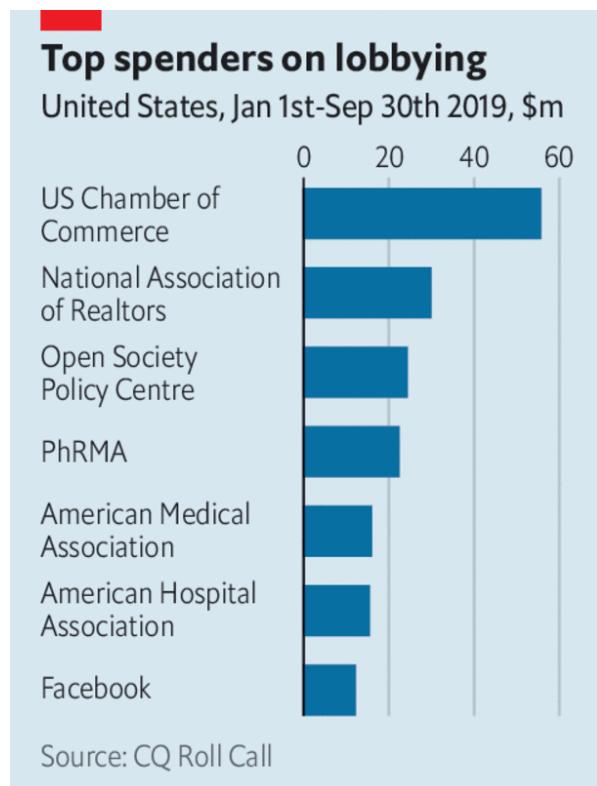
Business this week

[Print](#) | The world this week Oct 26th 2019



EPA

Mark Zuckerberg was grilled in Congress about Libra, a global digital currency that **Facebook** hopes to launch next year but which faces mounting regulatory hurdles, causing some of its biggest backers to walk away. Mr Zuckerberg argued that Libra will advance financial innovation, and extend America's "democratic values". But with Democrats calling for the break up of big tech companies, Facebook has spent the most of any firm this year on lobbying Capitol Hill, just ahead of Amazon. See [article](#).



Declining property values

SoftBank proposed a rescue deal for **WeWork**, an office-rental startup that delayed its IPO amid investor concerns about its true worth. The offer from the Japanese tech conglomerate increases its stake and values WeWork at around \$8bn, a long way from an estimate of \$47bn earlier this year. Adam Neumann, WeWork's boss, who has been blamed for the firm's spectacular reversal of fortunes, could gain up to \$1.7bn from the deal, including a \$185m "consulting fee". That will rankle staff who are left holding cut-rate share options.

Four American state attorneys-general outlined a \$48bn proposal to settle thousands of claims against five companies involved in the **opioid** crisis and urged their fellow litigants to accept the deal. As part of the agreement two drugmakers and three drug distributors would pay out \$22bn in cash and \$26bn in kind for treating opioid addiction over the next decade. Separately, drug companies reached a settlement worth \$260m to avoid what would have been the first opioid trial in a federal court.

Biogen's share price soared by 25% when it reversed course and said it would now seek regulatory approval for a new **treatment for Alzheimer's disease** that it had stopped testing. The biotech company said the results from a wider analysis of tests showed that patients "experienced significant benefits on measures of cognition and function". See [article](#).

China's economy expanded by 6% in the third quarter compared with the same three months in 2018, the slowest rate of growth in 30 years.

A lawsuit brought by New York state's attorney-general claiming that **ExxonMobil** engaged in dodgy climate-change accounting opened in court. The suit accuses the oil company of defrauding investors by disclosing a public proxy cost for carbon emissions to account for the possibility of climate regulations, while using a separate, lower estimate for carbon costs in its internal planning. The attorney-general maintains this meant investors could not properly account for the risk posed by climate regulations. The company denies wrongdoing.

Saudi Aramco was said to have delayed the launch of its long-awaited IPO because of unfavourable market conditions and lower expectations among investors of its stockmarket value. Its third-quarter earnings may shed more light.

An annual survey of **global wealth** from Credit Suisse found that the bottom half of adults account for less than 1% of total wealth, while the top 1% own 45%. However, that figure has dipped a bit from 2000. The report suggests that global wealth inequality may have peaked in 2016. See [article](#).

Just Eat, a British food-delivery company, rejected a \$6.3bn takeover bid from *Prosus*, the Dutch-listed subsidiary of Naspers. Just Eat is sticking to its merger with Takeaway.com, which operates mostly in Germany and eastern Europe.

Tesla delighted investors with a positive quarterly earnings report. It is on track to launch its Model Y sport-utility vehicle next year, it has tested production at its new factory in Shanghai, and it actually turned a net profit, of \$143m. The electric-car maker racked up \$1.1bn in losses in the first six months of the year.

Boeing's profits tumbled in the third quarter, and revenues were down by a fifth, as it continued to grapple with the worldwide grounding of its 737 MAX jetliner following two crashes. It did not book any further accounting charges because of the grounding, and said it would continue making the plane, though slower production cost it almost another \$1bn. Boeing also appointed a new head of its commercial aviation business.

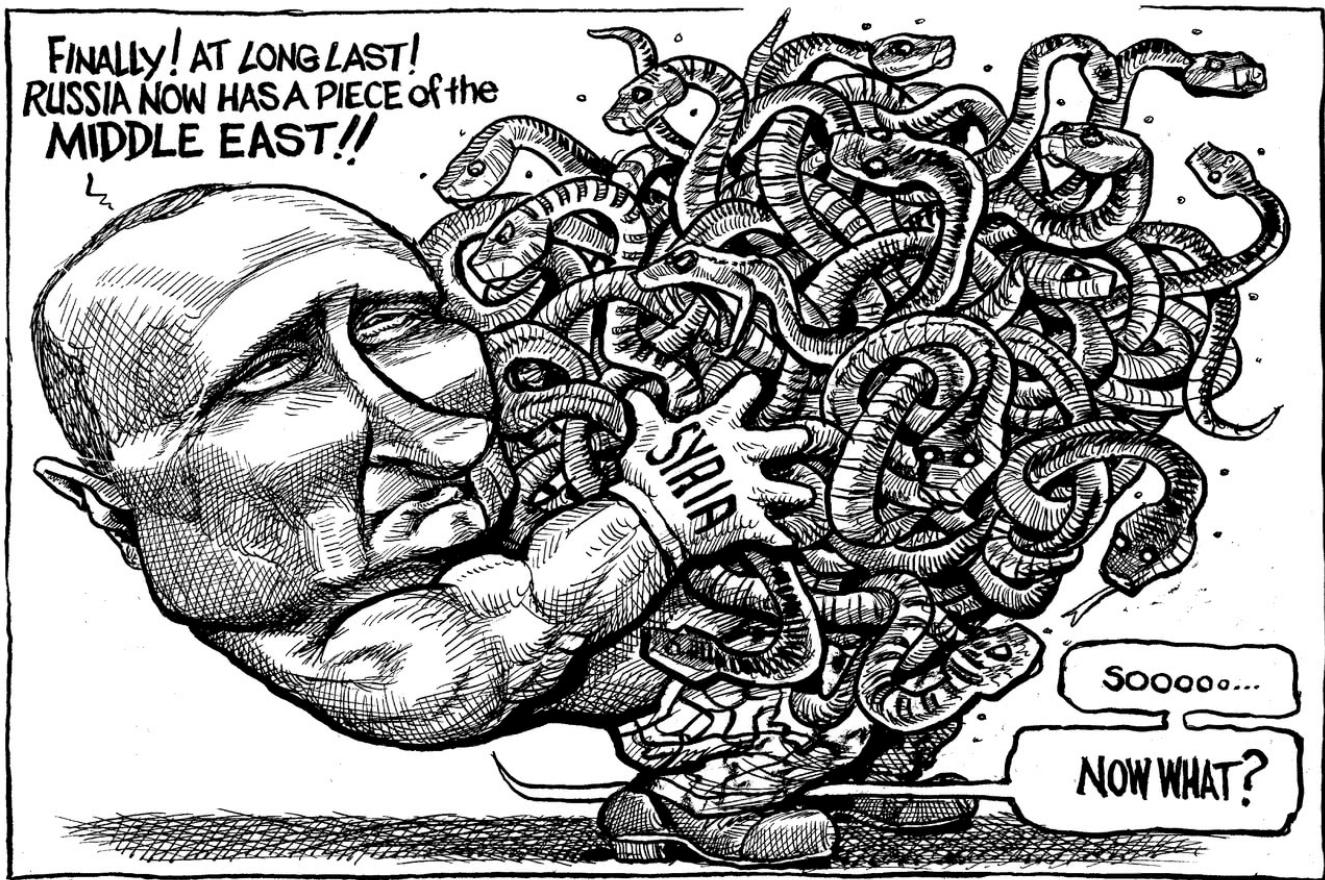
A very-long haul

Climate-change activists want people to fly less, but the **New York-to-Sydney route** that had its maiden voyage this week would keep travellers in the skies for longer. The Qantas direct flight, the world's longest at 16,200km (10,100 miles), took 20 hours and carried volunteers who were tested for endurance. The key, apparently, was to limit alcohol intake and eat the breakfast of avocado purée, halloumi cheese and herb salad. If enough passengers can stomach that, Qantas hopes to start flying the route commercially in 2022.

Clarification (October 25th 2019): An earlier version of this article said Naspers made the takeover bid for Just Eat. In fact it was made by Prosus, Naspers's Dutch-listed subsidiary. Sorry.

KAL's cartoon

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Kal

Elizabeth Warren

A plan for American capitalism

A woman with a plan

Elizabeth Warren wants to remake American capitalism

As it stands, the Democratic front-runner's programme has too little time for markets or business

[Print](#) | Leaders Oct 24th 2019



The Economist/Bloomberg

ELIZABETH WARREN is remarkable. Born into a struggling family in Oklahoma, she worked her way up to become a star law professor at Harvard. As a single mother in the 1970s, she broke with convention by pursuing a full-time career. In an era of rule-by-tweet, she is an unashamed policy wonk who is now a front-runner to be the Democratic nominee for president in 2020. Polls suggest that, in a head-to-head contest, more Americans would vote for her than for Donald Trump.

But as remarkable as Ms Warren's story is the sheer scope of her ambition to remake American capitalism. She has an admirably detailed plan to transform a system she believes is corrupt and fails ordinary people (see [article](#)). Plenty of her ideas are good. She is right to try to limit giant firms' efforts to influence politics and gobble up rivals. But at its heart, her plan reveals a systematic reliance on regulation and protectionism. As it stands, it is not the answer to America's problems.

Ms Warren is responding to an enduring set of worries. America has higher inequality than any other big rich country. While jobs are plentiful, wage growth is strangely subdued. In two-thirds of industries big firms have become bigger, allowing them to crank out abnormally high profits and share less of the pie with workers. For Ms Warren this is personal. Her parents endured the Dust Bowl and the Great Depression in the 1930s and later her father's career collapsed because of illness. As a scholar, she specialised in examining how bankruptcy punishes those who fall on hard times. The idea that animates her thinking is of a precarious middle class, preyed on by big business and betrayed by politicians feasting on the corporate dollar in Washington, DC.

Some Republican and Wall Street critics claim that Ms Warren is a socialist. She is not. She does not support the public ownership of firms or political control of the flow of credit. Instead she favours regulations that force the private sector to pass her test of what it is to be fair.

The scope of these regulations is jaw-dropping. Banks would be broken up, split between commercial and investment banking. Tech giants such as Facebook would be dismembered and turned into utilities. In energy there would be a ban on shale fracking (which, for oil markets, would be a bit like shutting down Saudi Arabia), a phase-out of nuclear power, and targets

for renewables. Private health insurance would be mostly banned and replaced by a state-run system. Private-equity barons would no longer be shielded by limited liability: instead they would have to honour the debts of the firms in which they invest.

This sectoral re-regulation would complement sweeping, economy-wide measures—a 15% social-security levy on those earning over \$250,000, a 2% annual wealth tax on those with assets over \$50m, a 3% tax for those worth over \$1bn and a 7% extra levy on corporate profits. Meanwhile the state would loosen owners' control of companies. All big firms would have to apply for a licence from the federal government, which could be revoked if they repeatedly failed to consider the interests of employees, customers and communities. Workers would elect two-fifths of board seats.

Ms Warren is no xenophobe, but she is a protectionist. New requirements for trade deals would make them less likely. Her government would "actively manage" the value of the dollar.

Ms Warren champions some ideas this newspaper supports. One reason for inequality is that lucrative corners of the economy are locked up by insiders. She is right to call for a vigorous antitrust policy, including for tech firms (see [article](#)), zero-tolerance of cronyism, and an end to non-compete agreements that limit workers' ability to gain higher wages and switch jobs. Given inflation, her plan to raise the federal minimum wage to \$15 over five years may be a reasonable way of helping poorer workers. The rich should indeed pay more tax (see [article](#)), although we think the practical path is to close loopholes, such as a perk for capital gains known as carried interest, and to raise inheritance taxes, not a wealth tax. And while a carbon levy is our preferred way to fight climate change, her plan for clean-energy targets would make a big difference.

However, if the entire Warren plan were enacted, America's freewheeling system would suffer a severe shock. Roughly half the stockmarket and private-equity owned firms would be broken up, undergo heavy re-regulation or see activities abolished. And over time Ms Warren's agenda would entrench two dubious philosophies about the economy that would sap its vitality.

The first is her faith in government as benign and effective. Government is capable of doing great good but, like any big organisation, it is prone to incompetence, capture by powerful insiders and Kafkaesque indifference to the plight of the ordinary men and women Ms Warren most cares about. When telecoms firms and airline companies were heavily regulated in the 1970s, they were notorious for their stodginess and inefficiency. Ms Warren's signature achievement is the creation in 2011 of a body to protect consumers of financial services. It has done good work, but has unusual powers, has at times been heavy handed and has become a political football.

The other dubious philosophy is a vilification of business. She underrates the dynamic power of markets to help middle-class Americans, invisibly guiding the diverse and spontaneous actions of people and firms, moving capital and labour from dying industries to growing ones and innovating at the expense of lazy incumbents. Without that creative destruction, no amount of government action can raise long-term living standards.

Primary colours

Many presidents have taken positions in the primaries that they pivoted away from as their party's nominee. If Ms Warren were to make it to the Oval Office in 15 months' time, she would be constrained by the courts, the states and probably the Senate. The immense size and depth of America's economy means that no individual, not even the one sitting in the White House, can easily change its nature. Nonetheless Ms Warren's government-heavy master-plan contains much to worry about. She needs to find more room for the innovative and dynamic private sector that has always been at the heart of American prosperity. ■

The muddle Modi made

Narendra Modi is damaging India's economy as well as its democracy

The country at last has a leader with the power and the incentives to push through big reforms. But he is not acting

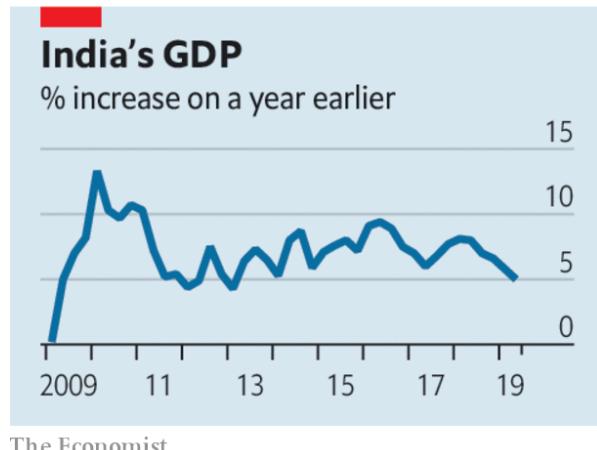
[Print](#) | [Leaders](#) Oct 24th 2019



STORIES OF THE clampdown in Jammu & Kashmir and the threat to strip millions of poor and mostly Muslim people in Assam of citizenship, a form of ethnic cleansing by bureaucracy, have seeped into the world's consciousness, but many Western businesspeople are still inclined to defend the Indian prime minister. Even if Narendra Modi is bad for democracy, they say, his pro-business philosophy is good for the economy. But, as our special report this week argues, that argument no longer washes. India's economy is incompetently managed and doing badly.

Growth fell from 8% in the middle of last year to 5% year-on-year in the most recent quarter. That might not sound too bad, and other emerging economies are also suffering, but India needs to grow fast just to keep its vast workforce fully employed. Worse, the slowdown looks less like a dip than a prolonged cold shower.

Some banks and many other lenders are in crisis, with a \$200bn mountain of bad debts. In the six months ending in September, the total flow of financing to businesses fell by 88%. Five successive rate cuts by the Reserve Bank of India, the central bank, have failed to pull down commercial lending rates, and in any case firms are not investing. Consumer demand has levelled off or fallen, too. Sales of cars and motorbikes have tumbled by 20% or more. And with the combined fiscal deficit of the federal government and the states already approaching 9% of GDP, and tax receipts falling well below expectations, there is little scope for stimulus.



The Economist

When it first took power in 2014 Mr Modi's government inherited an economy with plenty of problems, but it did too little about them. The latest downturn continues that disappointing pattern. With the exception of a steep cut in corporate taxes earlier this month, to 25%, which brings India into line with other countries in the region, the official response has been scattershot and timid. This, say critics, reflects both an unusual paucity of expertise in Mr Modi's government and conflicting views in his circle, as competing interest groups vie for his ear. Nevertheless, the outlines of what needs to be done are clear.

To start with, Mr Modi should recruit an economic team that is based on competence and experience rather than affinity for the Bharatiya Janata Party's Hindu-nationalist ideology. It must tackle both the financial crisis and sagging demand. To fix the banking system, the banks and the lightly regulated shadow banks that have recently been lending heavily need to be stress-tested and, where necessary, the banks recapitalised. Eventually, the state-owned banks could be privatised and the shadow banks put under the same prudential regulations as other lenders.

A broader privatisation programme would give the government the money it needs to succour demand. It should make use of levers such as the national rural-employment scheme to get money to the distressed hinterland. In the longer run, the tax system, labour laws, the regulation of land-ownership and fiddly, protectionist tariffs should all be given a thorough overhaul.

Many of these items have been on the to-do list of every Indian government for decades. But the long history of stasis only strengthens the case for change. And in Mr Modi, with his vice-like grip on parliament, his reputation as a friend of business and his need to right a foundering economy, India at last has a leader with the power and the incentives to push through big reforms.

The fear is that, instead of getting to grips with the economy, Mr Modi will stop posing as a reformer and fully embrace his alter ego, as a chest-thumping Hindu nationalist. Just months into his second term, he has already abolished India's only Muslim-majority state and is threatening to expand to the rest of the country his scheme to hunt down supposed foreign interlopers in Assam. In the face of India's growing economic problems, Mr Modi's focus on communal grievances seems even more reprehensible. Alas, he may yet draw the opposite conclusion. ■

The spy who came in from the cold

The West should learn some lessons from Vladimir Putin's success

The pariah is now feted

[Print](#) | [Leaders](#) Oct 26th 2019



Getty Images

WHEN VLADIMIR PUTIN arrived in Brisbane for the G20 meeting five years ago, he cut an isolated figure, frozen out of the civilised world by the annexation of Crimea, the invasion of eastern Ukraine and the shooting down of a passenger airliner with Dutch and Australian families on board. Western leaders kicked Russia out of the G7 and imposed sanctions. Some refused to greet Mr Putin. He left early, snubbed and humiliated.

Five years later he has swaggered back onto the world stage, presiding over the conflict in the Middle East, building a strategic alliance with China and driving a wedge between NATO allies. It was his residence in Sochi, not President Donald Trump's Mar a Lago estate in Florida, that Recep Tayyip Erdogan, the president of Turkey, visited on October 22nd to seal the fate of Syria, and some 40 African leaders flew to on October 23rd in search of weapons and money (see article).

The meeting with Mr Erdogan cemented Russia's dominant position in the Middle East with a deal establishing joint military control over what used to be Kurdish territory. Earlier this month Mr Putin was welcomed in Saudi Arabia, the world's third-largest oil producer, by Crown Prince Muhammad bin Salman. Saudi Arabia's military band played Russia's national anthem while its jets let off a trail of smoke the colour of the Russian flag. Russia, the world's second-largest oil producer, is now in a better position to influence output and prices.

Mr Putin has also forged close relations with China, whose leader Xi Jinping regards his Russian counterpart as an asset who helps China project its growing influence. Mr Putin has pledged to help China build its early-nuclear-warning system, a deal which will help tip the global balance of power in China's favour.

Europe's attitude towards Russia is changing, thanks to Mr Putin's growing hold over the Middle East and his closer ties to China. Emmanuel Macron, the French president, argues that Russia is too important to be frozen out and needs to be included in the European security architecture. And Ukraine, which has lost 13,000 people in the war in Donbas, is now under pressure from both America and Europe to settle its conflict with Russia, allowing for the lifting of sanctions.

Play it as Vladimir would

How did a country with an economy the size of Spain, corruption on a par with Papua New Guinea and life expectancy below Libya achieve all this? Military modernisation played a crucial part. In 20 years, Mr Putin has turned Russia's armed forces from an ill-managed bunch of poorly equipped conscripts into a well-armed, largely professional fighting force. But he has also been politically more astute than the West, both in swiftly seizing opportunities and in sticking by his allies.

Barack Obama set down red lines against the use of chemical weapons in Syria, but was not prepared to use force to back them up. Mr Trump abandoned America's Kurdish allies earlier this month, pulling out his troops when Turkey threatened to invade northern Syria. Mr Putin has spotted that the West's reluctance to use arms has created a power vacuum. He could invade Ukraine and send in forces to occupy former American positions and bomb civilian and military targets in Syria, confident that the West would not risk retaliation. When he has stood by Bashar al-Assad, the Syrian president and a bloody dictator, other actors in the Middle East, including Saudi Arabia, America's traditional ally, have concluded that their own abuses of human rights would not shake his support of them. In their eyes, by contrast, the West appears fickle and preachy.

Faced with Russian aggression, the West is inclined to back down. That is a mistake—and not one that Mr Putin would make were he in Mr Trump's or Mr Macron's position. He would hold his ground and look for weaknesses to exploit.

Mr Putin's success masks vulnerabilities. Abroad, he increasingly faces the difficulty of being the junior partner to China. At home, disposable incomes have fallen for the sixth year in a row, the pension age is rising and people are fed up with corruption. Mr Putin's expensive military adventures used to generate enthusiasm, but they have become a source of irritation.

He wants the West to lift sanctions and to acquiesce in his plan to stay in power indefinitely. But the West should not encourage his adventurism. It would do better to learn—selectively—from Mr Putin: support your allies, play to your strengths, do not buckle under pressure and do not create a vacuum that can be filled by a rival power. The West needs a muscular foreign policy to face down the world's new strongman. ■

Exposing Xinjiang

Knowledge of China's gulag owes much to American-backed radio

Radio Free Asia's brave reporting shows that long after the cold war, the West still needs state-funded stations

Print | Leaders Oct 24th 2019



Panos

IN 2017 WORD started to emerge from China's far west that thousands of people were being sent to a new gulag of "re-education" camps for no reason other than their Muslim religion and their Uighur ethnicity. The government kept denying that such camps existed, even as accounts of the horrors became more dramatic and estimates of the gulag's population surged to over 1m. When it at last acknowledged that it had indeed built the facilities, it said that they were merely vocational-training centres that would help turn Uighurs away from religious extremism. Rarely since the enormities unleashed by Mao Zedong has China seen so egregious an attempt to whitewash an abuse of human rights.

Alongside academics and human-rights groups, Radio Free Asia (RFA), a station funded by the American government, played a vital role in exposing Xinjiang's horrors (see article). By employing Uighur-speaking journalists, RFA has gained something that cash-strapped commercial media would find hard to replicate: a reporting team that is able to penetrate China's wall of secrecy in Xinjiang by pumping local sources for information, using their own language. This has put RFA at the forefront of newsgathering in the region. Western foreign correspondents have often taken their cues from its coverage of the camps, where inmates are sent without any judicial process and spend weeks, months or even longer periods undergoing what official documents, uncovered by Western academics, describe as an attempt to "wash clean" the Uighurs' brains.

Such state-backed journalism sounds anachronistic. During the cold war, Lech Walesa, the leader of Poland's Solidarity movement and eventually its president, once credited "Radio Free Europe and the Holy Father" for his country's liberation from communism. In 1989 protesters in Tiananmen Square held aloft a banner saying "Thank you BBC". Today waging ideological war through the airwaves sounds more the kind of thing that the Russian or Chinese governments indulge in, and that the West should seek to avoid.

Yet news from difficult places is at a premium these days. The newsgathering operations of global media companies are being squeezed—in some parts of the world by commercial pressure, in others by increasingly repressive governments. Publicly funded operations such as RFA have gained a new importance.

They do not just provide the outside world with information about troubled regions; they also provide succour to those inside such places. RFA is the only broadcaster outside China that uses the Uighur language. It does so online, by satellite and through short-wave radio. Remarkably, given China's strenuous efforts to prevent the spread of news from this "enemy" service by means of jamming and internet censorship, at least some of Xinjiang's 10m Uighurs still manage to receive it. In 2018 a

survey by RFA of Uighurs who had recently moved to Turkey found about a fifth had been regular consumers of its news when they were living in Xinjiang.

The benefits of such spending may also be reaped closer to home. Many consumers of Chinese-language news from RFA and stations like it, such as the BBC World Service, are Chinese people living in the West. They badly need independent news in their own language as China's propagandists buy up the rest of the world's commercial Chinese-language outlets.

A bill in Congress would double the American government's annual allocation for RFA's Uighur-language service, from \$2m to \$4m. That seems a worthy—and cheap—investment. RFA's total annual budget of \$44m, which also provides broadcasts in eight other languages including Tibetan, is small change compared with the country's overseas aid of around \$20bn.

There is little the West can do to persuade China to dismantle the camps in Xinjiang. Western governments have remonstrated, to no avail. America this month imposed sanctions on Chinese officials and businesses implicated in the mass internments, but the gesture was little more than symbolic. The Communist Party may be embarrassed, but it will not be badly hurt. The West may not be able to determine the fate of places such as Xinjiang, but it can at least help tell their stories. ■

Coral reefs

No longer in the pink

No longer in the pink

How to save the world's coral reefs

People are going to start to have to think radically

Print | Leaders Oct 24th 2019



Getty Images

CORALS ARE comeback creatures. As the world froze and melted and sea levels rose and fell over 30,000 years, Australia's Great Barrier Reef, which is roughly the size of Italy, died and revived five times. But now, thanks to human activity, corals face the most complex concoction of conditions they have yet had to deal with. Even these hardy invertebrates may struggle to come through their latest challenge without a bit of help.

According to the Intergovernmental Panel on Climate Change, a rise in global temperatures of 1.5°C relative to pre-industrial times could cause coral reefs to decline by 70-90%. The planet is about 1°C hotter than in the 19th century and its seas are becoming warmer, stormier and more acidic. This is already affecting relations between corals and the single-celled algae with which they live symbiotically, and which give them their colour. When waters become unusually warm, corals eject the algae, leaving reefs a ghostly white. This "bleaching" is happening five times as often as it did in the 1970s. The most recent such event, between 2014 and 2017, affected about three-quarters of the world's reefs. Meanwhile the changing chemistry of the oceans lowers the abundance of carbonate ions, making it harder for corals to form their skeletons.

If corals go, divers and marine biologists are not the only people who will miss them. Reefs take up a fraction of a percent of the sea floor, but support a quarter of the planet's fish biodiversity. The fish that reefs shelter are especially valuable to their poorest human neighbours, many of whom depend on them as a source of protein. Roughly an eighth of the world's population lives within 100km of a reef. Corals also protect 150,000km of shoreline in more than 100 countries and territories from the ocean's buffeting, as well as generating billions of dollars in tourism revenue. In the Coral Triangle, an area of water stretching across South-East Asia and into the Pacific which is home to three-quarters of known coral species, more than 130m people rely on reefs for food and for their livelihoods in fishing and tourism.

Measures to mitigate climate change are needed regardless of coral, but even if the world's great powers were to put their shoulder to the problem, global warming would not be brought to a swift halt. Coral systems must adapt if they are to survive, and governments in countries with reefs can help them do so.

Corals need protection from local sources of harm. Their ecosystems suffer from coastal run-off, whether sewage or waste from farms, as well as the sediment dumped from beach-front building sites. Plastic and other debris block sunlight and spread hostile bacteria. Chunks of reef are blown up by blast fishing; algae grow too much whenever fishing is too intensive. Governments need to impose tighter rules on these industries, such as tougher local building codes, and to put more effort into enforcing rules against overfishing.

Setting up marine protected areas could help reefs. Locals who fear for their livelihoods could be given work as rangers with the job of looking after the reserves. Levies on visitors to marine parks, similar to those imposed in parts of the Caribbean, could help pay for such schemes. So too could a special tax on coastal property developers.

Many reefs that have been damaged could benefit from restoration. Coral's biodiversity offers hope, because the same coral will grow differently under different conditions. Corals of the western Pacific near Indonesia, for example, can withstand higher temperatures than the same species in the eastern Pacific near Hawaii. Identifying the hardiest types and encouraging them to grow in new spots is a way forward, though an expensive one. A massive project of this sort is under way in Saudi Arabia as part of a tourism drive. Scientists working alongside the Red Sea Development Company want to discover why the area's species seem to thrive in its particularly warm waters.

More drastic intervention to head off the larger threats corals face should also attract more research. Shading reefs using a polymer film as a sunscreen to cool them is under discussion for parts of the Great Barrier Reef. Other schemes to help corals involve genetic engineering, selective breeding and brightening the clouds in the sky above an area of the reef by spraying specks of salt into the lowest ones, so that they deflect more of the sun's energy. These measures may sound extreme, but people need to get used to thinking big. Dealing with the problems caused by climate change will call for some radical ideas.

Letters

Letters to the editor

On anti-Semitism, French addresses, Igbo, people's juries, automated markets

On anti-Semitism, French addresses, Igbo, people's juries, automated markets

Letters to the editor

A selection of correspondence

Print | Letters Oct 26th 2019

A changing anti-Semitism

The question of whether criticism of Israel can be disentangled from anti-Semitism is an empty one (Graphic detail, October 12th). To criticise Israel and its policies is perfectly kosher. Every newspaper, including in Israel, does it every day. But saying things like Israel is the greatest danger to peace in the world, or that it is an abnormality and should be peacefully dissolved—sentiments that were emailed by German academics to the Israeli embassy in Berlin—go further than this and are examples of the latest incarnation of anti-Semitism.

There are limits to the statistical examination of anti-Semitism you wrote about. To ask people on the street what they think about Jews produces doubtful results and in the end leaves the matter unexplained. Mixing questions on attitudes towards Jews with other issues only causes confusion.

Anti-Semitism is a historical phenomenon, a negative attitude towards Jews and Judaism deeply rooted in Western culture. Over the centuries it has changed themes, but remains basically the same negative cultural value. In the Middle Ages Jew-hatred was mainly religious (its answer to the “Jewish Question” was conversion to Christianity). In modern times it became secular and adopted racial tones. In the 20th century, this came mostly from the right of the political spectrum.

One reason for much of today’s misunderstanding about anti-Semitism is that it is undergoing another thematic change. A lot of today’s Jew-hatred is directed against the most evident symbol of continuing Jewish vitality: the state of Israel. And much of this Israelisation of Jew-hatred originates in the centre-left and the left. The anti-Semitic tropes uttered in the British Labour Party are far from being the exception.

PROFESSOR MONIKA SCHWARZ-FRIESEL
Technical University of Berlin



Alamy

The numbering of homes in rural France needn't rest on the archaic logic of Napoleonic systems ("The view from No 2027", September 28th). The baffling metric numbering system used in French villages could be remedied by using What3Words. This app has comprehensively mapped the entire world by giving any position on the planet a unique three-word combination. Recently deployed by delivery drivers in Nigeria, it could also be helpful in the somewhat more Amazon-friendly terrain of rural France.

Every philosopher has his time and place. Perhaps the days of relying solely on Cartesian address conventions are numbered, ironically by words.

TOM BOTTOMLEY

JONATHAN MOON

Riga, Latvia



The Economist/Alamy

Religious dialogue

As you report, African languages are spreading to northern latitudes ("The other African-Americans", October 19th). Perhaps knowledge of African linguistics should spread, too. Another recent article, on the pope in Africa, describes a stand-off between the pontiff and a Nigerian diocese where a bishop-elect was seen as an ethnic and linguistic outsider ("Stony ground", September 7th). Whatever the perceptions, let me assure you that the bishop and his potential flock were all speakers, like me, of the Igbo language, whose dialects differ no more than, say, the Geordie and Scouse forms of English.

KENNETH AMAESHI

Edinburgh



Alamy

Leave Brexit to people's juries

What a pleasure to read “Tiny democracy” (October 5th), about people who have been randomly chosen to sit on civic institutions in Belgium’s German-speaking area. This method was used successfully by Britain’s lottery charities board and its successor between 1998 and 2004 to choose some members of nine regional panels, which dispensed many millions of pounds. In 2003 a parliamentary committee examined its workings and called for a wider experiment, but this was rejected and a year later the panels disappeared.

A citizen’s involvement in civic affairs is meritorious. In “Democracy in America”, Alexis de Tocqueville wrote perceptively of randomly chosen juries as forms of political institutions. He concluded that the jury “is both the most efficient way of establishing the people’s rule and the most efficient way of teaching them how to rule.” Unlike referendums.

MARTIN WAINWRIGHT
Kidlington, Oxfordshire



Satoshi Kambayashi

Flashier trading

Yes, more of the financial industry is being automated, which is the evolutionary nature of every business (“[March of the machines](#)”, October 5th). The good news is that humans are not going away. There is no substitute for human interaction, judgment and experience. I doubt there are any trading operations with zero human oversight; someone has to press the stop button to turn a malfunctioning system off. After all, a fool with a tool is still a fool.

As for the stability of the financial system, particularly equity markets, the answer has been staring us in the face for some time. Does share trading have to be continuous? Is faster always better? A good market needs to be efficient and fair, not necessarily faster. Introducing a periodic single-price auction (SPA) trading mechanism in place of the continuous system we have today would reduce the risks of future market meltdowns. It would also obviate the insane speed-trading arms race.

Almost as ridiculous as microsecond trade executions is the speed-bump mechanism used to slow things down. A SPA market mechanism would not only be more elegant, it would also provide more liquidity, as it would concentrate trading interest both in time and place.

This would help deal with the question of market fragmentation. Do we really need so many markets to trade? With trade executions essentially a commodity (for equities at least), one could argue that the execution of business in a SPA-oriented market should be a regulated utility, whether member-owned or not.

JOSEPH ROSEN
Editor, “The Handbook of Electronic Trading”
New York

Granted, computers can do many things in finance quicker and better than any human. However, programming a computer to run an index fund is child’s play compared with teaching it what to do when one of Donald Trump’s tweets declaring a new trade war sends everyone running for the exit. An experienced trader instinctively knows that the markets can remain irrational longer than you can remain solvent. How do you build that truth into an algorithm?

ATILLA ILKSON
Woodstock, New York



You said that the first transatlantic cable ran between Liverpool and New York, carrying cotton prices, and was completed in 1866 (“[Masters of the universe](#)”, October 5th). In fact, the first transatlantic cable was laid between Valentia Island in Ireland and Newfoundland. After several attempts, it delivered its first message in 1858.

RONAN O'SHEA
London
Is it only a matter of time before artificial intelligences discover the joys and profits of insider trading?
MARK VAN DUSEN
Mandalay, Myanmar

Warrensworld

Elizabeth Warren's many plans would reshape American capitalism

For better and for worse

[Print](#) | [Briefing](#) Oct 24th 2019



IN 1936 Franklin Delano Roosevelt said of the big businesses lining up against his re-election: “They are unanimous in their hate for me—and I welcome their hatred.” Elizabeth Warren, who is seeking the Democratic nomination in next year’s presidential election, takes a similar approach. After a cable news personality reported that executives of big companies are anxious about the possibility of a Warren presidency, she tweeted: “I’m Elizabeth Warren and I approve this message.”

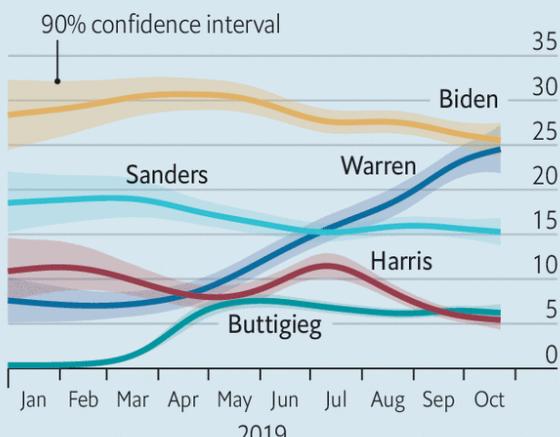
Ms Warren, a former professor at Harvard who is currently a senator for Massachusetts, is offering Democratic primary voters a menu as ambitious as anything seen since FDR’s New Deal: a fundamental reworking of American capitalism. It is going down well. In *The Economist*’s average of public-opinion polls, as of October 23rd, Joe Biden has just a narrow lead over Ms Warren. Her support stands at 24%, the former vice-president’s at 25% (see chart 1). Betting markets rank her the clear favourite, with a nearly 50% chance of grasping the nomination. Polls pitting her against President Donald Trump see her beating him.

Ms Warren has been fishing for primary support in many of the same pools as Bernie Sanders, a senator for Vermont. But there is a sharp ideological distinction between them. Mr Sanders calls himself a “democratic socialist”; he talks of class struggle and wants workers to own 20% of big companies. This resonates with much of the old left, and has support from new leftists such as Alexandria Ocasio-Cortez, a representative from New York. Ms Warren, in contrast, proclaims herself “a capitalist to my bones”. Mr Sanders would never say, as Ms Warren did last year, “I love what markets can do...They are what make us rich, they are what create opportunity.”

Racing ahead

United States, Democratic primary

Selected candidates, national poll average, %



Sources: FiveThirtyEight; *The Economist*

The Economist

It was a paean with a crucial proviso: “But only fair markets, markets with rules.” Ms Warren believes that the rules under which American markets operate are unfair. She sees a system corrupted by cash turned into political capital. Thus most carbon emissions remain unpriced, tech giants accumulate more power and oligopolies dominate health care. Such market failures—or, in this view, market sabotage—gum up competition and widen income inequality, leaving millions of working families “hanging on by their fingernails”. Setting them right requires a wide range of reforms.

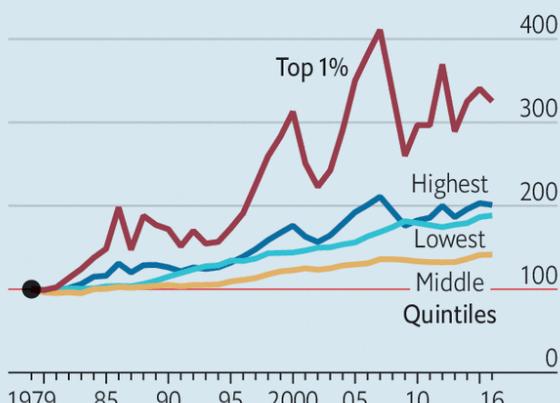
That this assessment thrills Democratic primary voters should perhaps not come as a surprise. Healthy capitalism depends on healthy competition. Yet two-thirds of American industries have seen market concentration rise in the past two decades. Competition should constrain profits as companies fight for customers; in America profits have soared.

In 2016 the incomes of the highest 1% of American earners were 225% higher in real terms than they had been in 1979 (see chart 2). For the middle-class, the growth was 41%. Today’s tight labour market gives American workers more negotiating power than they have had in years. But that does not make up for the long-term shift towards inequality, both between the top 1% and everyone else, and between college graduates and less-skilled workers. Higher education, good health care and decent housing are unaffordable to many. America has some of the highest levels of poverty of any rich nation, and some of the lowest life expectancies.

The rich and the rest

United States, income* after transfers and taxes

1979=100



Source: Congressional Budget Office

*Inflation adjusted

The Economist

To tackle inequality Ms Warren proposes a pincer movement. “Predistribution”, an idea developed by Jacob Hacker, a professor at Yale, would seek to boost pre-tax incomes for working families and limit economic gains perceived to be unjust, thus tempering the engines of inequality. Hence a variety of actions aimed at breaking up or reining in big firms and better equipping workers. Old-fashioned redistribution would also seek to right the damage already done with taxing and spending. Ms

Warren would not just reverse Mr Trump's tax cuts. She would also impose new taxes on large companies and rich individuals—who would see their taxes rise more steeply than they have for almost a century, reversing a decades-long fall.

Companies would face an extra 7% tax on all profits above \$100m—an amount levied on the profits the firms report in their accounts, rather than their taxable profits under current law. There is often a large discrepancy between the two; tax exemptions created by a well-lobbied Congress result in many profitable companies paying little tax. The highest earners would also face heftier payroll taxes. Blaming the shortfalls that loom for Social Security (public pensions) by 2035 on “inadequate contributions by the rich”, Ms Warren would introduce new levies worth nearly 15% on roughly the top 2% of households.

Rich pickings

Then there is the wealth tax. Targeting the super-rich, Ms Warren promises a 2% annual levy on net worth over \$50m, rising to 3% on fortunes above \$1bn. Rich people expend a lot of effort avoiding such taxes. Indeed, the complexity of working out what they should cough up is one reason only three rich countries have them, compared with 12 in 1990.

The sense that a Warren presidency would be costly to them personally, as well as forcing change on their companies, doubtless adds to the antipathy felt towards her among most of America's business elite. But the Social Security benefits for the elderly, free public college for students and universal child care which, among other ideas, these trillions could fund appeal to many voters.

Some of these plans would also show positive effects on economic growth, according to independent analyses by Mark Zandi, chief economist at Moody Analytics. The campaign, which has published some of his reports, has not yet shared the number-crunching Mr Zandi has done on free public college and student-debt cancellation, which may be less positive. (The Warren campaign would not confirm or deny this.) “Broadly speaking, she pays for what she has proposed,” says Mr Zandi. The only exception is Medicare for All. “It's not clear to me how she is going to pay for it all. She hasn't asked me to evaluate it.”

Medicare for All is a nationalised health-care plan proposed by Mr Sanders which Ms Warren endorses. The plan illustrates the sheer size of the changes Ms Warren envisages (see chart 3). It would get rid of private health insurance, an industry with a market value of \$530bn. Her more mainstream rivals for the nomination have started to press the senator on whether the \$3trn in annual costs that come with that policy would require her to increase taxes on the middle class. She has not come up with a convincing answer—though she says that one is forthcoming.



The Economist

Private equity would also be at risk. The “Stop Wall Street Looting Act” she has introduced in the Senate changes the way private-equity firm employees' income is taxed. Currently they pay capital gains and investment tax of just 23.8% on their earnings. Under her plan they would pay income tax of up to 37%. But not everything Ms Warren wants to do to the industry is a matter of redistributing its gains. Her predistribution agenda requires the power of such concentrations of capital to be reduced. Measures on “joint and several liability” in private equity contained in the act would in effect shut down their business, say industry bosses. By making the partners who manage and invest in the funds liable for the debt and pension costs of companies they acquire, they would impose a burden that public companies do not have to shoulder, scaring away institutional investors. That would affect the ownership of 8,000 companies, more than twice the number of listed firms.

Other companies would also be broken up. She would revive the Glass-Steagall Act, separating banks' deposit-taking business from their riskier investment activities. Federal regulators have allowed some giants to gain more power by acquiring potential rivals. Ms Warren would unwind those mergers. Bayer, a huge life-sciences company, would have to sell Monsanto, a seed and chemicals company it acquired in 2018; Facebook would have to spin off Instagram and WhatsApp (see [article](#)). Online marketplaces with global revenues of more than \$25bn would be regulated as “platform utilities”, and stopped from offering their own products and services on the regulated platforms. Google would have to sell its online advertising exchange, Amazon would not be able to sell on its marketplace.

Ms Warren also wants companies to be generally more accountable. In big companies, 40% of board seats would be reserved for workers' representatives. All companies with revenues of more than \$1bn would need to obtain a federal charter requiring their directors not just to serve their shareholders but also consider the effects of what they were doing, or not doing, on their

workers, their suppliers, their neighbours, the environment and so on. State attorneys-general could petition the commerce department to revoke a company's charter if they felt those norms were repeatedly being flouted.

In this she can claim to be going with the flow. In August nearly 200 chief executives, including JPMorgan Chase's Jamie Dimon, Johnson & Johnson's Alex Gorsky and Walmart's Doug McMillon pledged "a fundamental commitment to all of our stakeholders". "I completely agree with her that businesses need to be focused on stakeholders, not just shareholders," says Marc Benioff, the chief executive of Salesforce, a software giant. But Ms Warren wants to turn these promises into state-monitored action.

Whether Ms Warren's many plans would have their desired effect is open to question. So are their unintended consequences. A big investment bank might be enmeshed in credit markets in such a way as to need a government bail out in a crisis even if it had no deposit-taking arm. Workers on boards would probably garner higher wages, but that brings other complications. A multinational company might have its headquarters in America but have more staff outside it, says Luigi Zingales of the University of Chicago. Why should American workers get a bigger say than those overseas? Dissuading corporate takeovers would limit companies' ability to change with the times. Most disturbing, to Mr Zingales and many others, is the notion of company charters which the federal government could revoke. "Imagine a Trump administration with the power to go after companies in this way," he says.

Not all of the predistribution agenda is aimed at humbling the mighty. Like most of the Democratic contenders Ms Warren wants paid family leave, a \$15 federal minimum wage within five years, government investments in training and reforms that will make it easier for people to unionise. She would also ban forced arbitration and non-compete clauses, giving workers more power to challenge their employers and find new jobs. "Gig economy" companies would be required to treat workers as salaried employees.

Trading places

Ms Warren is not just seeking to change the rules for business. She also sees a big role for government in making America competitive: a role built on industrial policy and protectionism. A new uber-agency called the Department of Economic Development would be charged with creating American jobs. Products made possible by taxpayer-funded R&D would have to be made in America.

If that sounds like a Warren policy that Mr Trump might support, it is not the only one. Ms Warren promises to run a government "more actively managing our currency value to promote exports and domestic manufacturing" in response to other countries manipulating their exchange rates. She wants new committees representing consumers, rural areas and each region of the country to be able to delay trade deals that worry them. Since every trade deal will worry someone somewhere that sounds like an end to trade deals.

This brings to the fore a tension at the centre of Ms Warren's capitalism. Many of her domestic policies are justified in terms of increasing competition. Blocking anti-competitive deals may be troublesome for Facebook but is generally good for everyone else. Yet when it comes to industrial and trade policy her love of competition wanes. She becomes, instead, a conventional protectionist.

Take the example of clean energy. Ms Warren sees environmental policy as an opportunity to play favourites and to protect American manufacturing. She wants an accelerated phase-out for carbon-free nuclear electricity and a ban on fracking, which has not only made America the world's top oil producer but also provided it with a lot of cheap natural gas. This appeals to the Democrats' base; but it would also make America's transition to cleaner energy more expensive and less effective. Ask someone selling coal-fired electricity what they want for Christmas and an end to nuclear power and cheap gas will come high on the list.

Ms Warren abhors lobbying—she proposes an "excessive lobbying tax", rising up to 75% for companies spending more than \$5m annually. Nevertheless, despite this, her approach creates a lot more direct government investment that firms might lobby for. She seems unfazed by the possibility of government's capture by insiders when those insiders are the right people with the right intentions. It is worth noting that Ms Warren designed her biggest governmental achievement to date, the Consumer Financial Protection Bureau, in a way that gave its director unusual power and autonomy.

Ms Warren has tried to avoid the practice of meeting Wall Street executives and big donors to help shape her agenda. Her solutions are instead informed by consultations with professors and think-tankers. Despite this, within these academic circles, Ms Warren's ideas spark debate.

Because the proceeds of her new taxes are to be spent, they should not suck demand from the economy. More competition could encourage innovation. Subsidised child care could encourage more work; subsidised health care more willingness to chase dreams. That said, a disorderly dismantling of the fracking and private-equity industries, continued trade strife and the possible disincentives to work and invest caused by much higher taxes would cut the other way.



Ellie Foreman-Peck

Larry Summers, a professor who led Barack Obama's National Economic Council, and Natasha Sarin of the University of Pennsylvania argued earlier this year that a wealth tax would be difficult to implement and could depress enterprise. They also think it would raise less money than the Warren campaign claims.

Income inequality would surely fall somewhat, especially by taxing the very top of the income distribution. Emmanuel Saez and Gabriel Zucman, two economists at the University of California, Berkeley, who influenced Ms Warren's tax policy and who have written a new book on inequality (see [article](#)), estimate that her proposals would increase the tax bill of the richest 0.01% of Americans. Currently, they pay 33% of their pre-tax income in tax, which would rise to 61%. But there is a limit to how much inequality can be fought through taxing the very rich. Much depends on Ms Warren's policies to improve the life of the precarious middle class, for instance through health insurance and subsidised child care.

A roll of the dice

The fact that most of the Democratic field is less radical than Ms Warren suggests that, even if her party were to take the Senate and retain the House in 2020, much of her agenda would be watered down. If Republicans retained control of the Senate there would be a lot less she could do. But she would still have some scope to act.

The Environmental Protection Agency could reverse regulatory rollbacks set by the Trump administration. The federal government could enforce stricter labour standards, such as a \$15 minimum wage in the public sector. Warren appointees to the Federal Trade Commission and the justice department could reverse previously approved mergers and reject new ones, though such actions would probably be challenged in the courts. A National Labour Relations Board in her hands could decide that "misclassification" of workers as independent contractors was a violation of labour law, upending the gig-economy. Her power over trade and tariffs would be comparatively unconstrained.

A good position months before the first primaries and a year before the election is no one's idea of a guaranteed win. But Democratic voters like what they see. In a recent poll by Quinnipiac University, 40% of respondents said Ms Warren had the best policy ideas, compared with 16% for Mr Biden and 12% for Mr Sanders. This suggests that real change is afoot within the party, even if it is not quite yet a new New Deal. But as well as worrying about what Ms Warren proposes, American bosses need to realise that she is no longer the outlier she may once have appeared to be. ■

Impeachment

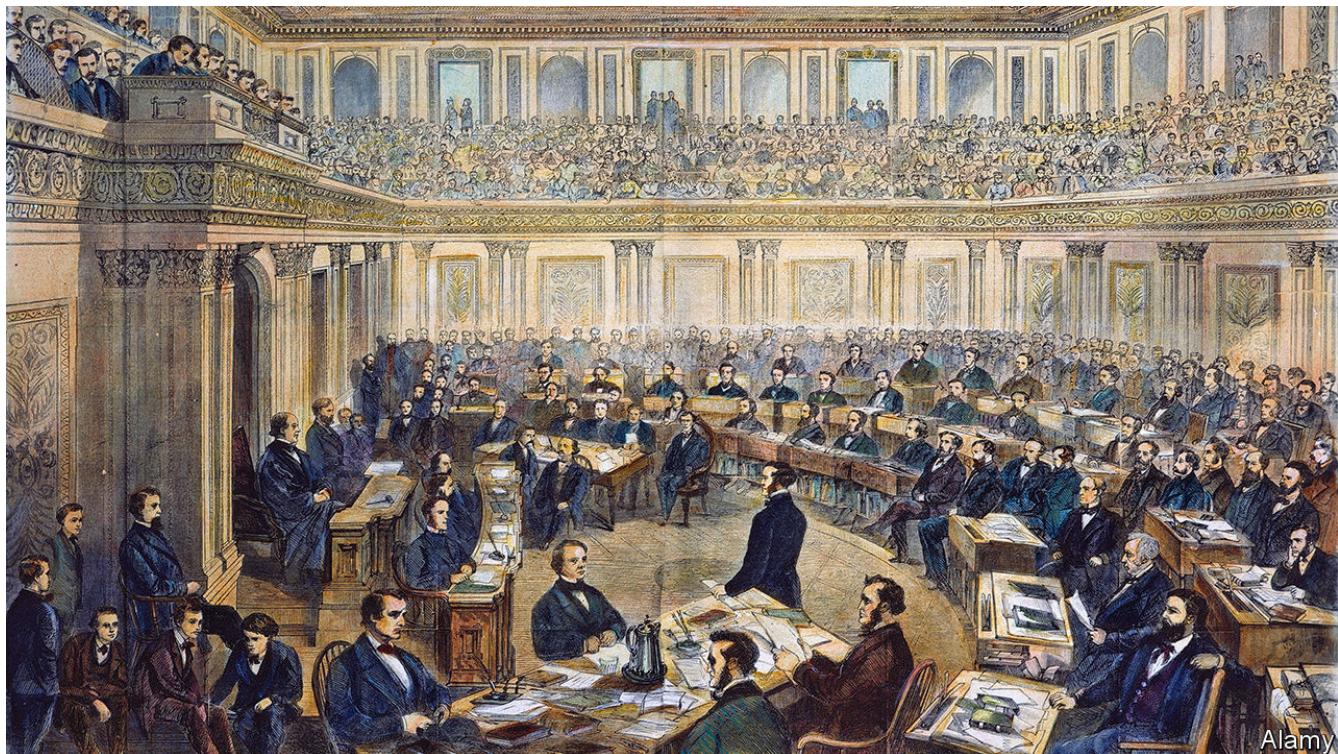
Trying times

Trying times

What an impeachment trial of Donald Trump might look like

Will senators put party aside, and meet Alexander Hamilton's expectations?

[Print](#) | United States Oct 24th 2019



Alamy

ALEXANDER HAMILTON warned in 1788 that impeachment risks “agitat[ing] the passions of the whole community” and spurring “pre-existing factions” to “animosities, partialities, influence and interest”. The process, he wrote, carries the “greatest danger” that “real demonstrations of innocence or guilt” will amount to little in the face of raw political calculations. But the constitution carves a path around the maelstrom, Hamilton insisted: the United States Senate will have the “sole power to try all impeachments” sent its way by the House of Representatives. Senators, “unawed and uninfluenced” by the passions of the day, are “sufficiently dignified” to weigh whether an impeached official should be thrown from office.

On October 22nd America’s top diplomat in Ukraine, William Taylor, testified to House investigators that President Donald Trump threatened to withhold \$391m in military aid unless Volodymr Zelensky, Ukraine’s president, opened an investigation into the son of Joe Biden, one of Mr Trump’s potential rivals in next year’s election. It was the clearest and most detailed account to date—from a public servant whose career spans five decades and nine administrations—of Mr Trump leaning on a foreign leader to help his re-election effort. Mr Taylor’s testimony makes impeachment in the House likelier. It remains to be seen whether members of Congress’s upper chamber will put party aside and live up to Hamilton’s billing.

Although it takes only a majority vote to impeach in the House, conviction requires the assent of two-thirds of the senators present—67 if 100 attend. At least 20 Republicans, along with all 47 Democrats, would have to find Mr Trump guilty. That seems unlikely. Only Mitt Romney of Utah has even hinted he might defect. No American president has yet been removed—though in 1868 Andrew Johnson escaped by just one vote (his trial is pictured).

A Senate trial could nonetheless prove a crucible at a fraught time. Mr Trump’s questionable foreign-policy moves—particularly his abrupt decision to withdraw American forces from northern Syria—have provoked condemnation from even stalwart supporters like Senator Lindsey Graham and Mitch McConnell, the Senate majority leader.

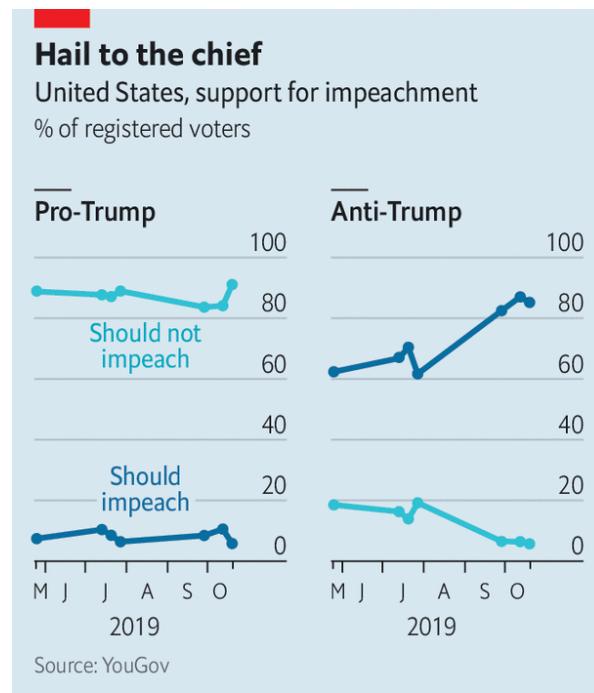
Keeping the Senate proceedings “civil and orderly”—a task that the constitution assigns to the chief justice—may be a struggle, says Laurence Tribe, a Harvard law professor and co-author of “To End a Presidency”. The previous chief justice, William

Rehnquist, said of his role in the impeachment trial of Bill Clinton in 1999 that “I did nothing in particular, and I did it very well.” John Roberts, the chief today, faces a more partisan environment but, Mr Tribe says, will seek to emulate his predecessor.

The details of removal trials are “all entirely fluid in theory,” says Frank Bowman, author of the book “High Crimes and Misdemeanours”, but their contours are clear. Senate rules, last updated in 1986, require the body to summon the president after the House impeaches him. Select members of the House of Representatives—dubbed “House managers”—prosecute their case. The president presents a defence. Senators may not question anyone directly. They are “commanded” at the outset of the trial by the sergeant-at-arms to “keep silence, on pain of imprisonment”. But if they have questions—senators had more than 150 during Mr Clinton’s trial—they can jot them down and pass them to the chief justice, who will read them aloud. After closed-door deliberations, cameras roll again for the final public vote on each impeachment article.

An impeachment trial has several trappings of a court trial: lawyers, evidence, jurors, verdict. But the proceedings and judgment are fundamentally political. A removed official has no appeal. And there are no set rules of evidence, no due-process requirement and of course no gag rule for jurors—senators must stay mum inside the chamber but can talk freely to the press.

Michael Gerhardt, a law professor at the University of North Carolina who testified at the Clinton impeachment, says that Republicans could change the rules by majority vote. Democrats could try to filibuster any change, but the filibuster could itself be nixed by a simple majority. Yet there may be little need for Mr McConnell to resort to that. Instead he could choose to limit the witnesses or evidence Democrats could introduce; allow Mr Trump “to assert privilege to prevent anything from being disclosed that the president does not wish to be disclosed”; or “impose a tougher burden of proof”—like the criminal standard of “beyond a reasonable doubt”—to tip the balance in Mr Trump’s favour.



The Economist

Mr McConnell has time to consider his options while the House, led by Speaker Nancy Pelosi, continues its run-up to impeachment. A growing number of Americans think that Congress is right to impeach Mr Trump. But only a small number of Republicans have changed their minds. Instead, more voters who already disapproved of Mr Trump have come round to the idea (see chart).

As long as Mr Trump’s fans remain loyal, Mr Bowman muses that Republicans could turn a trial into a “circus” airing “every crazy conspiracy theory”, including “unfounded allegations about Mr Biden and his son”. In a bad sign, on October 23rd two dozen Republican congressmen led by Steve Scalise, the minority whip from Louisiana, stormed the House proceedings. But if the president’s popularity should start to decline rapidly, Mr McConnell could instead shorten the trial to limit the damage and shore up senators facing re-election next year in swing states. ■

Fined out

More of Florida's former felons may finally get to vote*A court rules that unpaid fines are not a reason to stop people voting*

Print | United States Oct 24th 2019



Luca D'Urbino

IN AMERICA'S hierarchy of elections, the presidencies sit squarely at the top, drawing the most voters and interest. Next are the mid-terms. Off-year elections come last. On November 5th, three states will choose governors, two others will elect state legislators and some districts will elect mayors or replacement congressmen. In most of America, a tiny share of the electorate will trudge dutifully to the polls to choose school-board officials and vote on ballot or tax questions. But Marq Mitchell, a 29-year-old Floridian, can barely contain his glee about this autumn's election—it will mark the first time he votes.

Mr Mitchell grew up a ward of the state; his father was absent, his mother addicted and his grandmother died when he was in his early teens. By the age of 22 he had two felony convictions, one for trying to escape from a juvenile-detention centre, the other for fighting. But he eventually found his feet. After spending several years in a series of mundane jobs he cashed in his savings to start Chainless Change, a charity to help ex-felons adjust to civilian life.

Yet as admirable as Mr Mitchell's life has been recently, under Florida law he was ineligible to vote. Florida permanently disenfranchised felons—which just three other states do—from its constitution of 1868 until last year, when voters overwhelmingly approved a constitutional amendment restoring the voting rights of ex-felons, other than those convicted of murder and sexual offences. But earlier this year, Florida's legislature passed a law that, depending on your view, either clarified or, in effect, invalidated this change. It stated that felons must pay all fines, fees and restitution before they can vote.

That may sound reasonable enough. If you embezzled money from your employer, your sentence should include restitution. But jurisdictions in Florida impose a dizzying array of fees on convicts designed to raise revenue for the state: a \$50 “application fee” for a public defender, \$100 each for the public defender and the prosecutor’s “costs”, and various crime-specific surcharges. These can quickly add up—particularly for poor felons. When they cannot pay, collection agents step in; they can assess additional fines of up to 40% of the amount owed.

Jurisdictions often do not communicate with each other, or those whom they fine. Mr Mitchell found out he owed \$4,000 only when he applied for an occupational licence. And many ex-felons owe more than they can ever repay. Karen Leicht, for instance, served 30 months in prison for her part, which she says was unwitting, in a fraud scheme. She pleaded guilty and helped the prosecution, but she still owes \$59m in restitution.

The amendment itself did not mention financial restitution; it simply stated that “any disqualification from voting arising from a felony conviction shall terminate...upon completion of all terms of sentence including parole or probation.” But Jeff Brandes, a Republican senator, argued that to enact the law, “we needed to define what ‘all terms’ meant.”

He points to a letter written by the American Civil Liberties Union, a watchdog, and other backers of the change, acknowledging that “all terms...includes any period of incarceration, probation, parole and financial obligations imposed as part of an individual’s sentence.” He also notes that in oral arguments in 2017, a lawyer in favour of the amendment agreed when a judge asked if all terms “would also include the payment of any fines.”

The amendment’s backers sued, arguing that the new law amounted to a poll tax, which is unconstitutional. On October 18th a federal court in Tallahassee enjoined Florida from imposing the law against the 17 plaintiffs named in the case, including Mr Mitchell. The ruling did not reach a final decision on the law’s constitutionality; that is for another federal court to decide, in a trial scheduled to start in April 2020. The legislature may soften the law before then; the ruling noted that “plaintiffs have a constitutional right to vote so long as the state’s only reason for denying the vote is failure to pay an amount the plaintiff is genuinely unable to pay.” ■

Torture Island's final sentence**Rikers, one of America's most notorious jails, is to close***New York's city council voted to empty the jail by 2026*[Print](#) | United States Oct 26th 2019

Getty Images

BEFORE THE jail on Rikers Island opened in 1935, the *New York Daily News* reported that prisoners "will have the privilege of serving their time in the finest and most up-to-date penitentiary in the United States." The island jail was anything but. Within a few years of its opening the island was overrun with rats, overcrowded, filthy and dangerous. Violence among the inmates was common; the guards did not hold back much either.

Over the years Rikers has housed Tupac Shakur, a rapper, Sid Vicious, a punk rocker, David Berkowitz, a serial killer, Mark David Chapman, who murdered John Lennon, as well as thousands of murderers, drug dealers, thieves, and the many too poor to get bail. But on October 17th Rikers got its own final sentence. New York's city council voted to close the jail for good in 2026. That fulfils a promise made by Bill de Blasio, the mayor, in 2017, to close the jail within a decade.

Attempts to improve conditions at Rikers have largely failed. Mr de Blasio ended solitary confinement for juvenile offenders and last year removed them altogether. But huge problems remain. Sewage regularly backs up and some of the buildings lack air-conditioning, which in summer is dangerous as well as unpleasant. Visitors can reach the island only by a single bus route and a bridge, making it hard for families to visit locked-up relatives. Deaths and abuse persist: after an investigation in 2014 Preet Bharara, then a federal attorney, reported that there was a "culture of violence" on the island.

Some 80% of the inmates have not been convicted of any crime. Rikers, like most jails in America, holds people awaiting trial or serving short sentences. Half the inmates suffer from mental illness. Many wait months or even years for a court hearing. Kalief Browder was just 16 years old when he was arrested for allegedly stealing a backpack. Because he could not pay bail, he spent nearly three years inside, with months in solitary confinement, as his hearings were repeatedly delayed. The teenager was beaten by staff and other inmates. In 2015 he killed himself. His story, told in the *New Yorker* magazine, helped launch the campaign to close the island.

Rikers will be replaced by four smaller jails, with 3,300 beds, spread across four boroughs. That is far fewer beds than the old jail. In 1991 it housed more than 22,000 people a night. Even today, after a quarter-century of falling crime, it still holds around 7,000. But the city thinks that the jail population will continue to fall, thanks to the loosening of drug laws and the near elimination of cash bail.

As well as being better built, the new jails will be closer to courthouses, to public transport and the inmates' own communities. Julio Medina, whose charity Exodus, helps former prisoners avoid going back in, says the new jails are "an opportunity to

change the way we incarcerate and look at justice". Mr Medina, a former Rikers inmate himself, is thrilled that "the warehouse of violence" is closing.

What happens to the island is still to be decided. Some suggest making it part of nearby LaGuardia airport. Some politicians want to use it for a water waste-treatment plant. But the island's panoramic views of the Manhattan skyline could easily attract property developers. In the end, the city may prefer to cell up. ■

Power struggle

Why California can't quit PG&E

Power cuts are a symptom of deeper problems[Print](#) | [United States](#) Oct 24th 2019

AP

SOME STUDENTS might celebrate a cancelled class. Not Mekhala Hoskote, a medical student at the University of California, Berkeley, which cancelled classes on October 9th because of a lack of electricity. She still had exams to prepare for. "I considered going back to my parents," she says. "But it wasn't a guarantee that they would have power too."

On October 23rd the Pacific Gas and Electric Company (PG&E) cut power to over 180,000 homes and businesses in northern California. That came just two weeks after a blackout that left 2m people, including Ms Hoskote, without power. The firm, which in January declared bankruptcy because of \$30bn in liabilities from last year's wildfires, said it had to cut power to prevent new fires from breaking out. PG&E has a monopoly over its coverage area, and Californians are livid. But there may not be much they can do.

PG&E is the largest utility company in the state, serving 16m people across a 70,000-square-mile service area in northern and central California. Two other investor-owned utilities—Southern California Edison and San Diego Gas and Electric—distribute power to the majority of customers through the rest of the state, both serving southern California. Subject to state regulation, each operates in effect as a regional monopoly in its coverage area.

Historically, the rationale for the monopoly status of utilities across America has been that large capital and infrastructure investments are needed. Billions are spent to set up transformers, poles and transmission and distribution lines. Companies that could scale up to large areas could also provide power at lowest cost. Much of the south-east, north-west and the west outside California have vertically integrated markets, where utilities manage the entire flow of electricity to consumers. In California generation, transmission and retail services are split up. Generation is competitive, but distribution is not.

Some cities in the Golden State have tried to break up monopolies by taking over power distribution themselves, says Charles Kolstad of Stanford University. Sacramento, Palo Alto and Los Angeles all have municipal utilities. In September San Francisco offered to buy PG&E's infrastructure for \$2.5bn. San Jose's mayor has also said he is exploring a similar proposal.

But PG&E rejected both bids, despite its shaky finances. Because it is costly to provide electricity to remote areas, "the cities subsidise the costs of providing electricity to rural areas", says Severin Borenstein of the University of California, Berkeley. The more cities PG&E loses, the less easy it is to cross-subsidise other places. The firm has tried to frustrate municipal power plans for most of a century, ever since Sacramento created its utility in 1923. It put up \$46m for a statewide ballot initiative in 2010, which failed, to limit the ability of local governments to manage their own energy.

But even if municipalities managed to buy out PG&E's infrastructure, they might get into the same trouble themselves anyway, adds Mr Borenstein. Climate change has drastically affected utilities' business models. Under Californian regulations, utilities are liable for damage caused by wildfires regardless of the extent of their negligence, as long as their equipment is involved in sparking blazes.

PG&E has a plan to "harden" its grid, which includes installing fire-resistant poles, trimming trees and putting infrastructure underground. But completely stopping fires will be difficult. In January PG&E said it would cost from \$75bn to \$150bn, or 2.5-5% of California's annual GDP, to fully comply with a judge's order to remove trees that could fall into its power lines. Sadly for Berkeley students, shutoffs are a more cost-effective way to avoid future liabilities. ■

Spying the end

Donald Trump is set to rip up another arms-control treaty

Russia needs Open Skies more than America does, but the Pentagon and Western allies want to keep it

[Print](#) | United States Oct 26th 2019



Alamy

THE RUSSIAN Tupolev TU154 took off from Wright-Patterson air-force base near Dayton, Ohio, on October 22nd. As it headed north over Chicago and Milwaukee, taking in views of Lake Michigan, then west over South Dakota and Montana, a camera on its belly snapped photos of American military installations and civilian infrastructure. But this was not a covert spy operation. It was the eighth time this year that a Russian aircraft has flown over America under the Open Skies treaty, a pact that allows its 34 signatories to make unarmed reconnaissance flights over any part of one another's territory. Alas, the treaty may soon become the latest addition to the Trump administration's bonfire of arms-control agreements.

The concept of Open Skies germinated early in the cold war. In 1955 President Dwight Eisenhower suggested that America and the Soviet Union should not only exchange maps of all their military installations, but also allow the other side to fly over them to build confidence that an attack was not being planned. Nikita Khrushchev laughed off the idea as an "espionage plot". But when the Berlin Wall fell and the Soviet Union dissolved, the idea was revived and the treaty signed in 1992.

It is, as Khrushchev suggested, a form of legalised spying known as co-operative monitoring. Countries may conduct a set number of flights virtually anywhere, as long as they give 72 hours' notice of the mission and a day's notice of the flight path. They can use only unclassified cameras of 30cm-resolution, which may be inspected. And they must share the product with any signatory who wants it. About 1,500 flights have been conducted to date.

For several years America has complained that Russia is not playing it straight. The treaty allows countries to keep planes 10km away from their borders with non-signatory states. Russia uses that exemption to stop others getting close to parts of two breakaway Georgian territories that it (but virtually nobody else) recognises as independent and therefore outside the pact. It has also placed a 500km limit, ostensibly on safety grounds, on the total length of surveillance flights above Kaliningrad, a small enclave wedged between Poland and Lithuania that bristles with missiles. In September Russia also denied a request to fly over its massive Centre-2019 military exercise, which consequently went unobserved.

European officials mostly consider these problems to be irritants that could be worked out. Not so the hawkish John Bolton, who until September 10th served as Mr Trump's national security adviser. Mr Bolton drew up a memo directing America to pull out of the treaty and lodged it in the national-security apparatus like a stink-bomb. Mr Trump is reported to have signed the directive a few weeks after Mr Bolton's departure without consulting the Pentagon, State Department or allies. But there has been no formal announcement yet and under the terms of the treaty, America must give six months' notice of its intention to withdraw.

An open-and-shut case

Even former officials who support the agreement acknowledge that Russia largely uses the flights to monitor the critical national infrastructure that it would seek to attack in a war. America has less need of planes to do this sort of thing because it has the world's most advanced spy satellites—a fact that Mr Trump demonstrated to the world when he tweeted a spectacularly detailed photo of an Iranian rocket launchpad on August 30th.

But supporters of Open Skies insist that Russia's supposed advantage from the treaty has been overstated. "If they really wanted, Russia could basically collect nearly all they get from Open Skies flights via their national technical means, be it overhead or covert collection on the ground," says Thomas Moore, an expert who formerly served with the Senate Committee on Foreign Relations.

Moreover, the flights ensure that NATO and Russian officers meet routinely, building familiarity and trust when both are in short supply. "Not only do Western countries collect imagery from their overflight, they also get a feel for the blood pressure in the Russian air force," notes Steffan Watkins, an analyst who studies the treaty.

But the treaty's most compelling rationale is that most of America's allies will never be able to afford multi-billion-dollar spy satellites in the first place. For a country like Ukraine, Open Skies flights might provide the only chance to peer at Russian troop movements across the border. As Russia conducts larger snap exercises, often without proper notification, such monitoring has grown in importance. Between 2002 and 2016 American observers flew over Russia 196 times, with only 71 Russian flights over America.

Concern is mounting about America's possible withdrawal from the treaty. George Shultz, a former secretary of state, William Perry, a former secretary of defence, and Sam Nunn, a former Democratic senator, wrote on October 20th that pulling out would be a "grave mistake". The Pentagon and State Department are similarly worried and Robert O'Brien, Mr Bolton's successor, is said to be slow-walking the order. America's allies have been working the phones, urging Mr Trump to reconsider. However much the president may dislike the prospect of a Russian jet humming a few thousand feet above Washington, his allies will be telling him they love the idea of their own buzzing over Moscow. ■

Lexington

Amy Klobuchar for sanity

Democrats should give the senator from Minnesota a look

[Print](#) | United States Oct 24th 2019



KAL

IF YOU WERE among the 8m people who watched this month's Democratic primary debate in Ohio, you might think Democrats are chiefly concerned about health care or foreign policy. To hear Joe Biden, you might even suppose taxes on people "clipping coupons in the stockmarket" is something their voters care about. But you would be wrong. Poll after poll suggests most are overridingly concerned to defeat Donald Trump. And they are willing to select whichever primary candidate they think likeliest to do that. While this has given rise to an arcane debate on the left about whether "electability" is even a thing (left-wingers, who win few elections, say it is not), Democratic voters might consider that one of their primary candidates already has a history of pegging back Mr Trump's electoral gains. That is Senator Amy Klobuchar of Minnesota—whom Lexington recently joined aboard her shiny new "Amy for America" bus in eastern Iowa.

Brisk, diminutive, with a line in self-deprecating humour—and another in comfortable cardigans and shoes—the 59-year-old politician offered herself to the small crowds of Midwesterners awaiting her as one of their own. The title of her autobiography—"The Senator Next Door"—"might have been written for Iowa!" she joshes in Cedar Rapids. She can see Iowa from her front porch in Minneapolis, she says in Sigourney, a flyspeck of coffee and antique shops amid vast acres of corn country.

She can see Canada from it, too, she adds, in a quick pop at Sarah Palin, between listing her centre-left policies. Ms Klobuchar is for making Medicare more available but not free for all. She is for expanding access to public college, but not free four-year degrees. She is for banning assault weapons but not forcibly buying back the millions in private hands. Midwesterners like their politics unthreatening, realistic and with a touch of humour to smooth over areas of disagreement, she believes. The facts back her up. Some of the Democrats' biggest gains in last year's mid-terms were made in the Midwest by pragmatic candidates who argued, as she does, that "to be progressive you have to make progress". She also has a record of outperforming her party in Minnesota by wooing independents and moderate Republicans. Last year she won re-election by 24 points in a state Hillary Clinton won by two.

That was one of the most stunning results of the 2016 election. Minnesota last went for a Republican presidential candidate in 1972. That Mr Trump came so close to breaching such a strong section of the erstwhile Democratic "blue wall" encapsulated his strategy of sweeping up ageing white Midwesterners. It gave him narrow wins in Michigan, Wisconsin and Pennsylvania (which is Midwestern in part), and will again be his likeliest route to victory next year. If he can hang on to even one of those states, or crack Minnesota, he will probably win re-election. If he loses them, he probably won't. Trump-averse Democrats should therefore ask themselves this question: Who can win the Midwest? And if they do they will find Ms Klobuchar—who

would beat Mr Trump in Minnesota by 17 points, according to the latest polling—ready with a half-decent joke. “We’re going to build a blue wall around those states and make Donald Trump pay for it!”

Then why is she not doing better in the polls? *The Economist*’s aggregate puts her on only 2%. She points to the early stage of the race, the congested field and greater name-recognition for the front-runners. A pithier response would be: Mr Biden. The former vice-president has dominated the primary’s moderate lane despite his familiar shortcomings as a campaigner and more recent doubts about his mental acuity. Having decided he would be likeliest to beat Trump, his supporters have been forgiving. Yet Mr Biden’s seat-blocking candidacy has made it hard for lesser-known though perhaps more compelling moderates to get attention. It persuaded Senator Sherrod Brown of Ohio not to enter the race, has put paid to Governor Steve Bullock of Montana and pushed Senator Kamala Harris further to the left than she otherwise might have gone. Given Mr Biden’s weakness, true left-wingers such as Elizabeth Warren have meanwhile had a free run at framing the debate.

Yet Mr Biden may now be in trouble. Ms Warren has overhauled him, his fundraising is in crisis and the likeliest-looking moderate alternatives—Ms Klobuchar and another Midwesterner, Mayor Pete Buttigieg of Indiana—have some momentum. After both piled into Ms Warren in Ohio, they were rewarded with a gusher of donations that might previously have gone to Mr Biden.

Minnesota nice enough

Mr Buttigieg appears better placed to take advantage; he is brilliant, a fresh face and has a big lead on Ms Klobuchar in fundraising and a smaller one in the polls. Yet for risk-averse Democrats he has two potential handicaps. He has never won an election outside South Bend. He also has hardly any support from African-Americans—and as an openly gay man dogged by poor race relations in his home city, he may struggle to woo them.

Ms Klobuchar is also imperfect. Her charisma is more apparent in Sigourney than on the national stage. And she has a reputation for being not terribly “Minnesota nice” to her staffers. Yet that should not matter against Mr Trump—a one-man Democratic turnout machine with the highest staff turnover of any modern president. And Ms Klobuchar has three strengths. She has an electoral record to scare Mr Trump. She appears relatively inoffensive to left-wingers, while hewing as close to the centre as her party’s leftward drift allows. (Her platform, which includes a promise of a \$15 minimum wage, is notably to the left of Mrs Clinton’s.)

In straightforward Midwestern style, she also seems to know who she is—unlike Mr Buttigieg, Ms Harris and even Ms Warren, all of whom can seem torn between leftist idealism and reality. “I’m a dose of sanity,” she says. “If you’re tired of the noise and the nonsense, tired of the extremes, you’ve got a home with me.” Anxious Democrats might yet consider that to be good enough. ■

Canada's election

The chastening of Justin Trudeau

The Liberals limp back

The chastening of Justin Trudeau

Canada's prime minister has lost his majority in Parliament and will govern a divided country

[Print](#) | The Americas Oct 24th 2019



Reuters

ON THE MORNING after election day, Justin Trudeau appeared at a metro station in his Montreal constituency of Papineau to offer hugs, kisses and selfies to commuters. Perhaps he was in need of an ego boost. Although he survived as prime minister, his Liberal Party lost its parliamentary majority and received fewer votes than the opposition Conservatives (see chart). The election exposed deep regional divisions and will compel him to seek support for his programme from rival parties. “Canadians rejected division and negativity,” he declared after his victory. In fact, those principles were the basis on which many voted.

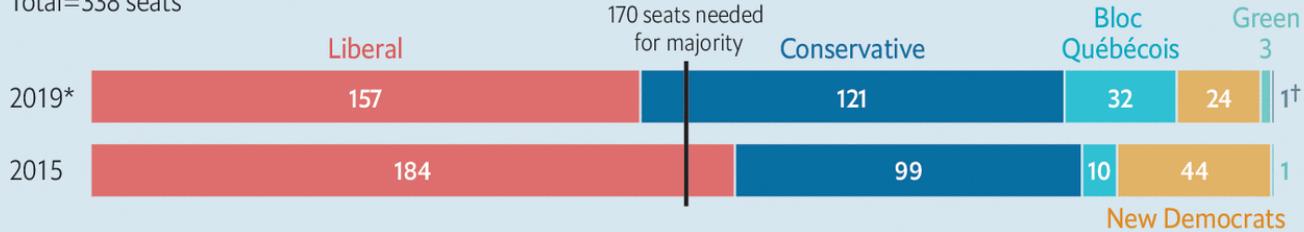
The negativity came largely from Mr Trudeau’s missteps in office. He pressed his attorney-general to intervene in the prosecution for bribery of SNC-Lavalin, an engineering firm in Quebec. Parliament’s ethics minister rebuked him for that. Mr Trudeau was also embarrassed by the publication during the campaign of photos of him wearing brown- and blackface as a young man. Andrew Scheer, the Conservative leader, sought to capitalise on those errors with the taunt that Mr Trudeau is “not as advertised”. It nearly worked.

Mr Trudeau would be right to claim that Canadian voters rejected one sort of division. The election did not turn on issues of immigration and identity, as some analysts had feared it might. The Conservatives did not oppose Canada’s high levels of immigration. The only party that does, the populist People’s Party, won no seats. Its leader and only MP, Maxime Bernier, lost his. Although the Conservatives outpolled the Liberals, most votes went to parties that prefer the redistributionist policies favoured by Mr Trudeau to the small-state philosophy of Mr Scheer.

Just in

Canada, parliamentary election results, seats

Total=338 seats



Source: Elections Canada

*Based on 99.67% of polls reported, October 24th 2019, 9am GMT †Independent

The Economist

The splits laid bare by the election are mainly regional. The Liberals lost their five seats in the western oil- and gas-producing provinces of Alberta and Saskatchewan. The Conservatives won all but one of the provinces' 48 seats. In Quebec, Canada's French-speaking province, the big winner was the Bloc Québécois, a separatist party.

Mr Trudeau's main problem will not be finding support for his policies in Parliament. Canada is accustomed to minority government. The risk is that these policies will widen the regional chasms that the election exposed.

The Liberals' main partner is likely to be the left-wing New Democratic Party (NDP), led by Jagmeet Singh. It will be no obstacle to enacting Mr Trudeau's main legislative priorities. These include a fresh tax cut for the middle class, a ban on assault weapons and more ambitious targets for reducing emissions of greenhouse gases. The two parties also agree on investing in low-rent housing. Both want a federal-government-run drug plan, but Mr Singh's ideas would probably be more expensive. He laid out other preconditions for supporting Liberal policies on election night, which would tug the government to the left if Mr Trudeau accepted them. Mr Singh wants a new "super wealth tax", for example.

The two parties' agreement on the principle of fighting climate change (shared by the Greens and the Bloc Québécois) is bound to raise tensions with the western prairie provinces. Mr Trudeau's previous government sought to reduce them by backing the Trans Mountain Expansion (TMX), a project to expand an oil pipeline from Alberta to a terminal near Vancouver. In 2018 it bought the pipeline from a private firm. Mr Trudeau had hoped this would reconcile Alberta and Saskatchewan to his signature environmental policy: a national floor for the price of carbon emissions, which took effect this year.

As the election showed, it did not work. Alberta and Saskatchewan have long chafed at the greater power of the more populous central provinces of Ontario and Quebec. Their anger has deepened since 2014, when global oil prices slumped, causing regional hardship. Jason Kenney, the Conservative premier of Alberta, blames the Liberals' climate-change policies for worsening the situation.

During the campaign, Mr Trudeau stoked those resentments as a way of winning votes from the NDP and the Greens. In the final party leaders' debate, he abandoned his usual talk of balancing green goals with developing natural resources. Instead, he attacked "oil interests" and provincial leaders opposed to his climate-change policies. The election has given a fillip to separatist sentiment in Alberta.

More surprisingly, it has also revived the issue of Quebec separatism, a force that threatened Canada's integrity from the 1970s to the 1990s but has lately seemed dormant. Yves-François Blanchet, the Bloc Québécois's leader, downplayed its separatist aspirations during the election campaign. The party's surprising resurgence is probably largely the result of identity politics, a more potent theme in Quebec than in other provinces. Mr Blanchet endorses a controversial law passed by Quebec's right-leaning government this year that prohibits many civil servants from wearing religious symbols, including turbans, hijabs and kippas. The Bloc owes some of its electoral success to the collapse in support in Quebec for the NDP, whose leader, Mr Singh, is Sikh and wears a turban.

Mr Blanchet says his party will back the Trudeau government when its policies are good for Quebec and seek to thwart those that are not. It could endorse much of the Liberals' economic and environmental programme. But a clash may occur over Quebec's religious-symbols ban. Mr Trudeau is under pressure from supporters to challenge it in court.

All this means Mr Trudeau will find his second term harder than his first. The son of a former prime minister, he must hope that his fortunes follow his father's. In an election in 1972 Pierre Trudeau saw his Liberal majority government reduced to a minority. Two years later he won a new majority. He ended up governing, with a brief interruption, until 1984. His son no doubt hopes for a similar comeback. ■

The AMLO doctrine Lessons from a shootout in Sinaloa

The Mexican president's security strategy is not working

Print | The Americas Oct 24th 2019



THE GUN battle on the streets of the Mexican city of Culiacán was, once again, a tale of organised crime against the disorganised state. It started as an attempt by soldiers and other armed law enforcers to arrest a much-wanted suspect: Ovidio Guzmán López. His father, Joaquín (aka “El Chapo”), once ran the Sinaloa drug gang and is serving a life sentence in an American prison. Chapo junior is thought to lead a faction of the gang, along with his brother. But soon after security forces nabbed him on October 17th, reinforcements from the family business arrived. As lorries burned and bullets cracked across the city, bystanders picked up their children and fled. At least 14 people died. Outnumbered, the soldiers let Chapo junior go free.

This was a novel kind of failure. Shoot-outs have been commonplace since 2006, when the then-president, Felipe Calderón, mobilised the army to fight drug gangs. The state has also suffered its share of humiliations, not least the escape from a Mexican prison of El Chapo in 2015. But never has the government buckled so publicly to the power of gangsters.

The deployment of just 30 soldiers with no secure perimeter and no air support suggests that the operation in Culiacán, Sinaloa’s capital, was poorly planned. To make matters worse, some 50 inmates broke out of a nearby prison during the mayhem. The government eventually claimed that its surrender had, in fact, averted a massacre.

The episode in Sinaloa revealed much about the confused policies of Andrés Manuel López Obrador, Mexico’s populist president, for dealing with the scourge of violence. He laments decades of economic stasis which, he argues, have pushed the poor into crime. And he is sceptical of using force to fight criminals. On October 20th Mr López Obrador, who is commonly known as AMLO, said past presidents had “turned the country into a cemetery” by “wanting to put out fire with fire”. His crime-fighting plan relies on a mix of welfare for the young, a clampdown on corruption and a new 60,000-strong national guard. He also talks of legalising cannabis and other drugs. “Think of your mothers,” he urges youngsters considering a life of crime. It is not enough.

The president predicted in April that, with this formula, homicides would drop within six months. But the number of murders per month has risen since them. This year’s toll is likely to exceed last year’s 33,000. That was the highest ever.

It is possible that neither the president nor Alfonso Durazo, his security secretary, authorised the botched raid in Culiacán. Whoever did may have been in search of a trophy. It would have been the first big one for the president’s national guard, created this year. The United States, which has requested Chapo junior’s extradition on drug-trafficking charges and is keen to learn the whereabouts of Chapo senior’s \$13bn of loot, may have leaned on Mexico to make the arrest. However it started, the debacle

made clear that the government is unwilling to spend much money on catching high-level drug traffickers, says David Shirk of the University of San Diego.

Unchecked, gangs will commit crimes like extortion, induce corruption and terrorise citizens. But their existence alone need not send killings rocketing. The murder rate tends to rise when a gang's power is threatened by the state, by a rival or by pressure from civil-society groups. Gang members defend their rackets with force. Almost any attempt by the state to constrain gangs risks triggering a rise in violence.

For governments eager to reduce it, going easy on gangs, as AMLO was doing before the shootout, can seem the easiest tactic. In El Salvador the government secretly brokered a truce between gangs in 2012 that halved the murder rate. Even as the government of Mr Calderón waged a war on organised crime, it disproportionately locked up the rivals of the Sinaloa gang, raising suspicions that it was merely seeking to give Mr Guzmán senior a peaceful monopoly. The strategy of presidents before AMLO of removing kingpins caused infighting, as would-be heirs killed each other to seize vacant thrones. Splintering gangs found new lines of work, such as fuel theft, and spread across the country.

AMLO may be betting on an implicit deal in which the state and the crime groups treat each other gently, buying time for poverty-eradication to work its pacifying magic. On that theory, the Culiacán operation was a departure from his strategy rather than an expression of it. But pacts can go wrong. When the truce in El Salvador fell apart, the murder rate rose to a higher level than it had been before.

The worry is that the debacle in Culiacán signals to gangs that if they threaten enough bloodshed the state will bend to their will. AMLO has given them the incentive to be more violent and unreasonable when threatened, not less.

Even if the murder rate falls because the government attacks gangs less aggressively, there is little reason to expect success from AMLO's plan to undermine their power. Mexico's spending on security is far below that of other Latin American countries as a share of GDP. The president's silver bullet against recruitment—rapid economic growth—is proving tricky to discharge. His national guard is composed mostly of soldiers trained for combat, not policing, with a new logo on their uniforms, says Alejandro Hope, a security analyst. It does not always go to areas with the most violence. A tenth of the force is nabbing migrants to please President Donald Trump.

AMLO's crime-fighting plan is "not a broad strategy for improving law enforcement", says Mr Hope. Elements of such a strategy, such as raising the quality of state and local police forces and strengthening the judiciary, are missing from it.

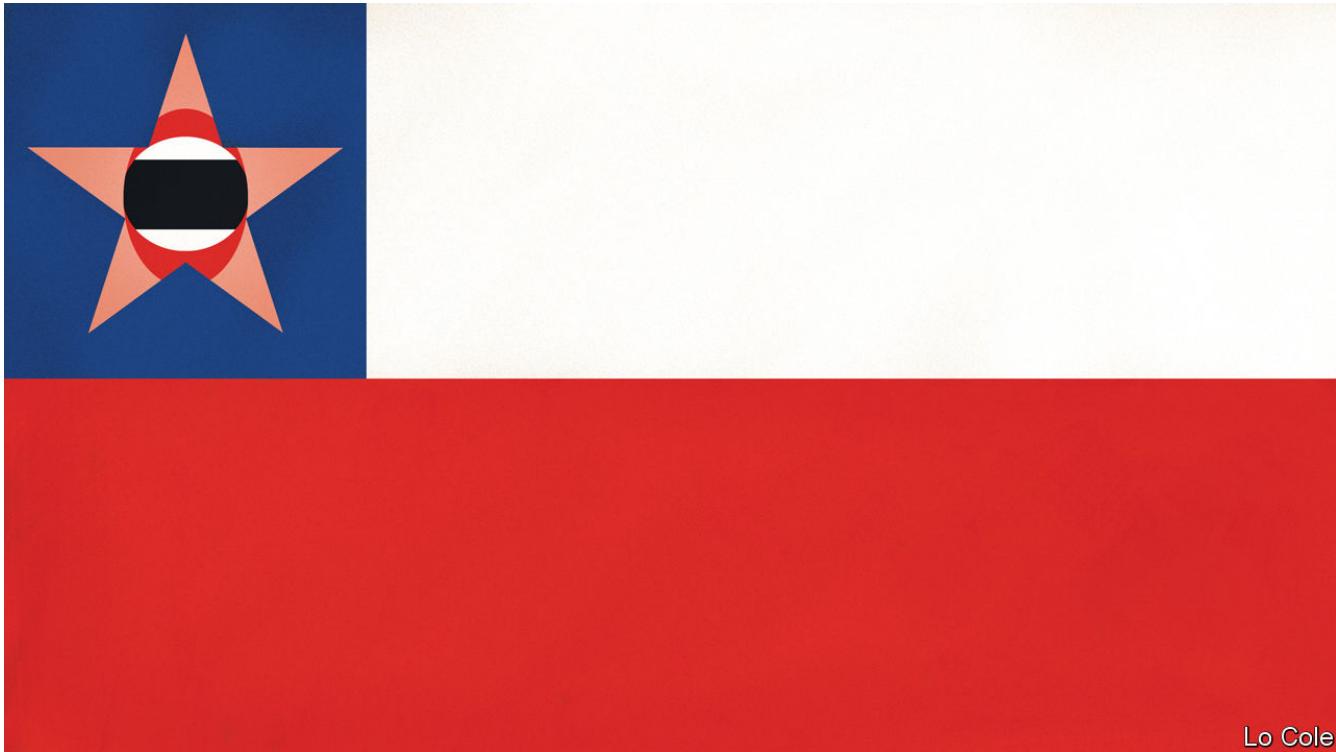
Chapo junior had barely been whisked to safety when the internet began flooding with *narcocorridos*, flattering ballads about gangsters that often featured his father's audacious escape. "The reckless government went to wake up the child," crooned one singer. "Now they woke him up and they don't know what to do." With a few small changes, it is the same old song. ■

Bello

Days and nights of rage in Chile

The “Chilean model” needs fixing, not overturning

[Print](#) | **The Americas** Oct 26th 2019



Lo Cole

WITH SIX lines, modern trains and 136 stations, the Santiago metro is in many ways a model public service in a region where such things are lacking. It carries 2.7m passengers a day in a city of 7m, and has persuaded part of the middle class to leave their cars at home. But in a paroxysm of rage that began on October 18th protesters set fire to stations and trains, leaving only one line operating. This arson was part of a collective nervous breakdown in Chile, ranging from peaceful protests demanding a fairer and less unequal society, to nightly looting of supermarkets and feral criminality, with marauding delinquents robbing homes. Sebastián Piñera, the centre-right president, declared a state of emergency and curfew and sent the army onto the streets for the first time since General Augusto Pinochet's dictatorship. At least 18 people died, most of them looters.

These events have shaken what was Latin America's most stable and successful country. They come as the region is convulsed by turmoil. Rioting forced Ecuador's government to reinstate fuel subsidies. Peru's president has dissolved the country's congress. Protests hit Bolivia, where the president may be trying to steal an election. Populists are in power in Brazil and Mexico and will be soon, perhaps, in Argentina.

The details vary. But there are some common threads. They include the sense of frustrated expectation among the region's middle classes. Six years of economic stagnation have made Latin America's deep inequalities less tolerable. Corruption scandals have discredited politics and politicians. Weak political parties no longer channel discontents. There is a copycat element: arsonists have smart phones, and watch events in Barcelona, Paris or Quito.

The immediate trigger in Chile was a modest 3.7% rise in the metro's peak-hour fares, but discontent has been growing there for more than a decade. Since 1989 the country's restored democracy has maintained the broad outline of the free-market policies installed by Pinochet's dictatorship. Those policies have brought economic success. The poverty rate has fallen from over 40% in 1990 to under 10% today. The middle classes now form a majority. Income inequality is below the Latin American average. Still, many Chileans struggle to make ends meet.

Polls show that many Chileans think the country's democracy is rigged in favour of a small elite, and they have a point. Economic and political power is concentrated. Some years ago your columnist attended a drinks party of about 60 people in Santiago. A friend whispered in his ear: "You realise that half of Chile's GDP is in this room."

The rich pay less tax as a share of income in Chile than in other countries in the OECD, a club of mainly developed economies. Most Chileans worry about "low pensions, lack of access to decent housing, health care and medicine, and of again falling into

the poverty from which they escaped”, the rector of the Catholic University, whose economists dreamed up the Chilean “model”, wrote this week.

Mr Piñera, a billionaire who was president from 2010 to 2014, is part of that elite. He was re-elected in 2017 because in his first term the economy (helped by high copper prices) grew faster than under his successor, Michelle Bachelet, a Socialist. “Better times are coming,” he promised. Voters are still waiting, partly because Chile’s open economy is harmed by President Donald Trump’s trade war with China. Though lacking in spontaneous empathy, Mr Piñera was trying to inject a little more fairness into Chile’s system, as Ms Bachelet did. He promised a bigger public top-up for a private pension system that offers an average benefit of just \$340 a month.

But the improvements have been slow to come. Take the health system. Much care is provided by private insurers. A middle-class woman pays around \$300 a month (and extra for medicines and operations). Insurers refuse to cover pre-existing conditions, making it hard to switch providers. Many pensioners cannot afford the premium, just when they need care most.

Mr Piñera seems to have got the message. After cross-party talks, he announced an immediate boost to pensions and health-care coverage by the state. Left-wing opponents have been rejoicing at his travails. But that may be premature. The Chilean model can be improved with more social provision and a crackdown on oligopolies. It does not need reinvention. ■

Evo won't go

Bolivia's baffling ballot count

The opposition suspects the government is trying to steal the election[Print](#) | **The Americas** Oct 26th 2019

Reuters

JUST WEEKS after rains extinguished widespread forest fires, Bolivia is burning again. Convinced that President Evo Morales is trying to steal the presidential election held on October 20th, supporters of the opposition set fire to the headquarters of the electoral authorities in at least five provinces, clashed with police and government supporters and toppled a statue of Hugo Chávez, Venezuela's late socialist leader. On October 23rd, with no winner declared, civic organisations throughout the country held a general strike. They said the protests would stop only if the electoral court called new elections or declared that a second round would be held in December between Mr Morales, a leftist, and Carlos Mesa, his centrist rival.

Hours after polls closed the electoral court stopped publishing the results of the rapid count, which is based on photographs sent from voting stations. With 84% of ballots counted, it showed Mr Morales with a seven-point lead over Mr Mesa. The president needs a ten-point gap to avoid a runoff. When reporting resumed a day later, Mr Morales had his ten-point lead. The head of an observer mission from the Organisation of American States (OAS) said he was "profoundly concerned" about the "inexplicable" change in the tally.

As *The Economist* went to press, Mr Morales's lead had narrowed again, to 9.3% points with 98% of the ballots tallied in the official count. If the gap does not widen again, there should be a second round. Mr Mesa, who could unite the opposition, would have a good chance of ending Mr Morales's 13 years in power. Even if that happens, the anger on both sides caused by the confused vote tally is likely to linger.

The electoral court, which is manned mainly by Morales loyalists, has given no convincing explanation for the pause. On October 22nd its vice-president resigned, saying the decision to stop the rapid count had "resulted in the discrediting of the entire electoral process, causing an unnecessary social convulsion". The OAS has now accepted an invitation from the government to audit the election.

Tensions were high before the poll. Hundreds of thousands of Bolivians took to the streets to protest against the candidacy of Mr Morales, who is running for a fourth term in defiance of the constitution and of a referendum vote. The candidates' responses on the night of the election fuelled the flames. When the rapid count stopped, Mr Mesa accused the government of electoral fraud. Mr Morales declared outright victory.

The interruption in vote-counting reminded many of what happened in Honduras in 2017, when the president, Juan Orlando Hernández, went from laggard to leader after a mysterious lull. Mr Hernández's victory sparked months of protests in which at least 23 people died.

No one has been killed in Bolivia's protests. But tempers are still high. While Mr Mesa's supporters fume, the president's fans see the smouldering buildings that house the electoral court as evidence of an attempt to disenfranchise them. Mr Morales said the narrowing of his lead showed that the opposition and foreign powers are staging a coup. Just half of Bolivians will accept the legitimacy of the next president, whoever he is. Bolivia may burn again. ■

Pablo Escobar's love for animals

How to handle Colombia's narco-hippos

Scientists are working on a contraceptive

Print | The Americas Oct 24th 2019



Getty Images

AMONG PABLO ESCOBAR'S few endearing qualities was his love of animals. In the 1980s the drug lord brought perhaps a half-dozen hippos to join the rhinos, giraffes, zebras and camels at his zoo at Hacienda Nápoles, his mansion east of Medellín. After he was killed in 1993, anti-narcotics agents moved the camels and zebras to other zoos (the giraffes predeceased him). They did not tangle with the big, aggressive rhinos and hippos, which went free.

The rhinos, which are less hardy, quickly died out. The hippos, though, are thriving, in part because big cats and hyenas, their predators in Africa, are absent from Colombia. At least 50 adult hippos wallow happily in the Magdalena river, 18km (11 miles) from Hacienda Nápoles. "We might be dealing with 200 hippos in 20 years," says David Echeverri, a biologist at the Regional Corporation for the Negro and Nare Rivers (Cornare).

Other species are not faring so well. The hippos are competing for food and destroying their habitats. That is a threat to the local manatees, an endangered species in Colombia. Hippo dung sucks oxygen from riverside marshes, dooming some fish.

The easiest answer would be to deal with the hippos the way Escobar did with people who got in his way. But after hunters, acting on government orders in 2009, shot Pepe, one of Escobar's original hippos, because he was stomping on crops, animal-rights activists sued the government. A court ruling now prohibits hunting hippos. Zoos don't want them. Local authorities don't have the money to sterilise hippos quickly. By the time they neuter one, four or five more are born, says Mr Echeverri. Sending them back to Africa is not an option. The Colombian population is inbred. No one knows how their genes would affect the African herd. And they might carry diseases lethal to African fauna.

The last hope is birth control. Scientists are working on it, and say that if no hippo-specific contraceptive is ready by the end of the year they'll try out one that works on pigs. They expect opposition from animal lovers. The scientists' response: think of the manatees. ■

Coral in Asia

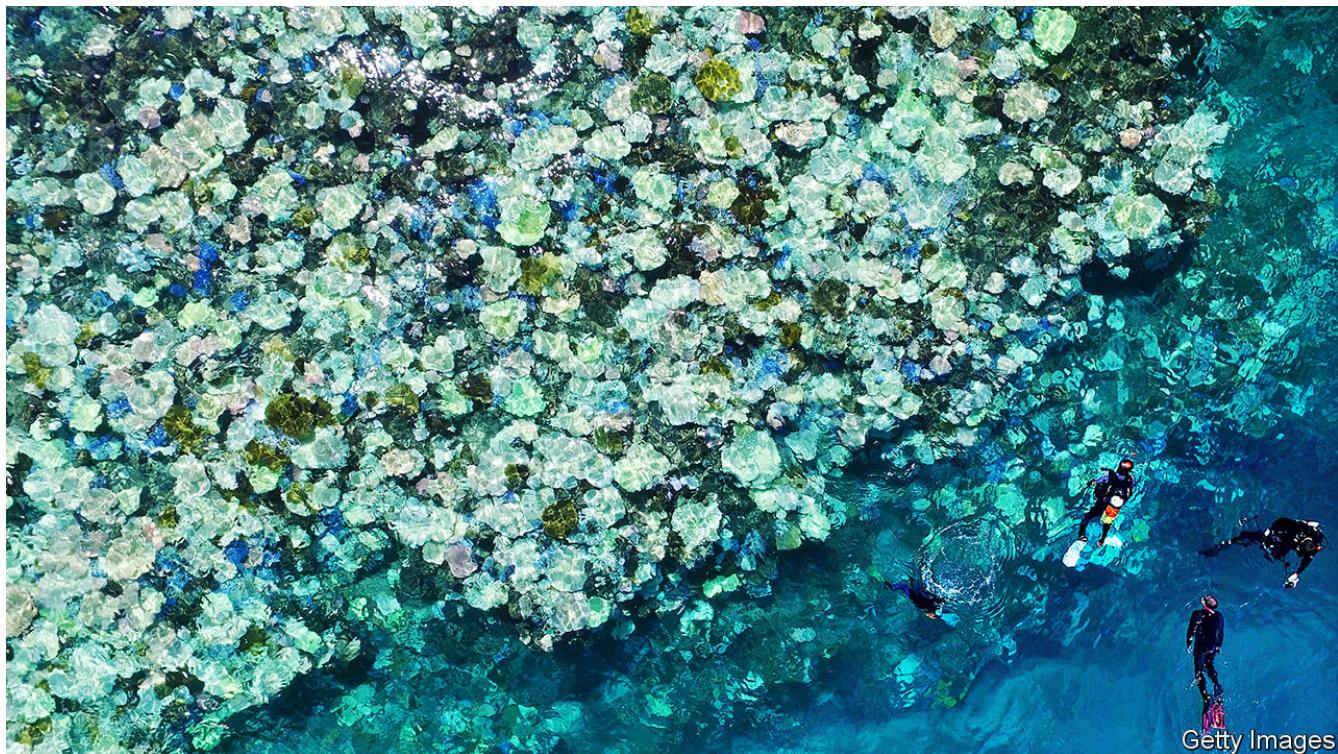
Polyp apocalypse

Polyp apocalypse

Asia's coral faces a deadly onslaught

If overfishing and pollution don't kill it, climate change will

Print | Asia Oct 24th 2019

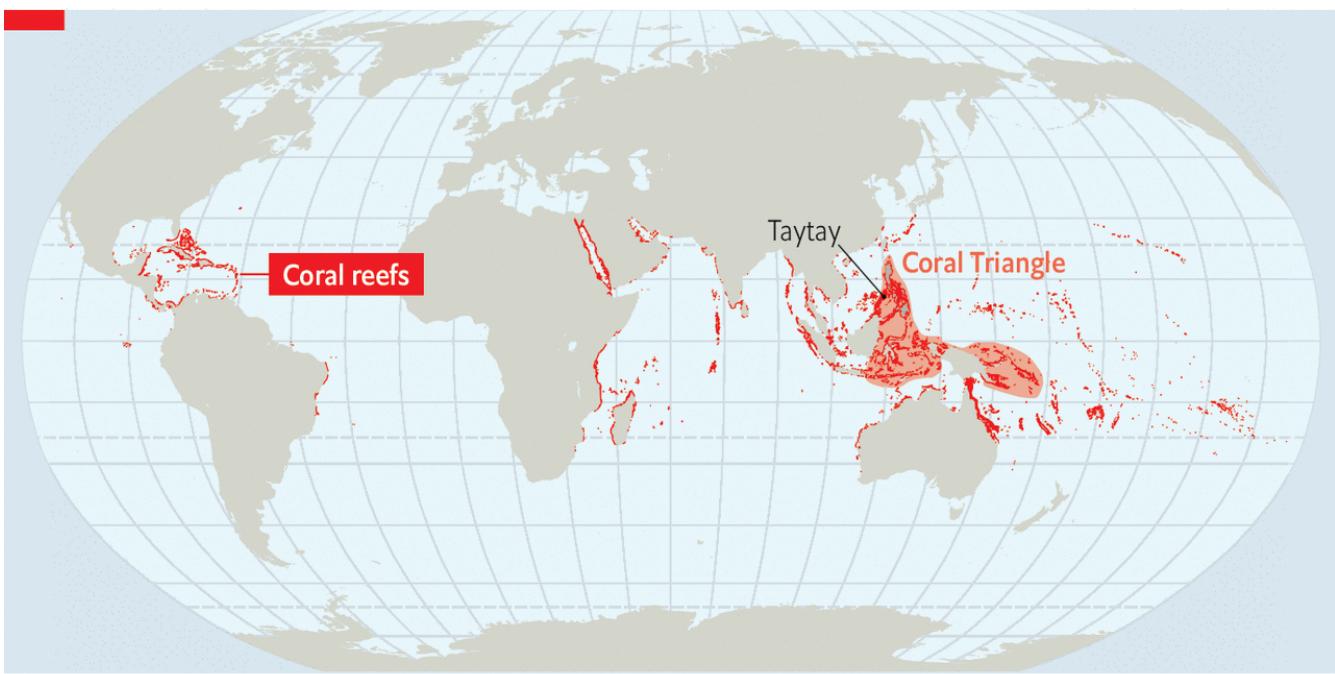


Getty Images

SMALL BOATS criss-cross Black Rock Reef on their way to nearby seaweed and pearl farms. Below, the blue lips of giant clams open and close amid a jungle of multicoloured coral. At the sound of a distant detonation—dynamite fishing, although illegal, is common in the area—a small shark swims hurriedly away. The reef lies nestled off the town of Taytay, on the island of Palawan in the Philippines. Its vivid blues, pinks and greens are a welcome sight given how many nearby corals died because of unusually warm water almost a decade ago—a blight that is becoming commonplace because of global warming.

The outlook for coral is dire. The Intergovernmental Panel on Climate Change, a UN body, predicted last month that a rise in global temperatures of 1.5°C relative to pre-industrial times would probably kill 70-90% of the world's coral reefs. Given that the planet has already warmed by about 1°C, the countdown for corals has begun. But the diversity of coral species and the variety of habitats in which they thrive mean that they will not disappear in a uniform way. Understanding why reefs like Black Rock survive and recover from overheating is essential to conservation efforts.

Black Rock lies in the Coral Triangle, 6m square kilometres of water in the heart of South-East Asia that is home to perhaps half of the world's coral reefs (see map). The Triangle's waters teem with an abundance of life almost unmatched elsewhere on the planet. More than 130m people depend on it for their food and livelihood. The reefs support myriad marine species, and provide a spawning ground for the largest tuna fishery in the world. According to a study involving the United Nations Environment Programme, economic benefits from the Coral Triangle were worth \$13.9bn in 2017. Tourism generated 45% of that, and commercial fishing 42%. The rest came from coastal development, which reefs help to protect by acting as buffers against rough seas.



The Economist

Coral consists of symbiotic communities of algae and tiny animals called polyps. The polyps give the coral its structure. This provides shelter to algae; they in turn generate sugars on which the polyps feed. When temperatures rise, the polyps expel the algae, causing coral to lose its colour and die—a process known as bleaching. Temperature is not the only critical variable: corals are also sensitive to factors such as light levels, dissolved chemicals and changing currents.

These sensitivities explain why corals are so vulnerable. In addition to climate change, local stresses still abound. “It’s not about managing the reefs, it’s about managing the people,” says Peter Mumby of the University of Queensland in Australia. In the Philippines some 40m of them live within 30km of a coral reef. Overfishing disrupts reefs’ ecosystems. Coastal construction can lead to the dumping of sediment in the ocean, clouding waters and blocking needed light. Mavic Matillano, who works in the Philippines for WWF, a conservation group, worries particularly about how reefs are being affected by road-widening and other construction on Palawan. Run-off from fertilisers and untreated sewage are other nasty problems with which corals must contend.

At the same time, the world’s oceans are warming. They have absorbed more than 90% of the extra heat produced by humans in recent decades. Between 1985 and 2006 the waters of the Coral Triangle warmed at a rate of 0.2°C per decade. That might not sound like much, but as a rule of thumb reefs bleach when the temperature of the surrounding waters rises 1°C above the historical norm for four or more weeks, turning colourful corals into ghostly forests.

The most recent global spate of bleaching, in 2014-17, affected perhaps 70% of coral reefs, according to America’s National Oceanic and Atmospheric Administration. It was particularly severe because it coincided in part with El Niño, a periodic climate pattern that warms equatorial waters in the Pacific every few years. Even reefs that had not experienced any recent extensive bleaching, such as the northernmost areas of Australia’s Great Barrier Reef, suffered badly. Severe bleaching is now occurring too frequently for reefs to recover fully. “We don’t know how well the biology can continue to be culled and then bounce back,” explains Gregory Asner of Arizona State University. By the middle of the century bleaching may occur every year.

Climate change threatens reefs in other ways, too. The oceans have absorbed about 30% of the increased flows of carbon dioxide into the atmosphere, becoming less alkaline as they do so. This sets in motion chemical reactions that make it harder for the corals to build their exoskeletons. More intense tropical storms, meanwhile, could see reefs more frequently smashed; rising sea levels could see them drowned.

Scientists, politicians and activists are trying to tackle both the short-term and long-term threats which corals face. The thinking is that the local environment makes a difference: corals that face fewer local threats may have a better shot at surviving larger changes to their environment. It helps that the number of marine protected areas (MPAs) around the world is on the rise. Research suggests that coral cover increases in older, well-enforced MPAs in isolated areas. MPAs now encompass 8% of the ocean, up from less than 1% two decades ago.

Much of the increase is a result of America, France and Britain safeguarding areas around their overseas territories. Countries such as the Cook Islands in the South Pacific Ocean have protected their entire national waters. The Coral Triangle Initiative, an alliance of the six countries in the area, has also promoted MPAs. Yet only a tiny share of its members’ waters is shielded. The cost and complexity of patrolling MPAs remain a huge challenge.

In the Philippines a change to the law more than two decades ago transferred control of coastal waters up to 15km offshore to municipal governments. It gives local communities a greater say in how to manage marine resources. Ms Matillano says that talking to mayors and other local officials about the business case for protecting reefs works well, as does including locals in the teams which enforce such protection. She adds that some 155 MPAs exist off Palawan, though not all are effective. Wilfredo Licuanan of De La Salle University in Manila, who studies Palawan’s reefs, also estimates that only a tiny fraction of coastal towns hire a marine biologist for guidance. He gives talks in shopping malls and at public events to educate Filipinos about the

plight of their corals.

Meanwhile scientists are racing to discover why some types of coral have recovered from recent bleaching events better than others. The answers may involve adaptation (genetic processes) as well as acclimatisation (non-genetic ones). The intricate work requires data that can be difficult to obtain from areas which lack adequate monitoring. There are big knowledge gaps when it comes to the Coral Triangle, for example.

Teams in America are looking into selectively breeding and conditioning corals, and expensive coral “gardening” occurs in places that can afford it. This involves transplanting corals to reefs in need, often by placing them on man-made underwater structures on which they can grow. In one area near Taytay, corals cling to sturdy metal frames, and a garden for giant clams has been established.

Another way forward could be to identify the most resilient sorts of coral in spots that are most sheltered from changing ocean temperatures and other human harm. That could allow more careful targeting of resources. Work published last year in *Conservation Letters* by a team led by Hawthorne Beyer of the University of Queensland finds that reefs in parts of the Philippines and Indonesia and off eastern Australia, among other places, may face a less severe threat than those in Hawaii and off western Australia. That is a small spot of good news for Black Rock Reef. ■

Beauty and the beast

King Vajiralongkorn dismisses his official mistress*For Thailand's monarch, with great power comes no responsibility at all*

Print | Asia Oct 24th 2019



Reuters

INGRATITUDE, MISBEHAVIOUR and disloyalty. These were among the failings of Sineenat Wongvajirapakdi detailed in a royal statement on October 21st. Apparently the mistress of King Maha Vajiralongkorn wanted to “elevate herself to the same state as the queen”. The former army nurse also dared to issue commands and show disobedience to her superiors. She has been stripped of all titles and honours.

At one level, Ms Sineenat’s sudden fall from grace is stunning. It was only on the king’s birthday in July that he made her Thailand’s first officially designated royal mistress in almost a century. At another level, it is typical: the king has frequent, dramatic romantic bust-ups, with dire consequences for the women concerned.

The designation of an official “royal noble consort” shocked Thailand. The elaborate ceremony saw Ms Sineenat prostrate herself before the king and Queen Suthida Tidjai, a former flight-attendant whom he married in May. The silk and jewels on display were a far cry from the crop tops and fake tattoos that king and consort have been snapped wearing before. More official photographs of Ms Sineenat in camouflage and in cockpits appeared in August. The website hosting them crashed as curious Thais flocked to it.

Queen Suthida is the king’s fourth wife. He divorced and humiliated his first, a cousin who bore him a daughter. He has disowned four of his five children with his second wife, an actress, who fled abroad. And he imprisoned the parents and brothers of his third wife after he divorced her. She herself has disappeared from sight.

No one dares to criticise the king’s viciousness or caprice. In recent days he also fired six palace officials for “extremely evil” conduct. Successive Thai governments have long fostered public adulation of the monarchy—an easier task under the king’s mild-mannered father. Since King Vajiralongkorn came to the throne three years ago, he has exploited this reverence to demand sweeping formal powers. In 2017 he insisted the constitution should be changed to make it easier for him to live abroad (as he does, in Germany) without appointing a regent, even though Thai voters had already approved the text in a referendum. Last year he took personal ownership of the Crown Property Bureau, an agency which has managed royal land and investments for decades. Its holdings are thought to be worth more than \$40bn. Earlier this month the government issued a decree transferring command of two army units directly to King Vajiralongkorn.

Thailand’s harsh lèse-majesté law curbs discussion of these manoeuvres. The courts hand out long prison sentences for even vague criticism of the king or other royals. Yet this has not deterred recent grumbling on social media over the traffic caused by royal motorcades. Nor did it seem to scare those who wrote about Ms Sineenat’s downfall. The hashtag #SaveKoy

began trending, Koy being a nickname for the disgraced mistress. Despite the fulminating royal statement, every Thai knows that no one can beat the king himself for ingratitude, misbehaviour and disloyalty. ■

Island shopping

A Chinese firm may or may not be leasing one of the Solomon Islands

But there are suddenly lots of Chinese firms keen to spend money there

Print | Asia Oct 24th 2019



Shutterstock

HEADLINE-GRABBING deals in which Chinese firms promise to build impressive infrastructure in some neglected corner of the world have a habit of unravelling—but usually not so quickly. Last month a local official in the Solomon Islands signed an agreement with the China Sam Enterprise Group, a Chinese conglomerate. It involved a 75-year lease for Tulagi, a small island that was the capital of the Solomon Islands in colonial times, along with the construction of an oil and gas terminal, a fishing harbour and a “special economic zone”. But after a headline in the *New York Times* declared this week, “China Is Leasing an Entire Pacific Island”, frantic back-pedalling ensued. The official who signed the agreement, Stanley Maniteva, appeared to disown it: “Leasing Tulagi will not be possible...Nothing will eventuate.”

China Sam is not the only Chinese company hoping to take advantage of the national government’s decision last month to scrap diplomatic relations with Taiwan and establish them with China instead. Executives from the China Civil Engineering Construction Corporation, a big investor in neighbouring Vanuatu, lobbied for the change with an offer of \$500,000 in loans and grants. China Railway International has promised to lend \$825m to help resuscitate a defunct gold mine. The Chinese government says it will build a sports stadium and provide the cash to repay \$1.2m owed to Taiwan. China even offered to make up for the donations Taiwan will no longer be giving to the Rural Constituency Development Fund, which MPs in the Solomons use to pay for pet projects in their constituencies.

Despite the subsequent disavowals, the Tulagi scheme was not the misguided initiative of a wayward provincial premier. The prime minister, Manasseh Sogavare, visited Beijing in early October, where he signed up to the Belt and Road Initiative, China’s grand plan to improve the infrastructure of its trading partners. There he and his ministers met executives from China Sam and other big Chinese firms such as Huawei, a telecoms giant.



The Economist

Mr Sogavare's decision to sever relations with Taiwan has provoked a split in his government. His predecessor as prime minister, Rick Houenipwela, was sacked from the cabinet last month for failing to back the switch, as were several other ministers who were sympathetic to Taiwan. Mr Sogavare is currently serving his fourth term as head of government. His previous term ended in a vote of no confidence in 2017 in response to allegations, which he denied, that he had received a kickback from Huawei for a contract to lay a high-speed internet cable from the Solomon Islands to Sydney. Mr Houenipwela replaced him. Soon thereafter, Australia announced plans to build its own undersea cable, trumping Huawei. Perhaps Australia will offer to lease an island next. ■

King of the heap**As Pakistan's biggest city crumbles, politicians bicker***Is the city government, the provincial government or the national government in charge of Karachi?*

Print | Asia Oct 24th 2019



Eyevine

FIRST THE monsoon overwhelmed blocked and decrepit drains and left large parts of Karachi underwater. At least 17 people died, several electrocuted by loose wires from the shoddy power system. Then there were unusually severe swarms of flies, blackening all surfaces in markets and shops. Mounting piles of uncollected rubbish added to residents' woes. One morning Clifton Beach, a tourist attraction known for camel rides, was strewn with medical waste and syringes.

None of the afflictions of recent months is unprecedented, but the confluence of them all created an impression of "complete civic breakdown", says Farzana Shaikh of Chatham House, a British think-tank. Karachi is home to 16m people, according to the latest census, although many suspect that the count missed millions more. It is not only Pakistan's largest city, but also its principal seaport, its financial hub and the capital of Sindh, one of its four provinces. Wild, unplanned growth has overwhelmed almost every element of urban planning. Sewers, water treatment and rubbish collection are all hopelessly inadequate.

Administrative and political divisions are at the root of the mismanagement. The politics of the province are dominated by the Pakistan Peoples Party (PPP), whose supporters are mainly Sindhi speakers, but the city is the base of a rival party, the Muttahida Qaumi Movement, backed chiefly by the descendants of Urdu-speaking migrants from India. What is more, whole neighbourhoods are under the administration of neither the province nor the city, but of the army, the state-owned railway company and the port authority. The confusion of responsibilities makes it almost impossible to co-ordinate any services, says Raza Ali, an urban planner.

Crime, extortion and corruption make matters worse. Last month anti-graft investigators arrested the former director of the city's parks over an alleged scam to sell government land. He was found with eight luxury cars, jewellery and weapons.

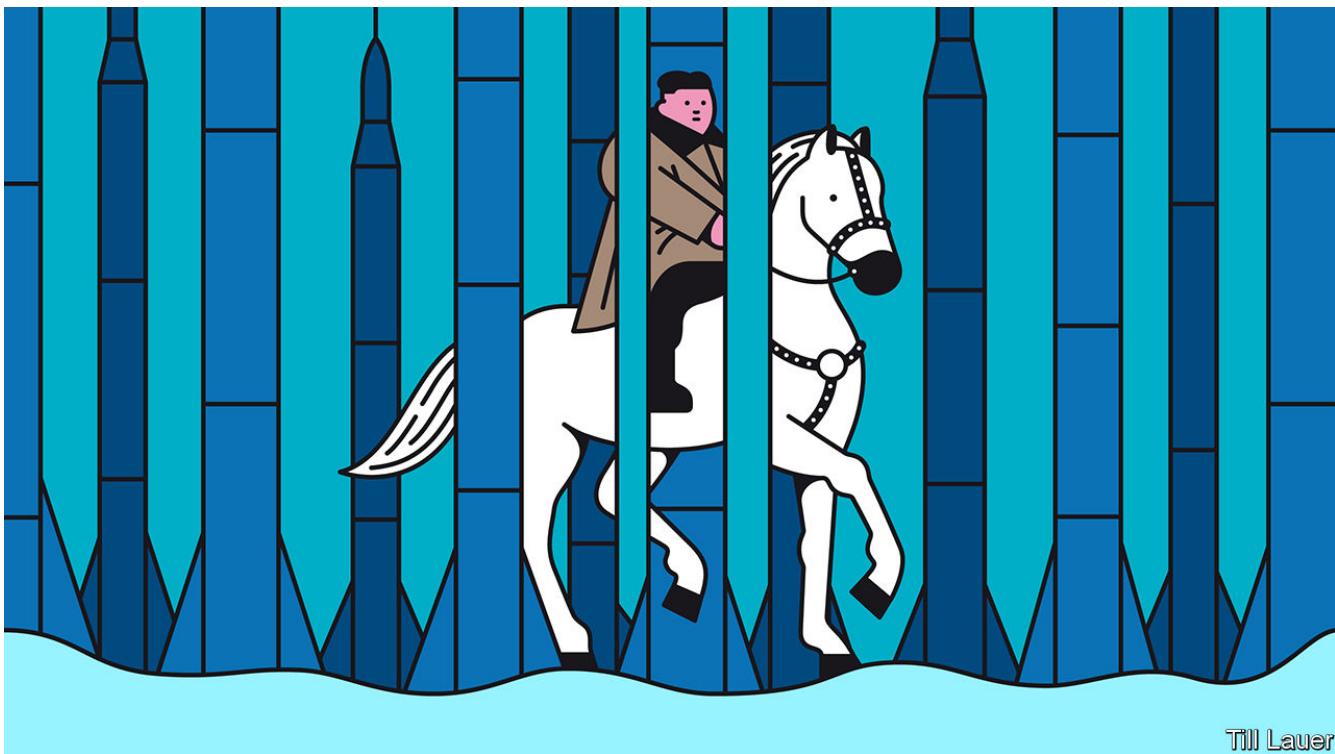
No wonder, perhaps, that the national government has decided to wade in, creating a committee to suggest solutions to Karachi's problems. Its chairman, Farogh Naseem, the law minister, has said one option would be to invoke an obscure article of the constitution intended to cope with emergencies, which allows the centre to give directions to provincial governments. The PPP interpreted the suggestion not as a form of assistance, but as a power grab. It quickly drew up a plan to resist any such move through street protests and legal challenges. The government may be backing away from such a confrontation: the committee has gone quiet. Meanwhile, the rubbish continues to moulder. ■

Banyan

Beware North Korea's petulance and propaganda

The signs suggest that Kim Jong Un is ready to walk away from talks with America

Print | Asia Oct 24th 2019



Till Lauer

AS THE FIRST snows of winter fell on sacred Mount Paektu, Kim Jong Un knew what he had to do. The dictator threw on his greatcoat, saddled up his white steed and rode up the mountain's slopes until man and beast were gazing into the caldera lake that glints at the summit, pure as the Korean race.

Holy mountain and white charger have long played a central part in the Kim family's propaganda. They are stolen straight from the cult that once surrounded Emperor Hirohito of Japan, Korea's former colonial oppressor. But for the old iconography to be given a showing now is notable. Until recently the most striking image of Mr Kim was against the glimmering skyline of Singapore, where he celebrated an extraordinary coming-out party with President Donald Trump last year. There have also been dramatic handshakes at the demilitarised zone with Moon Jae-in, South Korea's president, as well as with Mr Trump. Now openness and modernity are out. The chill, Mr Kim has decided, is back. The marshal is protecting his vulnerable people from his lonely guardpost atop Mount Paektu.

South Korea is suffering most from the change. Mr Moon plays the solicitous suitor to Mr Kim, but gets nothing but abuse in return. A supposedly friendly football match between the two countries in the North Korean capital in mid-October gave a sense of the chill. South Koreans and the foreign press were not allowed into the near-empty stadium. The North Korean team glowered at their opponents, as if about to assault them. The game ended in a goalless draw. This week Mr Kim announced the end of South Korean involvement in a rare instance of North-South co-operation, a tourist resort at Mount Kumgang built by South Korean developers. He ordered the "unpleasant" buildings to be razed.

For Andray Abrahamian of George Mason University Korea, who like many North Korea experts saw real prospects for detente, this default to the old petulance is a "massive failure of public diplomacy" on the part of Mr Kim. Why did the dictator turn his back on the economic opening offered by Mr Moon? Surely no future South Korean leader will be so open-handed. Perhaps Mr Moon's optimism persuaded Mr Kim that his paramount goal, a deal with Mr Trump over his nuclear and missile programmes, would be easy. Certainly, at a summit in Hanoi in February, Mr Kim miscalculated by offering to close only a knackered plutonium reactor in exchange for a lifting of international sanctions. On October 5th American and North Korean negotiators met in Stockholm, raising hopes of a new flexibility. Again the talks ended abruptly.

It is not impossible that Mr Kim and Mr Trump will meet for yet another summit before the end of the year. But if Mr Kim hopes for a breakthrough, he is surely overestimating Mr Trump's desperation for a deal or his administration's ability to focus on one amid the fog of impeachment. In the meantime, the feel-good factor is gone.

Not least, Mr Kim is trying America's patience with fresh missile tests, and threatens an end to all self-restraint if not offered goodies by year-end. Since May the North has tried out three new, solid-fuel, short-range ballistic missiles. In early October it fired an intermediate-range missile into Japanese waters from an underwater platform.

If it is all a diplomatic failure on Mr Kim's part—think of the economic opportunities, not to mention the security guarantees that would have flowed from a deal—it is also a fiasco for Mr Trump. On his watch, North Korea has expanded its nuclear arsenal to about 40 weapons and greatly improved the missiles needed to use them.

In fact, from Mr Kim's narrow perspective, the failed summity and reversion to sabre-rattling could be considered a great success. His nine years in power are something Mr Trump can never match, after all. His mafia state looks more secure than ever. And after three years of “maximum pressure”, the UN-led sanctions regime is wilting. Bad blood between America, on the one hand, and China and Russia, on the other, has undermined the UN panel that enforces sanctions. The hectic diplomacy, meanwhile, has allowed Mr Kim's envoys to pursue illicit activities, from sanctions-busting to cyber-heists at foreign financial institutions. North Korea's stricken economy limps on.

It falls massively short, admittedly, of what ordinary North Koreans deserve. But they never counted. Mr Kim, by contrast seems to think he is back: belligerent, bemissiled and beefier than ever. ■

Governing unopposed

Why Indonesia's president has made his arch-rival a minister

Better to have carping in the cabinet than on the streets

Print | Asia Oct 24th 2019



FOR SIX YEARS they have been bitter rivals. Joko Widodo, a former businessman and mayor popularly known as Jokowi, first defeated Prabowo Subianto, a former general, in a fiercely contested presidential election in 2014. Six months ago, in April, the incumbent Jokowi redoubled the humiliation, besting Mr Prabowo in a re-match election. Just as in 2014, the vanquished general refused to concede defeat, claiming Jokowi had cheated. His enraged supporters rioted in Jakarta in May. Nine people died. But over the ensuing months Mr Prabowo and Jokowi publicly reconciled with each other, in several carefully orchestrated meetings involving selfies. On October 23rd it became clear why Mr Prabowo, at least, was smiling. Jokowi, who had been sworn in for his second term days before, appointed his former foe minister of defence in his new cabinet.

The reasons for Jokowi's Cheshire-cat grins were less obvious. Mr Prabowo's appointment is "part of a long tradition in Indonesian politics and society to integrate rather than marginalise one's opponents," says Stephen Sherlock of the University of New South Wales in Australia. When Jokowi's predecessors assembled their "rainbow cabinets", they included representatives from as many different political parties as they could manage. Any qualms political opponents may have about putative ideological differences are firmly quashed by the potential for patronage or self-enrichment a seat in the cabinet affords. Presidents, meanwhile, hope that by welcoming their erstwhile foes into the fold they will secure the loyalty of their parties in the legislature. "Jokowi is aiming to neutralise Mr Prabowo's party, Gerindra, and prevent it from being a centre of opposition in the parliament and possibly on the streets," says Mr Sherlock. Another member of Gerindra has been made minister of fisheries and marine affairs.

Will Jokowi's keep-your-friends-close-and-your-enemies-closer strategy work? Aaron Connelly, a research fellow at the International Institute for Strategic Studies in Singapore, is not convinced: "A mountain cannot have two tigers." Jokowi doubtless hopes that Mr Prabowo will be reluctant to criticise a government of which he is a member, and will come to seem of no greater stature than the other cabinet ministers. Mr Connelly doubts he will take fright: "Mr Prabowo is a singular figure in Indonesian politics." Anyway, ministers often publicly contradict the president.

Even so, some politicians have expressed concern about the health of the opposition without Gerindra. The only big party left outside the government will be an Islamist outfit, the Prosperous Justice Party, with less than a tenth of the seats in parliament. When Mr Prabowo had first announced that he was in talks with Jokowi, Johnny Plate, secretary-general of NasDem, a party allied with Jokowi, announced his intention to switch sides for the sake of democracy: "If there's no one criticising the

government's decisions, what will become of this country?" The next day, in an "unexpected turn of events", according to the *Jakarta Post*, four cabinet posts were given to four NasDem politicians, among them Mr Plate. ■

The seeing-red centre

Australians resent a ban on climbing their country's most famous rock

The Aboriginal owners say climbing is disrespectful

Print | Asia Oct 24th 2019



IT VIES WITH Sydney Opera House as the most famous symbol of Australia. Yet to the original inhabitants of the surrounding area it is not just beautiful, but sacred, the scene of holy rituals. Signs erected by the Anangu people at the base of Uluru declare, “Under our traditional law, climbing is not permitted.” Yet climbing Ayers Rock, as most other Australians knew the vast red monolith until recently, has long been a favoured pastime of tourists. Some litter, defecate or strip while they scramble up. Fully 37 people have died trying to reach the summit in sweltering heat. The Anangu have had enough: they own the site and from October 26th will ban visitors from ascending. It is “not a theme park like Disneyland”, reasoned Sammy Wilson, one of its traditional owners, when the change was announced.

Some Australians complain they are being robbed of a birthright. Pauline Hanson, leader of the populist One Nation party, has likened the ban to a shutdown of Bondi, Sydney’s most famous beach. She recently made a pilgrimage to climb the rock, but quickly became stuck and was forced to slide back down on her backside. She later admitted she could “see the sense in banning” the climb “due to safety reasons”. Those who view Uluru as a spiritual place smiled. “You’ve got to ask why it was that she couldn’t get up there,” says Tom Calma, the co-chair of Reconciliation Australia, a charity.

Other, more sure-footed Australians have been flocking to Uluru in record numbers to climb it while they can. Some assert that the rock is a national icon which belongs to everyone. One campaigner appealed to the Human Rights Commission, an official body that investigates racism and other abuses, arguing that the rule discriminated against “millions” of Australians. It dismissed the complaint.

To some Aboriginals, the rush to climb says something about the difficulties their people face. It is “emblematic” of the “wilful disregard of the wishes of traditional owners”, argues Mick Gooda, a former member of the Human Rights Commission. It is “baffling”, “disrespectful” and “poses a question about what the people making this climb think about Aboriginal culture,” says Linda Burney, the shadow minister for indigenous Australians. “We’d be up in arms” if tourists started scaling a cathedral, notes Andrew Peters, an indigenous academic at Swinburne University.

But some are inclined to see the change as an occasion for hope. The Anangu resolved to ban the ascent only after the share of tourists choosing to make it despite the discouraging signs had fallen below 20%, from over 75% in the 1990s. Years of educating visitors about Aboriginal culture are bearing fruit, Mr Calma argues. “Whitefella government has been acting in a way that breaches our laws,” Mr Wilson says. It is a sign of change, Mr Calma says, that one such breach is coming to an end.

Uighurs in exile

Through the fence

Cutting the line

To suppress news of Xinjiang's gulag, China threatens Uighurs abroad

A government-funded radio station in America has played a vital role in exposing Xinjiang's horrors

Print | China Oct 24th 2019



Eyevine

ON A SINGLE day in January 2018 in the far-western region of Xinjiang, 25 members of Gulchehra Hoja's family, including her parents in their 70s, received calls summoning them to police stations in Urumqi, the provincial capital, and in Ili, 500km away near China's western border. When they arrived they were told they were being detained because of their kinship with Ms Hoja, a reporter for Radio Free Asia (RFA), a broadcaster funded by the American government. RFA had recently reported on the mass internment of Uighurs, a Muslim ethnic group that makes up nearly half of Xinjiang's 22m people. Ms Hoja's father could not answer the summons because he was in hospital. Instead, police sent guards to stop him escaping.

The message to RFA was clear, and it was not the first one. A year earlier—just before China began rounding up hundreds of thousands of Uighurs, often for no other reason than their devotion to Islam—Ms Hoja's colleague, Kurban Niyaz, another Uighur exile in America, received a photo from his younger sister on WeChat, a Chinese social-media app. It showed two Chinese police officers sitting on her sofa (one of them smiled for the camera). They had ordered her to send him the photo, Mr Kurban says, to remind him that “the people’s cops are just next to my family members”.

The Communist Party's efforts to suppress Uighurs have extended far beyond China's borders. Uighur exiles and former detainees in Europe, America and elsewhere have been warned, sometimes through relatives, not to speak about Xinjiang's new gulag. Those who have done so have faced repercussions. On October 13th state media in China circulated a video of a Uighur man rejecting as “an outright lie” an account by Mike Pompeo, America's secretary of state, that the man's sister, Zumrat Dawut, had been detained, beaten and forcibly sterilised. In the video Ms Dawut's brother appears to be reading a statement. “I'm making this video clip just to tell the truth to the world,” he says to the camera.

Few exiles have felt intimidation more acutely than the 12 Uighurs in America who produce RFA's Uighur-language news. That is because the station is the only one outside China that broadcasts in this Turkic tongue, and it pulls no punches. RFA reports relentlessly on Xinjiang's human-rights horrors. Uighur staff say their relatives have been interrogated or detained just for having a family member who works for RFA. At least six of them have a combined total of more than 40 relatives who

are in the new detention facilities (officially known as vocational-training centres—one is pictured) or in prison, or have gone missing. That includes more than 20 of Ms Hoja's relatives, who are still being held 21 months after they were taken. The police have asked them what they told RFA, which China calls an “enemy radio station”. Her relatives were not sources for her stories, she says.

It is easy to see why Chinese officials would view RFA so darkly, even if it were not funded by America. Its staff doggedly pursue sources in Xinjiang, sometimes making hundreds of calls daily, to glean titbits of information about the regime's treatment of Uighurs. The service beams its Uighur-language reports for two hours each day via shortwave radio and satellite. China jams RFA's transmissions and blocks its website, but in a survey of Uighurs in Turkey who had recently left their homeland, about one-fifth had listened to or read RFA news at least once a week while in Xinjiang. RFA's stories have helped bring global attention to the new detention centres, details of which have been difficult for journalists to uncover because of an intense security clampdown in Xinjiang. The publicity has aggravated tensions between China and America. The Trump administration this month declared sanctions against Chinese officials and businesses implicated in repressing Uighurs.



It was more than a year after RFA first reported on the facilities that the government finally acknowledged their existence in October 2018. It continued to deny that Uighurs were being forced into them to undergo weeks, months or even longer periods of indoctrination in the party's virtues and the dangers of “extremism” (a term applied even to the wearing of Islamic dress). Since then officials have arranged Potemkin tours for some foreign media and diplomats. The visits have fooled few. In August Olsi Jazexhi, an Albanian scholar who had previously been sceptical of reports such as RFA's, emerged from a detention-camp tour to attest (to RFA) that, from what he saw, people were being imprisoned for the crime of being Muslim and Uighur. Adrian Zenz, a German scholar, notes that even the government's own literature says the centres are meant to “wash clean the brains” of the people they house.

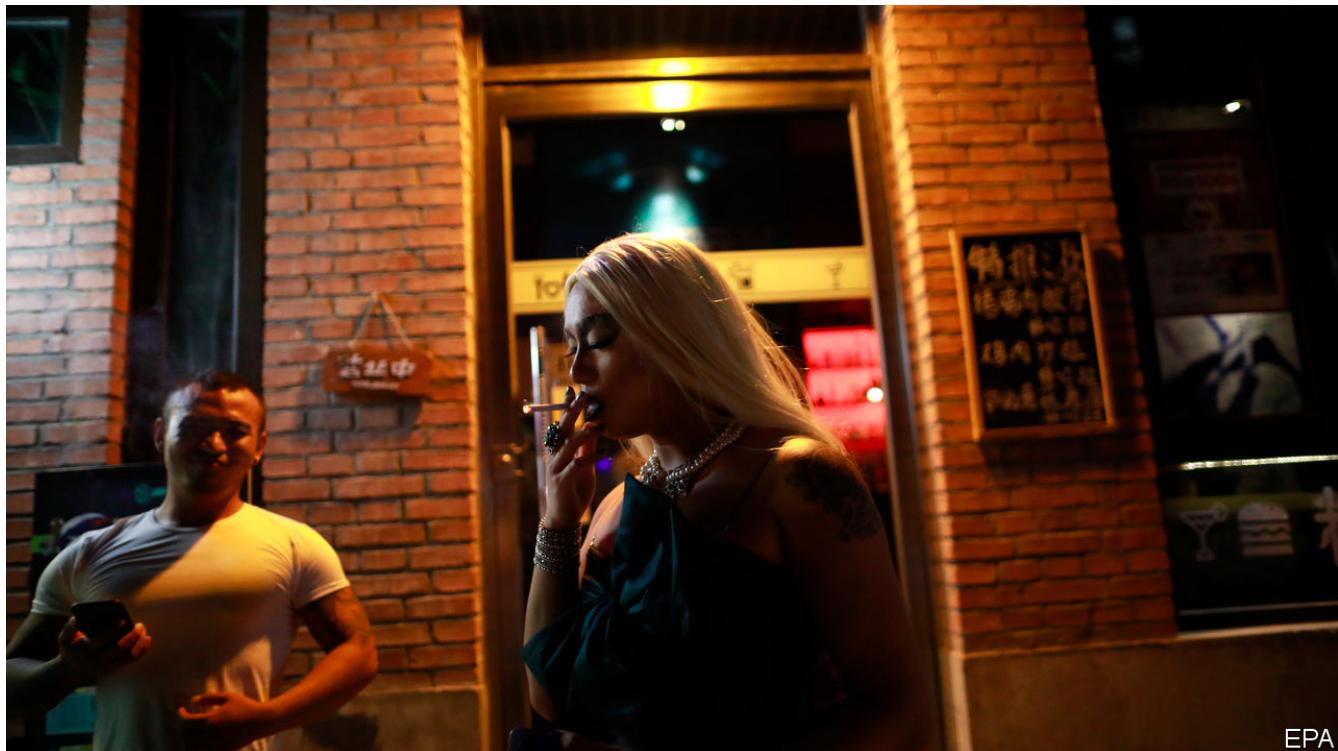
It is not only China's government that criticises RFA's reporting on Xinjiang. Some people who sympathise with the Uighur cause say its stories are sometimes thinly sourced and melodramatic. Others say the station's support from the American government, to the tune of \$44m a year, including \$2m for the Uighur-language service, suggests that RFA is a propaganda tool. The broadcaster, founded in the 1990s, says it has editorial independence. But it belongs to a constellation of government-sponsored stations, other members of which had their heyday in the cold war, including Voice of America and Radio Free Europe/Radio Liberty.

There is certainly a cold-war feel to working for RFA's Uighur service. Many of the people the journalists try to speak to in Xinjiang are too afraid to answer. Staff suspect the Chinese authorities use voice-recognition technology to identify them and block their phone conversations—lines to Xinjiang often drop after a minute of conversation. “The intimidation, the incarceration of our loved ones is very constant,” says Mamatjan Juma, the service's deputy director. His three brothers are all in custody, two of them since May 2017. Sometimes the pressure is too much—just hearing a song that he used to listen to with his brothers can cause floods of tears. “It affects you, but you have to get up every day and come to work, because if you don't write, if you don't report on these issues, nobody would. We don't have a choice.” ■

Destination's journey

For a conservative city, Beijing has a remarkable gay nightlife*A four-storey club is a magnet for LGBT Chinese*

Print | China Oct 24th 2019



EPA

BY DAY EDMUND YANG is an accountant at a multinational firm. At night he can sometimes be found quietly sipping a cocktail at Destination, his club-cum-cultural centre. On China's most popular navigation app, Baidu Maps, the venue is listed as a "comrade bar". That does not mean it is a watering hole for Marxists. Comrade is Chinese slang for gay.

Since Mr Yang opened the club in 2004, just three years after China ceased to classify homosexuality as a mental disorder, the venue has become a beacon for gay Chinese across the country. Destination was one of the first places to aim explicitly to attract gay customers. Today there are several such venues in Beijing as well as in other big cities. But Destination is unusual for being open every day. It also stands out for its longevity and enormous size. *Time Out Beijing*, a listings magazine, calls it the "granddaddy of Beijing's gay clubs".

Entertainment businesses in Beijing are often ephemeral, so it is all the more surprising that one catering for such a marginalised clientele has lasted this long. Homosexuality is still viewed with suspicion, or even contempt, by many Chinese. Even in relatively cosmopolitan Beijing, gay people rarely come out to family, friends or colleagues. On a recent weekday one of Destination's customers is a doctor from coastal Shandong province who says his family does not know he is gay. He says he is looking for a handsome young partner.

Originally the club was a ground-floor room with a disc-jockey's booth in a building near the Worker's Stadium in north-eastern Beijing, a once-quiet residential area that is now full of bars with exotic names such as Golden Age, Heaven's Supermarket and Superlife Lounge. Destination has since taken over the three storeys above. On the first is a hallway with several adjoining rooms, each of which can fit 30 people. Customers chat on their plush couches. The second has an art gallery with rotating exhibits, curated by a French expatriate. A recent show, of works by gay Chinese artists, was called "Love is Blue." The colour has gay associations in China—the world's largest gay networking app, founded by a Chinese former policeman, with its headquarters in Beijing, is called Blued. On the top floor are rooms for yoga, piano and choir practice; and a small one offering free, anonymous tests for HIV.

It may be that the authorities see a propaganda use for the club. In 2008, when China was trying to show off the capital's attractions in the build-up to its hosting of the Olympic games that year, Xinhua, a state-run news agency, published an approving report on Destination. "I think our club will showcase Beijing as an open city," it quoted Mr Yang as saying. Tellingly, however, Xinhua did not issue the report in Chinese. During the games the authorities banned dancing at Destination.

Originally Mr Yang, a native of Hong Kong, saw the club as a place to indulge his love of pop music. As the only foreign pupil at boarding school in England, he had been “picked on, 24/7”. Such music was an escape. He has since amassed thousands of records and CDs. His partner jokes about coping with this “trash collection” when Mr Yang dies. But Mr Yang envisages a bigger legacy, that “some day we can look back, when gay marriage is legalised and society more accepting, and realise that Destination made its own small contribution.” ■

Chaguan**Some thank Zhou Enlai for saving China from Mao's excesses***A new opera about the late prime minister shows the party has a different view*[Print](#) | [China](#) Oct 24th 2019

Hanna Barczyk

CHINA'S GRANDEST music academy this month unveiled a full-length, Western-style opera about Zhou Enlai. The puzzle is that it took this long. Opera is arguably the only art form big enough to capture the contradictions of this brilliant moral failure of a man, Mao Zedong's prime minister for over a quarter century.

When Zhou died in 1976 he was beloved by Chinese who did not know him well. Vast throngs of Beijingers filled Tiananmen Square in the spring of that year to mourn him, risking arrests and police beatings to remember a leader they credited with moderating the worst excesses of that fanatical era. Their lamentations were also a coded attack on ultra-leftist zealots who were circling the ailing Mao, now that Zhou was gone. Some praise was merited. Papers published after his death show Zhou reporting rural starvation to the chairman—though without identifying the famine's cause, namely Mao's own policies. Documents show Zhou working to rehabilitate purged scientists and officials, if only because China's economy needed competent managers. To this day, locals across China will point to a beloved temple and thank the former prime minister, often without hard evidence, for issuing orders that shielded the site from Red Guards. China's music world owes Zhou a debt for encouraging propaganda works of some artistic merit, such as the revolutionary opera "The East is Red", and for protecting performers from vicious cultural commissars.

Those who served alongside Zhou viewed him with mixed emotions. Veterans of China's civil war remembered how he coldly ordered the killing not just of traitors, but also of their extended families. After the founding of the People's Republic, colleagues watched this loyal courtier pay a high price to stay by Mao's side, betraying lifelong comrades when called upon to denounce them, and his own conscience when offering grovelling self-criticisms. Defenders argue that he did what he could, nudging Mao's instincts in more constructive directions without confronting him.

Alas, "Zhou Enlai" the opera, which premiered on October 15th in the former Red Army base of Yan'an, fails to capture the sweep of that life. This shrill, empty work—which Chaguan watched on October 20th at a gala performance in Nanjing, the capital of Jiangsu province—says more about the state of public art in today's China. Composed by a professor at the Central Conservatory of Music and sponsored by Jiangsu, where Zhou was born, the opera turns its tragic hero into a cypher—a primly perfect model worker, albeit one whose work is running the government. To signal that Zhou loved the people, he is shown working late while his aides fret about his health, and refusing a bowl of gruel because there are Chinese without enough to eat. Zhou the diplomat instantly impresses the visiting American president, Richard Nixon, who gasps in an aside: "This is a

difficult opponent. He is so firm in his positions yet so polite, and he clearly knows a lot about America.” A scene is devoted to Zhou’s oratory at the Bandung Conference of non-aligned nations in 1955. When African and Asian envoys doubt China’s sincerity, the Zhou of the opera recalls past humiliations inflicted by colonial powers on their two continents. Deeply moved, the gorgeously robed ministers bow and clasp his hand.

These cartoonish scenes involve both omissions—the horrors of the Great Leap Forward and Cultural Revolution are not mentioned and Mao is never seen—and distortions of the historical record. The real Zhou at the real Bandung Conference committed China to non-interference in other countries’ internal affairs and cast America’s nuclear arsenal as the greatest threat to world peace. The stage version struts and brags about the military firepower of a rising China, in language that would not look out of place in an online nationalist chat-room. “You know what people say, diplomacy only works within the range of your missiles,” the operatic Zhou blusters. After his triumph at Bandung he assures his wife that China will be bullied no longer, saying: “I’m thankful that today we’re no longer fish meat on somebody’s chopping block.”

Audience reactions show a generational divide. Though all spectators described an idealised Zhou, sketched out in the broad strokes of party propaganda, older Chinese at least nodded to the idea that the former prime minister suffered for the sake of the revolution, while trying to mitigate Mao’s worst mistakes. “He swallowed humiliations and bore a heavy burden,” murmured one old man, explaining his admiration for Zhou as he left the performance. In contrast, younger spectators reflected the tinny, chin-jutting nationalism that suffuses life in today’s China, hailing Zhou as a symbol of Chinese national strength vanquishing foreign humiliation—as if this subtle, disappointing man were an aircraft-carrier or high-speed train. A group of university students, one of whom had a bit part in the opera, furrowed their brows when asked about his significance. “He’s all about giving to the people. Even after he got sick and fell to the ground, he’d stand back up and work some more,” ventured one. Another hailed Zhou for promoting China’s rise: “He’s the one that reintroduced China to the world. Letting people know that our lives are getting better and our nation is stronger.” Interviews inside the theatre were cut short by officials who shooed Chaguan away, calling an opera about a state leader a sensitive matter not fit for foreign reporters.

Committee-written art for a cramped, cautious China

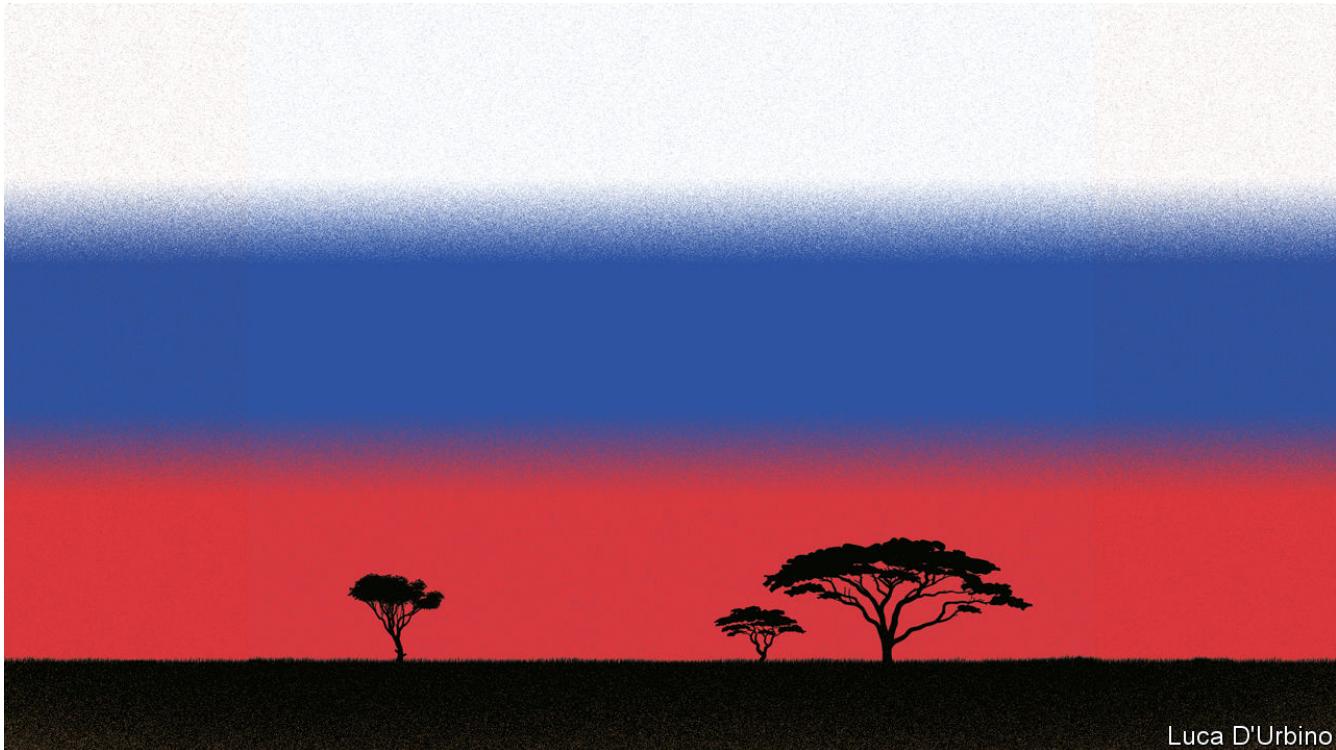
A grand finale makes explicit the link between the opera and present-day propaganda. As a chorus sings lines from a poem by the teenage Zhou about studying abroad for the good of China, a large video screen flickers to life. Images of a modern Chinese space rocket and submarine fill the screen, then footage of troops, tanks and nuclear missiles from this month’s national-day parade in Beijing. Crude and bossily patronising, the opera is of a piece with much official discourse in today’s China. Zhou Enlai the diplomat and opera-lover might have shuddered. As a party loyalist, he would have stood at the front, applauding. ■

The art of darkness

Vladimir Putin flaunts Russia's increasing influence in Africa

But the country is not as important as its spin suggests

[Print](#) | Middle East and Africa Oct 24th 2019



IN OCTOBER 2017 Faustin Archange Touadéra was in a difficult spot. The president of the Central African Republic (CAR), one of the world's poorest and most fragile countries, was struggling to quell a dozen or so militias that threatened his regime. A year earlier France had withdrawn troops from its former colony. An arms embargo meant that the government of CAR could not equip its own soldiers. Short of options, Mr Touadéra did what desperate African leaders sometimes do: he turned to President Vladimir Putin of Russia.

The impact was swift. Within weeks a mining and a security company linked to Yevgeny Prigozhin, Mr Putin's crony, were reportedly registered in Bangui, the capital. That December Russia successfully lobbied for the arms embargo to be lifted. Soon after, it dispatched weapons and mercenaries to shore up Mr Touadéra's regime, as well as a former GRU (military intelligence) operative to act as the president's security adviser. A few months later Lobaye Invest, the mining company, won concessions to look for gold and diamonds. When three Russian journalists tried to investigate their country's shady operations in CAR they turned up dead in July 2018.

Mr Putin would like to have the world believe that his country's approach to the continent is about more than chicanery. To that end, on October 23rd and 24th, Russia's president hosted more than 40 African leaders at a first-of-its-kind summit in Sochi. As at the triennial summit of African leaders hosted by China, which the Sochi summit aped, there was much talk of trade and investment. "We have a lot to offer to our African friends," said Mr Putin, ahead of the event. But Russia's actions in CAR—and in other weak states—capture the nature of its operations in Africa much better than the rhetoric of Mr Putin, who overstates his country's influence.

Out to Africa

Russian exports to Africa



The Economist

Russia has a long history of intervening in Africa. Its volunteers fought the British in the second Boer war. During the cold war the Soviet Union inculcated post-colonial leaders in Marxism-Leninism and backed liberation movements in countries such as Angola, Mozambique and Guinea-Bissau, often as part of proxy wars with the West.

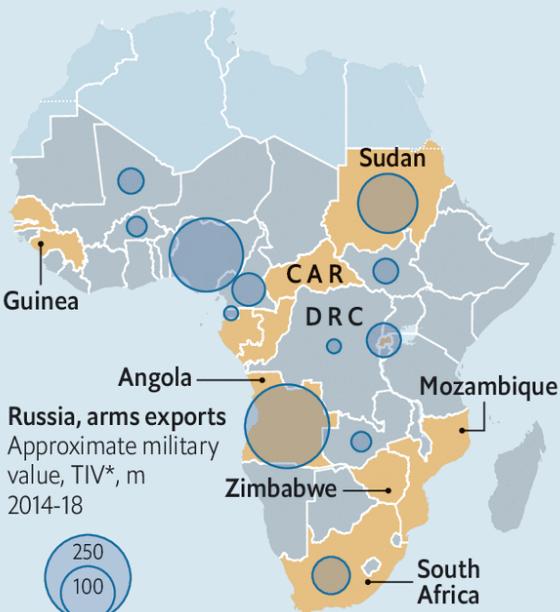
Russia's ambitions shrank after the Soviet Union collapsed. But over the past decade, and especially after America and the European Union imposed sanctions on Russia related to its annexation of Crimea in 2014, the Kremlin has viewed Africa as an increasingly important arena. Since 2015 a dozen African leaders have visited Russia. From 2006 to 2018 Russia's total trade with sub-Saharan Africa increased by 336%. It is the largest arms exporter to the continent, accounting for 39% of deliveries in 2013-17 (many from Russia to Algeria).

Judged by the displays at Sochi, more will soon be on the way. "I didn't know it would be a gun show," says a Mauritanian businessman surveying the hall. There was weaponry all around: helicopters, tanks and missiles to shoot at helicopters and tanks. A few leaders took selfies next to the caches. Only Ivory Coast's hot-chocolate stand attracted as much attention.

Sales force

Russian arms exports to sub-Saharan Africa

Head of State official visits to Russia, 2015-19



The Economist

Russia does not just supply arms, however. In several countries it has become deeply involved in internal affairs. These engagements reflect the defining theme of Russia's Africa policy: opportunism. One of Mr Putin's skills is an ability to spot openings presented by a mix of fragile states and a distracted West. Once it has identified an opportunity, the Kremlin looks to increase its influence and to make money for cronies who operate on its license. Ideally these moves can be done at low cost, with high returns.

CAR is the emblematic example of this approach. For an estimated cost of just €5m (\$5.6m), Mr Putin's cronies gained access to minerals, provided jobs for mercenaries, also allegedly controlled by Mr Prigozhin, and tested out their tactics for interfering in the politics of other countries—a speciality of Mr Prigozhin, who was placed under sanctions by America for allegedly meddling in its election in 2016.

But CAR is far from the only case. In Madagascar Russian operatives allegedly helped at least six of the 36 candidates in the presidential election in 2018. In Zimbabwe Russians advised the ruling Zanu-PF party before elections last year, and Kremlin-linked firms have signed mining and fertiliser deals. Western diplomats believe Russia tried to sway elections in the Democratic Republic of Congo in favour of a candidate chosen by the former president, Joseph Kabila. And in Guinea, which supplies Rusal, a Russian aluminium firm, with 27% of its bauxite, Russia is supporting efforts by President Alpha Condé to defy the constitution and run for a third term.

Another surge of support is beginning in Mozambique. Following a visit by Filipe Nyusi, the country's president, to Russia in August, Russian hardware and advisers have been spotted by intelligence analysts in Cabo Delgado province, near to where Rosneft, a Russian energy company, has gas contracts. The advisers are believed to have been asked to subdue an insurgency that threatens both Rosneft's interests and those of the corrupt ruling party, FRELIMO.

All of this activity is worrying some in the West. In a speech last year outlining America's Africa strategy John Bolton, the former national-security adviser to President Donald Trump, called Russia and China "great power competitors" on the continent which are keen "to gain a competitive advantage over the United States."

But there is a danger of conflating the brazenness of Russia with its actual influence. In nearly every area it lags behind America, the EU and China. "China got the juiciest bits. Russia was left to mop up the leftovers," says Alexander Gabuev, Russia's leading expert on China.

A closer look reveals Russia's limits. Its favoured candidates did not win in Madagascar or Congo. Its attempts to prop up Omar al-Bashir, Sudan's former dictator, failed earlier this year. And it could not get a nuclear-energy deal with South Africa, despite wooing the allegedly corrupt former president, Jacob Zuma.

There is also less to Russia's military efforts than meets the eye. Ahead of the Sochi summit Mr Putin claimed more than 30 military co-operation deals with African states. But many amount to little more than the odd training exercise. African states often keep their options open, striking deals with America and China as well. Both have a base in Djibouti, a small east African country. Russia, though, does not, despite years of lobbying. American pressure on the local government has kept it out.

There is a similar gap between rhetoric and reality when it comes to economic deals. In 2018 the total value of Russia's trade with sub-Saharan Africa was \$5bn, less than Turkey, Singapore or Thailand. (American and Chinese trade was worth \$120bn and \$35bn, respectively.) Many deals that are announced at lavish signing ceremonies by Rosneft or Rosatom, Russia's state nuclear company, never end up happening. "It offers remarkably little that African states actually need," explains Paul Stronski of the Carnegie Endowment for International Peace, a think-tank.

For all the pageantry on show in Sochi, Russia remains a bit player in Africa. It is influential among beleaguered leaders with few options. But as more and more countries scramble to engage with the continent, its leaders see Russia as one of many suitors. Mr Putin may want Africans to think of Russia as a great power. But a summit does not make it so. ■

Vlad the dealmaker

Russia and Turkey agree to carve up northern Syria

As the Kurds watch helplessly

[Print](#) | Middle East and Africa Oct 24th 2019



Getty Images

FOUR YEARS after they were welcomed as protectors, American troops leaving north-east Syria received a less friendly send-off. As they drove out of the region, a surprise withdrawal ordered by President Donald Trump earlier this month, angry locals pelted their armoured cars with rocks and tomatoes. “Like rats,” one man yelled.

America’s retreat cleared the way for Turkey to invade and dislodge a Kurdish militia, the People’s Protection Units (YPG), that controlled the region. Backed by a raggedy crew of Syrian Arab mercenaries, the Turkish invasion was a fatal blow to Kurdish autonomy. The YPG had no choice but to seek protection from Bashar al-Assad, Syria’s dictator, and surrender most of its self-rule in return.

At first Mr Trump acquiesced to the Turkish offensive. Then he dispatched his vice-president, Mike Pence, to Ankara, where he secured a five-day ceasefire laden with concessions to Turkey. But that agreement was merely a sideshow. The real diplomacy took place on October 22nd in Sochi, where President Vladimir Putin of Russia hosted his Turkish counterpart, Recep Tayyip Erdogan. They struck a deal that leaves Turkish troops in a zone between the Syrian towns of Tel Abyad and Ras al-Ain, much of which they already control.

Russian military police and Syrian border guards will enter areas to the east and west to ensure that the YPG vacates them as well. The Kurds will have until October 29th to withdraw to a depth of 30km along the whole border and disarm. Russian and Turkish forces will then begin patrolling the border together.



In less than three weeks Russia has helped Mr Assad retake much of the north-east, played peacemaker and deepened the wedge between Turkey and its NATO ally, America. As ever, Mr Putin proved adept at taking advantage of American mistakes. For years America has wavered over Syria. Mr Putin, by contrast, steadfastly backed Mr Assad. Russia, as a result, has emerged as the chief arbiter in Syria and a major power-broker in the region.

Mr Erdogan is no doubt pleased. As expected, NATO's second-biggest army prevailed over the lightly armed YPG. A week of war and a couple of ceasefire deals have reduced the Kurdish proto-state in Syria to ashes. But his victory is hardly complete. Turkey aimed to create a 440km buffer zone stretching from the Iraqi border to the Euphrates. What it has now is one-third of that. The agreement with Russia permits the Syrian regime to retake the remainder of the Kurdish areas.

Turkey will have to cope with the diplomatic fallout from its offensive. Several European countries have stopped selling it arms. Its relationship with practically everyone in Washington, aside from the president, has been strained. Many in Congress are still itching to impose crippling sanctions. Reports of atrocities committed against Kurds by the mercenaries deployed by Turkey keep pouring in.

Mr Erdogan also faces a headache in Idlib, where the Assad regime is gearing up for an offensive that may send another million people, as well as tens of thousands of hardened jihadsts, fleeing toward the border with Turkey. So far, and at Turkey's behest, Russia has persuaded Mr Assad to postpone the bloodbath. Mr Putin may try to squeeze yet more concessions from Turkey before giving the regime a green light.

None of this seems to perturb Mr Trump. "Sometimes you have to let them fight a little while," he said, referring to Turkey and Syria's Kurds. "It's like two kids in a lot, you got to let them fight and then you pull them apart." Bizarrely, he also tweeted about how America "secured the oil" in Syria. Aides have tried gamely to put a positive spin on a ruinous policy. James Jeffrey, America's special envoy for Syria, claimed that the tomato-throwing crowds were Mr Assad's supporters, not Kurds—never mind that some spoke Kurdish.

At this point, though, it is unclear why the likes of Mr Jeffrey still bother turning up to work. In a strategic sense, the Syrian civil war is over. There will be horrors to come in Idlib, but the rebels in that bleak corner of Syria cannot unseat Mr Assad. Many Arab states have already begun making overtures to him, either for economic reasons or in the vain hope of acquiring some influence. And now Mr Putin has forced Turkey to come to terms with the regime. Countless Syrians will suffer for it. ■

The limits of liberalism?**South Africa's main opposition party implodes***Its approach to race is largely to blame*

Print | Middle East and Africa Oct 24th 2019



IN SOUTH AFRICAN politics it is a feat to make the African National Congress (ANC) look harmonious. Yet over the past week the Democratic Alliance (DA), the country's main opposition party, has done just that. On October 20th Helen Zille, its outspoken former leader, was elected to chair the DA's federal council, a key party post. That decision prompted the DA's Herman Mashaba to resign as the mayor of Johannesburg. Two days later Mmusi Maimane, the party leader, also said he was stepping down.

The resignations of the DA's two most prominent black politicians ultimately reflect the party's failure to resolve its position on the most emotive of South African issues: race. In the 1990s the Democratic Party (DP), the forerunner of the DA, was an avowedly liberal movement. In the view of its then leader, Tony Leon, the best way to tackle the poverty and inequality left by apartheid was through economic growth and education reform, not, for example, affirmative action. "Race is a red herring," stated the manifesto of the DP in 1999.

Whatever the merits of that stance, it gave the DP a clear brand. It became the main repository for white and mixed-race voters, increasing its share of the national vote from 2% in 1994 to 10% in 1999. In the early 2000s, after evolving into the DA, it took power in Cape Town, then became the kingmaker in the Western Cape, which remains its power base.

Yet if the DA was to challenge the ANC's hold on national politics it had to win over black South Africans, who make up 81% of the population. Ms Zille, who took over from Mr Leon in 2007, groomed Mr Maimane to succeed her in 2015. The party shifted its position on affirmative action. In 2019 the DA's manifesto stated that the party "supports a programme of race-based redress".

So long as the DA kept increasing its vote share at elections, the tension between its mostly white liberal core and its newer members was kept subdued. It won 27% of the vote in local elections in 2016, its best ever performance. But that success was aided by widespread contempt for Jacob Zuma, South Africa's former president.

After Cyril Ramaphosa took over as president in February 2018 fractures began to multiply within the DA. It was harder for Mr Maimane to distinguish his party from an ANC led by the moderate Mr Ramaphosa. He was soon accused of leading an "ANC lite" party. This was the worst of both worlds. Many black voters still viewed the DA as a "white party", an impression not helped by Ms Zille's tweets about the legacy of colonialism being not "only negative". At the same time many white voters were turning away from the party because of its race-based policies.

The result was its dismal performance in elections in May 2019. The DA lost a few hundred thousand white votes to the Freedom Front Plus, a conservative outfit, while failing to attract the sort of black middle-class voters Mr Maimane was supposed to pull in. Since then his days have been numbered. Now those of the DA itself might be, too. ■

Message not received

A surge of public anger sends Lebanon's politicians reeling

The problems start with a rotten political system

[Print](#) | Middle East and Africa Oct 24th 2019



AFP

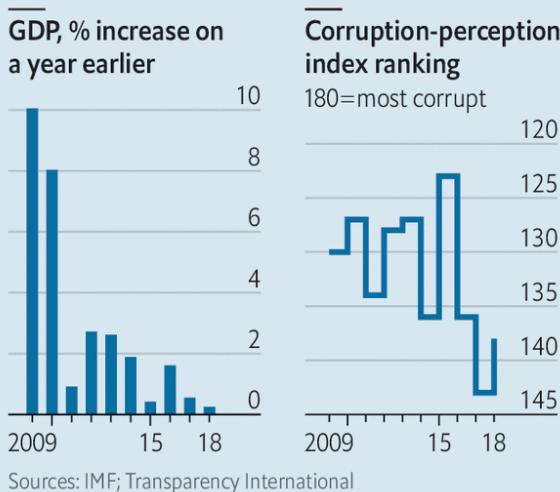
THEIR GRIEVANCES are almost too many to list: electricity shortages, undrinkable water, collapsing infrastructure, a poisoned environment. The economy is stagnant and corruption is rife (see chart). But it was WhatsApp that finally pushed the people of Lebanon to the breaking-point. Since October 17th many have joined a spontaneous outburst of anger at a fossilised political class. By some estimates more than 1m people have come out to demonstrate, in a country with fewer than 5m citizens. These are Lebanon's largest protests in almost 15 years.

The unrest began after the government proposed to tax calls made via WhatsApp, a messaging service. This is less trivial than it sounds. Lebanon's state-owned telecoms sector is notorious for its high prices. A report from 2017 by the economy ministry found that local calls are five times more expensive than in Jordan and 20 times more than Egypt. Many Lebanese rely on WhatsApp to keep in touch, both at home and with a far-flung diaspora.

WhatsApp was the spark, but anger has built for decades. Lebanon is almost a caricature of poor governance. It spends \$2bn a year (4% of GDP) to subsidise a power company that cannot provide 24-hour electricity. Internet connections are both expensive and among the world's slowest. After a garbage crisis in 2015 left rubbish piling up in the streets, companies began dumping it in the sea, spoiling the Mediterranean beaches. The government struggled to control wildfires that burned across the scenic Chouf mountains earlier this month, because its firefighting helicopters were grounded for lack of spare parts.

Less to loot

Lebanon



Sources: IMF; Transparency International

Visegrad economies

Along the beautiful blue Danube

The Visegrad Four

Can the good run of central Europe's economies last?

The extremely open economies are vulnerable to external shocks

[Print](#) | [Europe](#) Oct 24th 2019



Getty Images

FIFTEEN YEARS after they joined the EU, the four “Visegrad” states of central Europe (the V4) can be prouder of their economic achievements than of their patchy record on political reform. The Czech Republic, Hungary, Poland and Slovakia have increased their levels of GDP per head dramatically, and are converging with their mighty neighbour Germany. The Czechs are the richest, with a GDP per head that is 73% of Germany’s, followed by Slovakia with 63% and Hungary and Poland with around 57% each—and the gap continues to close, as their growth outpaces that of the behemoth (see chart).

Four main external forces have driven the remarkable successes of the four extremely open V4 economies. The first is their access to generous subsidies from the EU, which make up a sizeable chunk of their respective national incomes. Second is the munificent flow of remittances from millions of expat V4 citizens who now live and work in the EU, especially in Germany, Austria or Britain. A benevolent recent economic environment has also helped, especially the success of the German economy, by far their most important trading partner and the biggest or second-biggest investor in each country. And lastly, the four all started from a low base, enabling them to serve as cheap workshops for more developed economies. The danger is that all four of these factors are now petering out.

A great boon of EU membership is the V4’s access to substantial “cohesion” funds, which are financing colossal upgrades of public infrastructure in the region. Hungary in particular has loaded up on EU cash, pocketing €3bn (\$3.3bn) a year, some 2.5% of its GDP. The bonanza will not last. The V4 stand to lose up to 25% of their EU funds in the next seven-year budget starting in 2021 (see [article](#)). The union is peeved by the populist governments in the region, and funds will be redirected away from the comparatively booming central Europeans. Moreover, the EU is losing one of its biggest net contributors because of Brexit.

A bit of a drag

GDP, % change on previous quarter



The Economist

The most popular destination of emigrants from Hungary, Poland and the Czech Republic has generally been Germany in recent years (for Slovaks, it is the Czech Republic). Eleven percent of Poles and 9% of Czech citizens live abroad. But remittances from the diaspora may now face decline. Germany's economic golden age seems to be coming to an end amid uncertainty over global trade. In the second quarter of this year its economy contracted by 0.1%, and is unlikely to have fared much better in the third quarter. In August its central bank warned that the German economy could slip into recession (usually defined as two consecutive quarters of negative growth). Businesses are losing heart. The Munich-based Ifo institute revealed that business confidence fell during August to its lowest level since November 2012.

Germany's economic woes will hit the V4 countries directly too, and harder than other EU countries. Slovakia and Hungary are the most dependent on German trade, and investment in their factories. A single plant in the north-west Hungarian city of Györ belonging to Audi, a German carmaker, accounts for 9% of Hungarian exports. Alarm bells started ringing when *Handelsblatt*, a German daily, reported recently that two other big carmakers, BMW and Daimler, are putting investments in Hungary on ice. BMW has since confirmed that it remains committed to building a new factory in Debrecen, in eastern Hungary, but Daimler has postponed plans to expand its compact-car plant in Kecskemet in the centre of the country. Exports of goods and services amount to 97% of Slovakia's GDP, 86% of that of Hungary, 78% of the Czech Republic's and 55% of Poland's. A good chunk of all these goes to Germany.

Finally, the catch-up effect may also be withering. Poor countries tend to grow faster than rich ones, largely because imitation is easier than invention. Yet once they reach a certain stage of economic development, they tend to get stuck—in the notorious “middle-income trap”. This may become the fate of some of the V4 economies. They sorely lack innovative companies; Hungary and Poland in particular spend only 1% of their GDP on research and development, much less than the EU average. Richard Grieveson at the Vienna Institute for International Economic Studies (WIIW) is pessimistic about all of the V4 economies' ability to escape the middle-income trap. It is, admittedly, hard to do. According to the World Bank, among 101 middle-income economies in 1960 only 13 had become high-income ones by 2008.

But perhaps the biggest catch-up-related headache for the V4 economies is labour shortages. These have a positive effect as they are driving up wages, which in turn raises consumption; but they may also lead foreign investors to outsource to other countries where labour remains cheap. In January the 13,000 workers at Audi's Györ plant received an 18% pay rise, thought to be the highest raise ever negotiated by Hungarian unions. Most countries in the region will reach a tipping-point at which the lack of workers will start to limit economic growth within the next five years, according to a recent study by the WIIW. It could happen within the next two years in Poland and the Czech Republic. Some industries, such as construction, might have already reached it.

Visegrad policymakers have come up with several policies to address the labour shortage. One is to increase fertility rates with financial incentives, a policy pursued at great cost but with little effect in Poland and Hungary. Another is to make it easier for women to participate in the workforce, by offering them free or highly subsidised child care. Poland and Slovakia are trying that one, though with only limited success. Immigration would be the quickest way of easing the problem; but the nativist governments that run the V4 countries are wary of that. Indeed, Poland's Ukrainian workers, who find it hard to get citizenship, are increasingly turning their eyes to Germany, which is more welcoming. For the V4, the next 15 years could be a lot tougher than the last 15. ■

A kick in the teeth

At French insistence, the Macedonians are left out in the cold

The Albanians too

Print | Europe Oct 26th 2019



NOT EVEN the bleariest-eyed of early-morning travellers can fail to notice the memorial at Sarajevo airport. It recalls eight French soldiers who died during the Bosnian war. When the war ended, in 1995, the American-designed peace deal was signed in Paris. Ever since then, European policy has been clear: to avoid the mistakes of the past, the western Balkan states must be anchored in the EU. But at a summit on October 18th, to the horror of Balkan leaders and most of his EU colleagues, Emmanuel Macron, France's president, seemed to kick the legs out from under that policy.

Mr Macron argued that the EU's enlargement strategy was "bizarre", and that the EU needed reform before enlargement. France blocked the opening of accession negotiations for North Macedonia; along with Denmark and the Netherlands, it did so for Albania, too. Overshadowed by Brexit, the veto was barely reported in France, but it sent shock-waves through the Balkans. Serbia and Montenegro are already negotiating membership, and Kosovo and Bosnia would like to start as well. Although Mr Macron says that EU enlargement is not dead, he is unclear about what should happen next.

Mr Macron is surely right that the EU's enlargement policy needs reform, but for now it ensures that the six aspirants plod along, slowly adopting EU-compliant legislation. It could easily be a decade before any of them is ready to join, and the process gives the EU leverage. An EU-mandated mission is overseeing the vetting of Albania's judiciary for corruption, for instance. In May policemen from EU countries deployed to Albania to help stem the flow of migrants north from Greece. North Macedonia has done even more. For years its progress towards membership was blocked by a dispute over its name with Greece. This year it changed it. "We pushed them to do it and then we showed them the finger," says one diplomat reflecting widespread anger among France's partners.



The Economist

The consequences of the change in policy have already been nasty. North Macedonia's government collapsed following the veto. An election could see the return of nationalists who opposed the deal with Greece over the new name; the new prime minister of Greece never liked it.

Is Mr Macron a Balkan-blocker because he does not want to give ammunition to France's anti-immigrant and anti-Muslim far right? Probably not, says Loïc Trégourès, a Balkan specialist at Lille's Catholic University. France has no special political interest in the region, he says, but it has become collateral damage in Mr Macron's disputes with Angela Merkel, the German chancellor, who has rebuffed his ideas of EU reform. "If Germany wants its sphere of influence," Mr Trégourès says, "they must give something back."

As the EU retreats, others advance. North Macedonia, Serbia and Albania pledged on October 10th to work towards a free-movement zone. On October 25th Serbia is expected to sign a free-trade agreement with the Russia-dominated Eurasian Economic Union. Russia is giving arms to Serbia. China and Turkey are expanding their influence. Blocking the Balkans is "a grave historic mistake," said Jean-Claude Juncker, the European Commission president. "If we want to be respected, we have to keep our promises." ■

Nitro dissidents

A tiny environmental group wins a huge victory

The Netherlands is struggling to deal with nitrogen pollution

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Getty Images

THE FRENCH are accustomed to angry farmers paralysing traffic. In the Netherlands, which prides itself on consensual government, such agricultural aggression used to be rare. Yet over the past month Dutch farmers have turned stubborn. On October 1st and again on October 16th, thousands of them parked their tractors on The Hague's main parade grounds, clamouring that proposed environmental regulations would put them out of business. "The Netherlands without farmers would be like Amsterdam without whores," one banner proclaimed. (It rhymes in Dutch.)

The source of the conflict is nitrogen pollution, which comes in two forms: nitric oxides (NOx), mainly from combustion engines, and ammonia, mostly from fertiliser and animal waste. These lead to smog, algae blooms and other problems. In May the Netherlands' Council of State ruled that the government's system for limiting such pollution was too lax for European law.

Farmers, especially those with high-density cattle stalls, were thrown into chaos. They are not the only ones bellowing. Construction causes NOx emissions too, so up to €14bn worth of housing and infrastructure projects have been called into question until the government can come up with a new permit system. Business organisations and unions are incensed.

The group that has brought the Dutch construction and agriculture sectors to a standstill is a tiny non-profit, Mobilisation for the Environment (MOB), that operates on a shoestring budget with seven staff. In 2017 it went to the European Court of Justice (ECJ) to challenge a system which the Dutch had introduced two years earlier. Under the European Habitats Directive, all EU members must limit nitrogen pollution to protect a network of wildlife reserves known as Natura 2000. Unlike other countries, the Netherlands allowed farmers and industry to take measures they hoped would reduce nitrogen levels (such as experimental air-scrubbers), and count the expected reductions against new emissions—even before gathering evidence that they worked. The ECJ found that this was not good enough. The Council of State agreed, scrapping the permit system. Fully 18,000 projects with recent or pending permits are up in the air. Hundreds of sites lie idle: roadworks in Gelderland, a residential district of 470 houses in Roermond, expansion of an airport east of Amsterdam.

Polls at first showed that the Dutch overwhelmingly sympathised with the farmers, and four provincial governments have backed down, abandoning the plans they had drawn up to meet the government's new recommendation. On October 14th, though, the farmers crossed a line. In a protest in the provincial capital of Groningen, one drove a tractor through a barrier into a bicycle-jammed street, while another used his to smash open the doors of the provincial legislature. Many Dutch politicians worry that the farmers' actions are undermining the country's tradition of compromise by showing that extreme gestures

work. Looser regulations on agriculture would mean tighter ones on the construction industry, which is planning its own demonstration in The Hague on October 30th. Any new system for limiting nitrogen emissions will have to involve more than airy promises. ■

Digging up a dictator

Franco's exhumation is both historical duty and electoral stunt

Spain has yet to agree on its past

[Print](#) | [Europe](#) Oct 24th 2019



AFP

Editor's note (24th October): This article was updated after Franco's coffin was moved.

AFTER DYING in his bed in 1975 General Francisco Franco, Spain's dictator for 36 years, was buried in haste at the Valley of the Fallen, the grandiose monument on a mountainside outside Madrid that he built to celebrate his victory in the Spanish civil war. But his presence there, in one of only two named tombs amid 34,000 anonymous war dead, is now widely seen as an aberration. On October 24th, in an operation organised by Pedro Sánchez, the Socialist prime minister, and attended by 22 of the dictators' descendants, Franco's coffin was dug up. In scenes broadcast live on television it was then carried by the family, first to a hearse and then a helicopter, which took it for reburial at a quiet public cemetery at El Pardo, on the outskirts of the capital where his wife is buried.

Mr Sánchez was carrying out a resolution of the Spanish parliament and a promise he made on becoming prime minister last year. It took more than a year to overcome legal objections from Franco's family—who wanted to rebury him, prominently, in the crypt of Madrid's cathedral—and the threatened disobedience of the Benedictine prior who administers the basilica and monastery at the Valley. The Vatican slapped down the prior; last month the Supreme Court ruled unanimously that the government could rebury Franco at El Pardo.

"No enemy of democracy deserves a place of worship nor institutional respect," Mr Sánchez said of the court ruling. "It's a great victory for Spanish democracy". More Spaniards agree with him than disagree. But the delay means the exhumation comes barely a fortnight before a general election, the fourth in as many years. The Socialists hope it will rally their faithful. Only Vox, a far-right party, actively opposes what it calls a "profanation" of Franco's tomb. The conservative opposition, which descends from moderate former franquistas who embraced democracy, would rather discuss the future.

The Socialists want to turn the Valley into "a museum of memory". There is a risk in that of history once again being written by one side. Perhaps the best thing would be to deconsecrate the site and create a museum that explains what happened at the Valley itself. Franco's dictatorship relied partly on forced labour to build it. Originally intended only to honour its own side, the dictatorship ended up filling its crypts, too, with dead from the vanquished Republic, extracted secretly from mass graves. Its architecture is forbidding, that of a militant Christianity. Its basilica is dug deep into the mountainside, and lined with statues of avenging archangels. It is topped by a cross half as high again as the Statue of Liberty.

Modern Spain is not in thrall to Franco's ghost. Most Spaniards have no memory of the dictator. Only an aging minority still regularly attend mass. But the lack of unanimity over the exhumation shows that the country has yet to agree on the past. Perhaps it never will.

Charlemagne**Neither dignified nor efficient***Fighting over the EU budget*

Print | Europe Oct 24th 2019



WALTER BAGEHOT wrote that a constitution needed both “dignified” (ceremonial and reverential) and “efficient” (straight-forward and rule-based) parts. The Victorian writer and editor of *The Economist* would have discerned little of either in the European Union’s seven-yearly “multi-annual financial framework” (MFF). That process is hardly dignified: nothing can be farther from the grand world of European symbols and high-minded post-nationalism than the unseemly squabble over resources between member states. Nor is it terribly efficient. Rather than asking first what the money should be spent on, the process begins with battles over the size of the budget and retrofits onto it policy priorities for the best part of the next decade.

Yet the negotiation does have a sort of constitutional importance to the EU. The negotiations every seven years are a ritual, the sight of leaders trooping in and out of airless rooms in Brussels as integral to the union’s ceremonial calendar as the Queen’s Speech is to Britain or the State of the Union to America. It is where the emotional and the practical parts of the institution meet, where the line between national interest and identity mingles with the more bloodless, but not entirely ideals-free, realm of European co-operation. It shapes the club’s activities, acts as a clearing-house for political differences and is thus a map of them. As dreary as it can seem, it reveals something of the EU’s soul.

What, then, does the latest round show? Negotiations for the next period, from 2021 to 2027, have been grinding on for 20 months. A European Council summit earlier this month saw national leaders dig in their heels and defer the matter to their next meeting in December, but the final deal may only emerge in the second half of next year. Several problems are holding up progress.

The first is the overall size of the budget. The current one is set at 1.02% of the union’s GDP, OR just over one trillion euros (\$1.11tr), including €165.8bn for this year. Germany and others in a frugal block of northern contributor states want its successor to go no higher than 1%. The European Commission, backed by recipient countries in the EU’s south and east, has proposed around 1.1% and the European Parliament, the most federalist of the institutions, wants 1.3%. A much smaller increase is likely.

The second is who should pay what into it. The northerners are particularly hawkish as Britain’s exit leaves an annual gap of around €10bn to be plugged, probably primarily from their pockets. They are fighting to maintain the system of rebates returning some money to high net contributors who do not get as much back in things like agricultural and regional development funds; France, by contrast, argues that Britain’s departure and the need for a more ambitious EU mean the rebate system

should be ditched. The commission has also floated a union-wide tax on plastics (others suggest one on financial transactions) by which the EU could raise part of its income directly.

Then there is the battle over what the money should go on. The long-term trend of the MFF has seen spending on the Common Agricultural Policy of farm subsidies fall from over half of the total in the early 1990s to under a quarter today, spending on regional development rise with the accession of poorer southern and eastern states and then fall as they started to catch up with the rest, and spending on competitiveness (research and development, measures to knit together the single market) and foreign and security policy increase as those priorities have arisen. This “modernisation” of the budget, as it is known in Brussels-speak, will continue into the next period, but member states disagree on the extent, with easterners and southerners in particular defending old priorities like agriculture and regional aid and northerners pushing to redirect more of that spending into science and environmental measures. The east-west cleavage is also heightened by the suggestion that some payments be made conditional on member states’ adherence to rule-of-law standards; a threat especially to Poland and Hungary, net recipients whose turn towards authoritarianism in recent years has angered their European colleagues.

All of which reveals an EU between two worlds. On the one side, yesterday’s union, a smaller and more homogeneous club whose task was the technocratic knitting-together of the continent through rules and subsidies after the traumas of the mid and late 20th century. On the other side, today’s and tomorrow’s union, a larger, more diverse and more political bloc facing greater pressures from the outside requiring common action, and that therefore is at once more fractious and more ambitious. The achingly slow talks on the next MFF might be considered the painful transition between the old world and the new one.

Follow the money

Something will have to change. The EU’s budgetary rituals need more dignity. They need to do more to command the loyalty of ordinary citizens above and beyond the narrow-minded calculation of national net contributions and receipts. The language and processes of the budget should become less technocratic and concentrate more on the shared interests and preferences of the voters whose governments pay the bill. Consultative assemblies of European citizens might be involved in the decision-making process, for example.

And the MFF needs to be more efficient. A multi-year diplomatic negotiation covering seven years, a period over which no-one can say with precision what is needed, and in which national pride takes precedence over actual needs, is no way for a modern institution to work. New mechanisms for adjusting and updating the budget more frequently are needed; perhaps through some forum of national ministers and members of the European Parliament, or through direct EU taxes giving the union greater flexibility. The EU is not a state and does not need the paraphernalia of one. But a dose of Bagehot’s timeless formula would do it good. ■

The Brexit deal

Coming closer

Distressing deadlines**Boris Johnson's Brexit deal moves a step nearer to approval***But more delays are likely*

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Getty Images

ANOTHER WEEK, another missed Brexit deadline. Yet Boris Johnson came tantalisingly close. On October 17th the prime minister confounded his critics by wringing a new withdrawal agreement out of his fellow EU leaders in Brussels. Two days later, in a rare Saturday sitting of the Commons, he failed to win parliamentary endorsement for the deal only because MPs, who were nervous that he might still take Britain out of the EU with no deal at all on October 31st, voted instead to put off formal approval until the necessary legislation had been passed.

Intent on leaving at the end of the month, Mr Johnson published the 115-page bill to give effect to the deal on October 21st, with a timetable motion suggesting that Parliament should pass it through all its stages in only a week. The next day he won approval for the bill at second reading. But his ludicrously short timetable was rejected by MPs (previous EU treaties have taken weeks or even months to be ratified). Although many MPs made clear that they had voted for the second reading only so as to propose substantial amendments to the bill, Mr Johnson claimed they had “passed” the deal and accused the Labour opposition leader, Jeremy Corbyn, of just trying to delay Brexit. Rather than accept a pause, he petulantly threatened to pull the bill and demand an early election instead.

Yet delay is coming. As required by the Benn act passed by Parliament last month, Mr Johnson had already written to the EU to ask for a three-month extension of the Brexit deadline, from October 31st to January 31st. He accompanied this letter with a second in which he suggested to other EU leaders that any extension would be damaging. Ignoring this, Brussels was preparing this week to accept the prime minister’s formal request for more time, though it may suggest a shorter period than three months. Mr Johnson is thus certain to break his many loud promises to get Brexit done on October 31st, do or die.

Amid the shenanigans there was only limited debate about the content of Mr Johnson’s new deal. What drew most attention was its replacement for the backstop to avert a hard border in Ireland in all circumstances by keeping the entire United Kingdom in a customs union with the EU. The new deal ditches this in favour of a Northern Ireland-only “frontstop” which, in effect, will keep the province alone in a customs union, and also aligned with most EU rules. Because mainland Britain may diverge, this

will require customs as well as regulatory checks in the Irish Sea. This week Mr Johnson insisted, implausibly, that these checks would only be light. He also claimed, incorrectly, that the entire scheme would evaporate as soon as Britain signed a free-trade deal with the EU.

Not surprisingly, the new Brexit deal has incensed the prime minister's erstwhile allies, the Northern Irish Democratic Unionist Party (DUP). The party noted that Mr Johnson had assured them that no British government would ever accept border controls in the Irish Sea. Nor was it mollified by his attempt to give them some say over the deal. Far from giving the DUP a veto, as Mr Johnson had proposed, the agreement requires an absolute majority of the Northern Ireland assembly to opt out. It can do this only every four years and would have to agree to some replacement.

The new withdrawal agreement also drops Mrs May's plans to remain aligned with Brussels on many single-market regulations as well as customs. Instead, Mr Johnson's vaguer promises to maintain a level playing-field for most such rules have been put into the non-binding political declaration that accompanies the withdrawal agreement. As Charles Grant of the Centre for European Reform, a think-tank, says, this means that the EU, nervous of being undercut, will offer Britain only a relatively thin free-trade deal. That implies a harder Brexit with more trade barriers than Mrs May's deal, raising the costs to the economy of leaving the EU.

Sajid Javid, the chancellor, refuses to publish an economic-impact assessment of the new Brexit deal, saying simply that it is self-evidently good for the country. But the UK in a Changing Europe, an academic think-tank, has produced one of its own. Allowing for knock-on productivity effects, it finds that, after ten years, Mr Johnson's deal will reduce incomes by 6.4% compared with what they would otherwise have been, equivalent to some £2,000 (\$2,600) per person. That figure is £500 more than the estimated cost of Mrs May's deal, and only £500 less than the income loss per person from leaving the EU with no deal at all.

What will happen next? Mr Johnson seems to have rowed back from his threats to drop the withdrawal agreement bill entirely. If a revised timetable can be approved, detailed scrutiny may even begin next week. But although they cannot change the treaty itself, MPs are likely to amend the bill before it passes. An amendment to add a confirmatory referendum seems unlikely to succeed. But one requiring the government to work towards a customs union might pass despite Mr Johnson's opposition. So could an amendment giving MPs the power to demand an extension of the transition period, which expires in December 2020 but can be extended to 2022. MPs fear that, if Mr Johnson refuses to invoke this extension, a no-deal Brexit may loom again should a free-trade deal not be struck in time—which it probably will not be.

Mr Johnson still wants an early election, not least because the Tories are ahead in the polls. Some of his advisers talk of holding one as soon as December. But the Fixed-term Parliaments Act means that the prime minister needs the support of two-thirds of MPs to call an election. In September Jeremy Corbyn, the Labour leader, promised to agree to one as soon as the threat of a no-deal Brexit was lifted. His advisers are torn. Some fret that Labour will do badly in an early election. Others think it might do even worse if Mr Johnson manages to get his Brexit deal through.

One way or another, an election is likely in the next few months. And then Mr Johnson's final falsehood will be exposed: that his deal means Brexit is done and dusted. In truth, the withdrawal agreement is but the beginning. Hard negotiations on transition, trade, security and more will take up most of the next few years. As Denis MacShane, a former Labour Europe minister, entitles his new book on the subject, what really lies ahead is "Brexiternity". ■

Journey's end

The death of 39 people shows the human cost of hostile policies

Denying visas encourages people to try riskier routes

[Print](#) | [Britain](#) Oct 24th 2019



IT IS UNCLEAR how many migrants are in Britain illegally. It could be around 650,000—give or take a couple of hundred thousand. Nor is it known how many enter the country without permission every year. Maybe 40,000; maybe substantially more or less. Undetected entries are by definition impossible to measure.

What is known is that people will take enormous risks to enter Britain. This was made tragically clear again on October 23rd, when Essex police announced the discovery of 39 bodies inside a refrigerated lorry that was registered in Bulgaria. The driver, a 25-year-old man from Northern Ireland, has been arrested.

It is also clear that tightening security on one route tends to divert people to other ones. Lorries coming into the port of Dover from Calais may be searched by canine units, X-ray machines, carbon-dioxide sniffers and heartbeat monitors. In 2016 the National Crime Agency warned that people-smugglers were diverting operations to less busy ports, such as Purfleet, where this lorry seems to have arrived from Zeebrugge in Belgium. Its journey ended at a nearby industrial estate.

As *The Economist* went to press, it was reported that the migrants discovered in Essex were Chinese. If so, it would be the second such tragedy. In 2000, 58 Chinese migrants died in a lorry that was found in Dover. In 2014, 35 Afghan Sikhs were found in a shipping container in Tilbury, not far from Purfleet. Most survived.

Though reliable numbers are scarce, researchers reckon that most irregular migrants enter Britain on legitimate tourist visas, then stick around. Many others use forged documents. Those arriving on boats across the English Channel, or hiding in the backs of lorries, are often the sort of people who would find it hard to obtain a visa. “The British government has a deliberate policy of making it difficult to reach the UK to claim asylum. So people from countries that have a higher rate of asylum will find it harder to get tourist visas,” says Madeleine Sumption of Oxford University.

Tragedies on this scale have occurred in other countries. In 2008 the air-conditioning in a seafood container lorry failed in Thailand, killing 54 out of 121 migrants from Myanmar. A few years later 43 of 113 migrants bound for South Africa suffocated in a lorry. In 2015 Austrian police discovered an abandoned lorry with 71 refugees who had suffocated in the refrigerated container. All were from Iraq, Iran, Syria and Afghanistan. Nine people died of overheating in a sweltering truck in Texas in 2017. All of these calamities involved refrigerated containers. It is harder to detect people in such vehicles than in soft-sided ones, says David Wood, a former boss of immigration enforcement at the Home Office.

Politicians promise to crack down on the gangs that smuggle people; advocacy groups argue for changes to migration rules. There has been no serious talk of changing the design of the lorries themselves. In the mid-20th century American lawmakers

started requiring fridge-makers to use magnetic strips instead of latches after reports of children climbing into disused fridges and suffocating inside. Making it easier to get out of lorries is politically simpler than making it easier to get into countries. It would also save lives. ■

The DUP out in the cold

Boris Johnson's shabby treatment of Ulster unionists is foolish

Don't feel sorry for politicians—but do worry about loyalist thugs

Print | Britain Oct 24th 2019



Reuters

FOR A FEW minutes, it seemed like old times. On October 21st the Democratic Unionist Party walked back into the Northern Ireland Assembly, which had been closed for three years. The party, which insists on Northern Ireland remaining part of the United Kingdom and is socially conservative, was trying to block the legalisation of abortion and gay marriage—both of which had been imposed on Ulster by Westminster. But other assembly members did not turn up at the session, or left quickly, so the DUP's bid failed. It is not the most humiliating thing that has happened to the party this month.

The DUP enjoyed two years in the sun. In June 2017 Theresa May, then the Conservative Party's leader, lost her majority in the House of Commons and turned to the DUP's ten MPs to make up the numbers. A party that most Britons probably thought of as cranky and obsessive (if they thought about it at all) was suddenly powerful. Conservatives praised the union and promised more cash for Northern Ireland. The DUP was just as keen on Boris Johnson, Mrs May's successor, who assured the party that no British prime minister could countenance a separation between Northern Ireland and mainland Britain.

A party founded by a Protestant preacher ought to have remembered the Biblical injunction not to put your faith in princes. Mr Johnson has betrayed the DUP by striking a deal with the European Union that would bind Northern Ireland closer to Ireland than to Britain for trade purposes, in practice if not in law. The party has learned, painfully, that English Conservative politicians care more about leaving the EU than about the union with Northern Ireland. "We've been DUPed again", screamed the Northern Irish edition of the *Daily Mirror*.

The party took some revenge by voting against Mr Johnson's deal on October 22nd, and against an accelerated timetable for considering it. The DUP has warned Mr Johnson that he should expect more such payback. That prospect might give unionist politicians some grim satisfaction. But it does not solve the party's problems. Nor does it begin to empty the well of grievance among ordinary unionists.

Its misadventure in Westminster is not the DUP's only misjudgment of recent times. A disastrous scheme that subsidised fuel for agricultural boilers, in which Arlene Foster, the DUP's leader, and other party figures were involved, wasted hundreds of millions of pounds. The report of a public inquiry into the debacle, due in December, is expected to heavily criticise DUP leaders. Ms Foster might not survive it.

Mr Johnson's deal is even more painful. Although it might profit Northern Ireland economically (see [article](#)), it has revived the ancient dread that the province is sliding out of the United Kingdom. Sinn Fein, which wants a united Ireland, pointedly did not criticise the deal much. The Johnson affair has also revealed how few firm friends the DUP has. The British government, the

EU and the Irish government all seem to be against it. The party has even been abandoned by the “Spartans” of the Conservative Party, who once followed its lead on Brexit.

Return of the hard men

The DUP will probably remain the largest unionist party in Northern Ireland. Its rivals for that status are much smaller and weaker. Besides, unionist voters tend to circle the wagons during a crisis. But the feeling of betrayal among unionists is worrying. And those who prize peace in Northern Ireland should fret about how that feeling might be exploited by the remnants of the loyalist paramilitary groups that still roam the back streets of Belfast, dealing in drugs and terrorising local people.

In the past, loyalist protests over what began as minor disputes, including over the flying of flags over public buildings, have been seized on by paramilitary chiefs. They have encouraged youths to riot, thus bleeding them for future paramilitary careers. Jim Wilson, a community worker in the loyalist stronghold of east Belfast, estimates that some 340 youths acquired criminal records during the flag protests of 2012-13. “Now people are very angry about Brexit,” he says. ■

Ulster's unique position

Boris Johnson is trying to turn Northern Ireland into Hong Kong

It looks good, but only from a distance

[Print](#) | [Britain](#) Oct 24th 2019



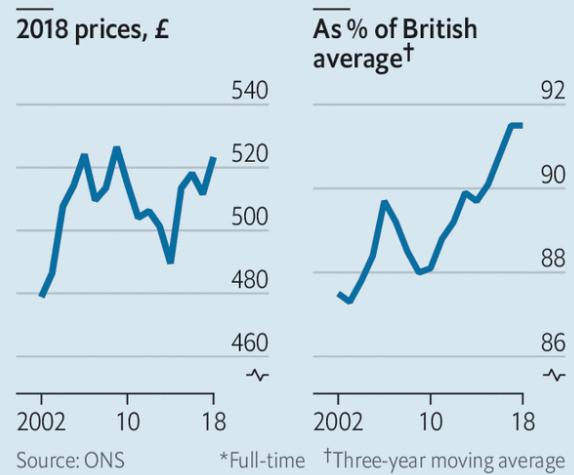
IN THE EARLY 1980s British officials worried about how Hong Kong's inhabitants would be treated once the city-state was back under Chinese control. Civil servants entertained a tongue-in-cheek plan to move them to Northern Ireland, providing a "possibly happy outcome to the uncertainties". The scheme never materialised. But although Northern Ireland did not take Hong Kong's people, it might import its economic model.

Boris Johnson's Brexit withdrawal agreement, finalised on October 17th, would in effect turn Northern Ireland into an entrepot—an arrangement not dissimilar from the "one country, two systems" relationship between China and Hong Kong. Northern Ireland would be in a de facto customs union with the EU, following many of its regulations on food and manufactured goods—thus removing the need for a hard border with Ireland. No matter what long-term arrangement Britain eventually makes, Northern Ireland would enjoy fairly free trade in goods with the bloc, while remaining part of the UK. It would benefit from future trade deals signed by Britain and possibly by the EU. Dominic Raab, the foreign secretary, argues that it is a "cracking deal".

If Mr Raab is right, it would be a fillip for an economy already enjoying a strong spell (see chart). Pulled along by recovery in Ireland, in the past decade wages in Northern Ireland have risen more than in any other British region. Though it remains less wealthy, the province's poverty rate is no longer higher than the British average. Unemployment is lower.

Catching up

Northern Ireland, median weekly earnings*



The Economist

The deal might encourage some firms to relocate to Northern Ireland. It would have a unique status: manufacturers could export to European and British markets with zero tariffs and few regulatory barriers, argues Sam Lowe of the Centre for European Reform, a think-tank. A research paper published in March assessed the impact of a Brexit deal similar to the one just agreed. Relative to the “no-Brexit” counterfactual, foreign investment into Ulster by manufacturing firms rose slightly.

Northern Ireland might gain, relative to the rest of Britain. But that is not the same as saying that it would be better off after Brexit, says Alex Stojanovic of the Institute for Government, another think-tank. The agreement excludes services, which account for more than half of the Northern Irish economy. Belfast’s lawyers and architects will do as well or as badly as those elsewhere in Britain, depending on the eventual trade deal with the EU.

Another catch is that the agreement would hazard unfettered trade between Northern Ireland and Great Britain. Trade experts worry that firms in the EU, or in countries with which the EU has a trade agreement, could use Northern Ireland as a back door to the British market. On October 21st Stephen Barclay, the Brexit secretary, suggested that Northern Irish exporters would have to fill in paperwork in order to sell to the rest of Britain. An impact assessment finds that “practical information will need to be provided electronically on movement of goods West-East”.

That would raise costs for Northern Irish firms—by how much, nobody knows. So would the tariffs that Northern Irish firms would need to pay on British imports (the fact that they could claim rebates if the imports were destined for the local market is cold comfort). Stephen Kelly of Manufacturing NI, a trade body, says that the British government should compensate Northern Irish firms for these extra costs. As so often with Brexit, the future seems bright only if you do not look too closely. ■

Yellow fever

Finchley shows how Brexit could transform the Lib Dems' chances

Luciana Berger will benefit from opposition to Brexit

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IN HER 33 years as its MP, Margaret Thatcher grew fond of Finchley, a green and pleasant pocket of north London. She particularly admired its Jewish population, which then—as now—comprised about a fifth of the electorate. “My, they were good citizens,” she marvelled, “not just talking, but doing and giving.” The adoration was mutual. Locals rewarded her with more than half their votes at each election she fought as Tory leader. In most other post-war elections, Tories won the seat, which was renamed Finchley and Golders Green when its boundaries were redrawn in 1997. Labour held it for 13 years, under Tony Blair and Gordon Brown. The Liberal Democrats have never come close.

They now hope to break the drought. Despite picking up only 7% of the vote at the last election, the Lib Dems are fielding one of their most high-profile candidates, the former Labour MP Luciana Berger. A survey by a reputable pollster (albeit commissioned by the Lib Dems) predicts she will notch up 33%, enough to topple the incumbent Tory, Mike Freer. Labour, which has yet to pick its candidate, is on 21%. About half of those who backed Labour in 2017 say they will vote for Ms Berger.

One reason for this turnaround is unique to the candidate and the seat. Ms Berger quit Labour in February (initially for Change UK) in part because of anti-Semitism. She says she could not stand for election in a party run by Jeremy Corbyn, a “morally reprehensible” leader she has accused of standing by while such sentiment took root. Finchley is far from Ms Berger’s current seat, in Liverpool, but is an obvious choice since it is already her London home and houses much of her family. It also has more Jewish residents than any other constituency. One Lib Dem strategist says the choice is a good example of the party’s knack for picking the right candidate for the right seat.

It is not hard to find constituents who praise Ms Berger’s stand against Mr Corbyn. In the Salt Beef Bar just off the busy North Circular Road, there is a fast trade in that Jewish staple and bowls of steaming barley soup. On one table a copy of the *Jewish News* reports that Louise Ellman, another Labour MP, has quit the party over anti-Semitism. The next page’s headline booms: “Berger looks golden”. One synagogue worshipper describes her as a “refugee from anti-Semitism”. Some call her “heimish”, or “one of us”, a reference as much to her local roots as to her faith.

Plenty of Jews will vote for Mr Freer, a diligent local MP. In any case, as Ms Berger points out, most voters even in Finchley are not Jewish. The second and more significant reason for the Lib Dems’ optimism is Brexit. More than two-thirds of the seat’s voters backed Remain in the referendum. Ms Berger reckons many will be won over by her new party’s pledge to revoke the mechanism that triggered the Brexit negotiations. The same logic explains why Chuka Umunna, a fellow Lib Dem defector from Labour and Change UK, is standing in the Cities of London and Westminster seat.

Mr Freer voted Remain but now believes it is his democratic duty to implement Brexit. Internal polling put the Lib Dems ahead even before Ms Berger was picked to fight the seat, claims a party official, suggesting that Brexit is the most important reason for the swing. Party membership in Barnet had already more than doubled since the referendum, to around 500.

An earlier election would be better for the Lib Dems' foghorn-like "stop Brexit" message than a later one, especially if Parliament passes a deal in the meantime. But even if that happens, it will only trigger a new debate over the country's future relationship with Europe. As one Labour wonk admits, Brexit is now "an identity issue as much as a trade-relationship issue". Lib Dems believe Brexit is not in the country's interests. For now, it is in theirs. ■

Star performers

A formerly Islamic school chain tops the English government's tables*It is now taking over secular schools, and opening ones of its own*[Print](#) | Britain Oct 24th 2019

Star Academies

A FEW YEARS ago, on a rainy October evening, Asiyah Ravat staked out the father of a pupil who had gone off the rails. He was not at home when she visited. "So I just said, 'We're not going anywhere, we're in the car,'" recalls Mrs Ravat, the head at Eden Boys' School, an Islamic state secondary in the suburbs of Birmingham. The meeting helped, and there was no more trouble. Last year the pupil achieved ten grade 9s, the highest score available, in his GCSEs. "I don't see these boys as pupils," says Mrs Ravat, "I see them as sons."

The school is part of Star Academies, a group of schools that help pupils make astonishing academic progress. According to the government's key measure, which looks at development from age 11 to 16, pupils at Eden Boys' make the second-most progress in the country. In results released on October 17th, only pupils at Tauheedul Islam Girls' High School, also of Star Academies, made more progress. In third place was Eden Girls' School Coventry, another member. Star schools also came 12th and 14th, and the chain comfortably tops tables comparing it to others (though few of its 28 schools have been open long enough to take GCSEs, meaning it is still early for such broad comparisons).

Many of the highest-performing schools on the measure have a traditional ethos, and this is true of Star Academies. "Although I don't select the children, I say to parents, 'I want to run a grammar school,'" explains Mrs Ravat. Only two boys have ever been kicked out, but rules are strict—pupils must walk on the left-hand side of the corridor and line up in silence before lessons. As she tours the school, Mrs Ravat pauses to place a ruler in front of a pupil who has not underlined his title. "We've got a presentation policy," she shrugs. "They've got to adhere to it."

Tough love

Star promises a "high-powered, knowledge-based academic curriculum". Top sets at Eden Boys' have as many as 30 children, whereas bottom ones can be as small as ten, so strugglers get most attention. Extra classes are put on after school and at weekends for those who need them. Annual Oxbridge visits raise the sights of pupils who come from an insular community (a surprising number fail to recognise a picture of the Bullring, a shopping centre in town, notes one teacher). Many grow up speaking Gujarati, Punjabi or Urdu—something which boosts the group's results, since children without English as a first language tend to make more progress.

Non-white children also tend to do better in progress measures, notes Jon Andrews of the Education Policy Institute, a think-tank, making Star Academies' next move intriguing. Last year the organisation changed its name (from the Tauheedul

Education Trust) to reflect the fact that it has taken on nine non-religious, underperforming schools in parts of the country including Blackpool and Morecombe, both run-down coastal towns. Although many of the trust's existing schools have no white British pupils, at some of the new ones nine in ten pupils are, and poor white pupils get some of the worst results in the country. The new schools are mixed-sex—as will be some other new non-faith schools the trust is soon to open.

Despite Star's academic record, there was opposition to the takeover from parents in Blackpool, who started a petition objecting to it because of the organisation's Islamic roots. In 2014 an undercover documentary showed a teaching assistant at one of the group's primary schools describing music and clapping as "satanic". But an immediate follow-up investigation by Ofsted, the schools inspectorate, found no evidence of broader hardline views or extremism. And the Department for Education has encouraged the chain's subsequent expansion.

The trust's mission is to tackle social disadvantage, "which goes beyond faith," says Kieran Larkin, the director of education. In truth, the bigger challenge may be introducing the chain's culture into existing establishments. All academies opened by Star are rated "outstanding" by Ofsted. The new ones were doing so badly that they have been taken from the previous leadership. Hamid Patel, Star's chief executive, is undeterred: "People have made excuses about these children—and written off their communities for too long," he explains. "That has to change." ■

Food in the army

The way to a soldier's heart is through his stomach*Don't take away his George Foreman grill*

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Getty Images

AT LARKHILL GARRISON in Wiltshire, British troops are engaged in a running battle—with their caterers. Meals at the base, served up by a French contractor, Sodexo, are so unpopular that soldiers have taken to buying George Foreman grills from a nearby Tesco supermarket. Yet once outed by their battalion quartermaster sergeant, often accompanied by Sodexo employees, these guerrilla chefs risk having their grills confiscated or disabled and being punished with show parade at night. “The army trusts me with a machinegun or a fucking tank, but they won’t let me cook my own food,” says one former squaddie, who served with 32 Regiment Royal Artillery for five years.

Britain’s armed forces are struggling to keep the ranks filled. In July the services counted on 191,600 personnel, down from more than 220,000 in 2012. Three-fifths of those who left in the previous 12 months did so before their contracts had expired. Surveys of service personnel show that morale peaked in 2009, when 58% of “other ranks” (that is, not officers) were satisfied with service life. This year only 43% said the same.

The chief reason for returning to civilian life is the difficulty of combining soldiering with family obligations. Many leavers also point to the availability of jobs outside the service—which was less of a lure ten years ago, in the aftermath of the financial crisis. But working conditions are a problem, too. In the past five years dissatisfaction with housing has risen. And only 29% are satisfied with the standard of catering, with non-officers especially grumpy.

The first skirmish came three years ago, when soldiers launched a vicious attack on the food on social media. “Because it’s the military they basically think we can’t touch them,” says one, “so it’s not like a normal restaurant where you can complain.” In the same year Sodexo strengthened its monopoly on food at Larkhill by replacing Katie’s Kitchen, a food van driven for 27 years by a local woman, Linda Clark, with its own van. “She had a knackered old camper van and we’d be working in the garages on tanks and she’d come round and sell you a bacon butty,” the 32 Regiment soldier reminisces. Even after a petition amassed 7,000 signatures, Katie’s Kitchen did not come back. Soldiers complain about prices, too.

Sodexo provides catering and cleaning services at 31 army and air force bases in the south of England, and at six bases in Cyprus and the Falklands. “Retaining people used to a radically changing social environment is challenging,” says Mark Baker, a Sodexo director who says the grills were confiscated to ensure fire safety. He is now helping draw up plans with the army to create more relaxation areas inside barracks. As he points out, defence does not have a bottomless budget. But you can buy a lot of burgers for the price of a tank. ■

Leaving the European Union is making Britain less British

It is becoming both more European and more American

[Print](#) | [Britain](#) Oct 26th 2019



Nate Kitch

BEFORE THE referendum in 2016 European Union flags were as rare as golden eagles in Britain. Today they are as common as sparrows. Parliament Square is permanently festooned with them. Activist Remainers flaunt flag-themed berets and T-shirts. On October 19th a million-strong army of People's Vote supporters marched on Westminster beneath a sea of gold and blue standards.

This points to one of the oddest paradoxes in this odd period in British politics. It took a vote to leave the EU to shock millions of Britons into realising how much they liked it. Britain had always been an outlier in believing that the EU ought to be little more than a convenient trading arrangement. A couple of Eurobarometer polls in 2015 found that the country came 28th out of 28 in terms of people's sense of European identity and 26th in terms of trust in European institutions. Yet today a significant section of the population thinks that being European is essential to its identity.

This is part of a bigger paradox: the more Britain struggles to leave the EU, the more it embraces European-style politics. Since the dawn of the democratic era Britain has practised two- or two-and-a-bit-party politics compared with the continent's multi-party system. That is changing, accelerated by Brexit. The Scottish National Party controls Scotland. The ruling Conservative Party is 45 MPs short of a majority. The European Research Group of hardline Brexiteers acts as a party within the Tory party. The Liberal Democrats could make big gains in the forthcoming general election, especially if Brexit seems reversible.

For the past three years British politics has hung on problems that are familiar to continental politicians, such as the difficulty of assembling coalitions with minority parties and the power of disgruntled factions to exercise a veto. It has also endured the disadvantages of continental politics without the advantages.

The case for the British two-party system is that it produces "crunchy" results even at the price of leaving a large section of the population feeling disenfranchised. Lately it has lost the redeeming feature of crunchiness. Theresa May had to rely on the votes of ten DUP politicians to keep her government afloat. Boris Johnson, having lost 23 Tory MPs, is living in parliamentary purgatory.

Creeping Europeanisation can also be detected in the rise of the far right. The British two-party system was masterful at marginalising extreme figures such as Oswald Mosley and Enoch Powell. A more fragmented system is now making room for them in Britain just as it made room for Marine Le Pen in France, Matteo Salvini in Italy and Viktor Orban in Hungary. Nigel Farage's Brexit Party, and before that his UK Independence Party, have terrified mainstream politicians by winning seats on local councils and in the European Parliament.

Even as it becomes more European, British politics is also becoming more American. It is beginning to polarise around issues of culture and identity in much the same way as American politics has polarised. Politics is no longer about who gets what (which is always a matter of compromise) but about profound questions of identity (which is not). British politics is also becoming more presidential. Jeremy Corbyn remains on top of the Labour Party despite the hostility of his fellow MPs. Tories elected Mr Johnson as their leader not because he dutifully climbed the ranks but because of his star power.

Britain has relied on an unwritten (or at least uncodified) constitution, in sharp contrast to the United States and Europe. But leaving the EU has raised constitutional questions that demand more than improvised answers. It has also raised the possibility that Britons will lose the panoply of rights guaranteed by the EU. Britain has done a good job of preventing the courts from interfering in politics. Again, Brexit is changing that. The Supreme Court's decision to overrule Mr Johnson's proroguing of Parliament could be the beginning of a new period of judicial activism.

High on the list of British oddities is that it is a composite of four nations—England, Scotland, Wales and Northern Ireland. Holding this group together was always difficult given the different sizes of the parts (England is ten times as populous as Scotland) and the history of internal colonisation. It has been made vastly more difficult by Brexit because Scotland and Northern Ireland voted to remain. Brexit increases the chance that Scotland will claim independence and, in the longer term, that Northern Ireland will join the Irish Republic. It also increases the pressure for American- or German-style federalism. The only way to prevent England from being seen to ride roughshod over the smaller nations of the United Kingdom may be to create regional assemblies or more powerful metropolitan governments.

Britannia chained

A future Conservative government might be able to reverse the drift away from exceptionalism. If Mr Johnson can win a working majority, he will no longer depend on maverick factions and therefore will be less likely to end up in the Supreme Court. If he can bind Scotland and Northern Ireland to England by big spending on infrastructure, as he plans, he might be able to head off the forces of nationalism. If he can bring off Brexit, he may be able to asphyxiate both the Brexit Party and the Liberal Democrats.

That is a lot of “ifs”. Though it has been reinforced by Brexit, the de-exceptionalisation of British politics began well before 2016 with New Labour’s embrace of both constitutional reform and a presidential style of government. It also feeds on powerful forces that have nothing to do with Brexit, such as the collapse of deference and the rise of celebrity culture. Moreover, the next election could produce another hung parliament, which will make pressure for voting reform and constitutional reform irresistible. Whatever happens in the Commons in the next few weeks, the dream of some Brexiteers, of restoring Britain to what it was before it entered the EU, is for the birds. ■

The Roman Catholic church

The beautiful south

The beautiful south

Power in the Catholic church is shifting south and exposing divisions

The church is pondering whether to ordain women and married men

[Print](#) | International Oct 26th 2019



Editor's note (October 28th): Since the publication of this article, Roman Catholic bishops voted in favour of ordaining married men as priests in the Amazon region. The move would lift a centuries-old restriction and is expected to be decided on by Pope Francis by the end of the year.

AS THE SUN sets over Nazareth, a village on the banks of the Amazon river in the Colombian rainforest, a Jesuit priest peers out at a small congregation, made up of members of the indigenous Tikuna people. They are sitting on rickety benches around the edges of a cement church. "Why is everyone so far away?" asks Father Valério Paulo Sartor, stepping down from the altar to say mass from the aisle. "If you won't come to me, I'll come to you."

Some 6,000 miles away in Rome, bishops, indigenous leaders and NGO representatives from the Amazon basin, together with Vatican prelates, are discussing how the Catholic church can do just that. In a three-week synod that ends on October 27th, they hope to find new ways for the church to work with local communities to tackle the crises facing the region—and Catholicism—in a part of the world where the church is overstretched, understaffed, yet still remarkably influential.

The synod represents the biggest step yet towards recognising something many Catholics in the West, especially church leaders, have been reluctant to acknowledge: just as economic and diplomatic power in the secular world is slipping away from the North Atlantic region, a similar process is taking place in Catholicism. In the secular world, the shift is to Asia. Within the Catholic church it is towards not only Asia, but Africa and Latin America, too. That is forcing the church to consider how far it is willing to adapt to the practices and beliefs of cultures with their own spiritual traditions. The synod has added to fears of a new schism within the church.

Catholicism's three biggest national churches are those of Brazil, Mexico and the Philippines. It has become a religion largely of the poor world, but with a leadership that is still predominantly rooted in the rich one. Around 40% of baptised Catholics are from North America, Europe, Australasia and Japan, yet those regions provide the church with 57% of its cardinals. Italy, with 4% of the world's Catholic population, is the birthplace of almost one in five of the "princes of the church".

Pope Francis, who is the first Latin American pontiff, has tried to rebalance things. He joked on the night of his election in 2013 that his fellow cardinals had gone “almost to the ends of the Earth” to find him. He has continued their quest. More than half the cardinals he has created come from the developing world. His long-awaited reform of the administration of the Catholic church may take the process further by reducing the scope of the Vatican and transferring some of its departments—and power—to other parts of the world.

That shift has been exacerbated by the growing threat posed by climate change. The pope has long argued that care for the environment is inseparable from the fight against global inequality. He called the synod, the first to be dedicated to a single region, partly because of the Amazon’s crucial role as a buffer against climate change. Its basin contains 40% of Earth’s rainforests and serves as a carbon sink, mitigating warming. But rising deforestation, on the pretext of development, threatens the sustainability of the ecosystem. The insouciance of regional governments, especially Brazil’s, puts them on a collision course with the church.

Leaders from half a dozen ethnic groups gathered recently in Atalaia do Norte, a town outside an indigenous territory the size of Austria, to discuss a rise in invasions by illegal miners and loggers emboldened by Brazil’s far-right president, Jair Bolsonaro. His government has shrugged off deforestation, vowed to legalise mining on indigenous lands, and hollowed out the environment ministry and the indigenous agency, FUNAI. The murder in September of a contractor from FUNAI who worked in that territory, Vale do Javari—and the subsequent exodus of other workers after they were threatened—left the tribes feeling even more vulnerable.

Despite the church’s chequered history in the region (it is credited with educating millions of poor children but blamed for its complicity with colonialism and the economic exploitation that followed), many indigenous people see the institution as their most promising ally. “In the past, the church made us lose our culture, but there’s a new spirit in the head of the pope,” says Absalon, a middle-aged *curaca* (chief) from a Uitoto village near Nazareth.

The Indigenist Missionary Council (CIMI), a human-rights organisation established by the Catholic church in Brazil in 1972 and run mostly by lay-workers, helps indigenous tribes secure land rights and put pressure on governments to uphold them. In a vast region where the state’s presence is limited, CIMI also tells the authorities about abuses against indigenous people. “The church is often the bridge between the tribes and the government,” says Felício Pontes, a public prosecutor who worked for two decades in the Amazon. “It saves us time and money.”

But the Catholic church is not an NGO; it wants to save souls as well as trees. Its efforts to do so raise an issue that resonates far beyond Latin America and the Catholic church. “The indigenous representatives [in the synod] are saying: ‘If you don’t recognise some part of indigenous spirituality, you will lose us’,” says Josianne Gauthier, a guest at the synod and the secretary-general of CIDSE, an international alliance of Catholic charities.

How far, though, can a religion based on dogma go in respecting other belief systems before it irreparably compromises its own? The dilemma posed by inculuration—the adaptation of a religion to alien cultures—has been central to the synod’s deliberations. It parallels the secular debate in countries that have experienced mass immigration over the relative merits of multiculturalism and assimilation.

Christians have been borrowing from other religions since the days when the pagan feast of Saturnalia transmogrified into Christmas and the Gaelic festival of Samhain became All Saints’ Day. In the sermons he delivers in Nazareth, Father Valério adapts a few of the details. The figs become local acai berries and Mary and Joseph travel, not by donkey, but in a canoe.

Few Catholics dispute the need for compromise if their faith is to prevail in a part of the world where it is increasingly being challenged by other brands of Christianity, particularly the evangelical kind. But many would be shocked to hear Adolfo Zon Pereira, the bishop of the Alto Solimões region of the Brazilian Amazon, say: “We don’t talk about conversion any more.” Dialogue with locals, he argues, should be “intercultural and inter-religious” in order to protect “our shared house”.

To the retired pastor of Marajó, another Amazonian diocese, this verges on sacrilege. Bishop José Luís Azcona Hermoso believes that the synod has been irretrievably corrupted by an “obsession to understand the Amazon from the [perspective of] indigenous people”, who make up only a small fraction of its residents.

On October 4th, two days before the synod opened, Pope Francis and other Vatican dignitaries attended a ceremony in the Vatican gardens that gave substance to the worst fears of those who believe that the pope’s tolerant liberalism risks carrying him to the brink of heresy, or even beyond. “A group of people, including Amazonians in ritual dress, as well as people in lay clothes and a Franciscan brother, knelt and bowed in a circle around images of two pregnant women who appeared to be semi-clothed,” according to the Catholic News Agency. A woman later presented one of the statues, apparently representing the Andean fertility goddess, Pachamama, to Pope Francis, who blessed it.

The event, with its suggestion of pagan worship, set off a social-media firestorm of indignation. A “blasphemous abomination” is how one conservative website described it. On October 21st a video was uploaded to YouTube showing the removal of wooden figures similar to those used in the Vatican ceremony from a Rome church. They were then cast into the Tiber.



Eyevine

Exasperation with the reforming pope has been gathering momentum among a minority of traditional Catholics. Even some of his cardinals believe he is distorting the church's teaching. Talk of a schism within the church is growing. Last month Pope Francis said he was not afraid of such a rift, but prayed that it would not happen.

The discussion at the synod of whether to recommend in the Amazon region the ordination of women as deacons or that of married men as priests will do little to heal such divisions. Both questions have arisen as a result of local issues, in particular, a scarcity of manpower. Most missionaries in the Amazon are lay-workers or women. Father Valério makes it to Nazareth, less than an hour up the Amazon from where he lives, only every couple of months. Some isolated places see a priest just once a year.

Where do they go from here?

The pope is not bound to respect the synod's advice. But a strong consensus against either measure would make it harder for him to steamroll them through. As a first step towards drawing up the synod's final report, 12 working groups were formed. Six have endorsed the ordination of *viri probati* (a church phrase meaning "men of proven virtue"), who in many cases would be tribal elders, and four that of women as deacons. But the others either appealed for further debate or made no mention of the issue.

Approving either measure would prove divisive. The ordination of women as deacons would enable them to carry out a wide range of ecclesiastical activities, from delivering sermons to officiating at some baptisms and funerals. Supporters argue that women played a prominent role in the early church. Conservatives remain energetically resistant to the idea.

Traditionalists fear that ordaining married men as priests in the Amazon could gradually lead to wider, if not complete, acceptance of the practice. On October 18th Archbishop Rino Fisichella, a senior church bureaucrat, disclosed that his working group had recommended the creation of a new, Amazonian rite. Such a move should ensure that the practice of ordaining married priests was "quarantined" within the region, making sure that it could not easily be spread to the rest of the church. But opponents still fret that this could be the thin end of the wedge.

Such debates echo only faintly in the Amazon basin, where the concerns of most missionaries are largely practical. Father Valério spends far more time on boats criss-crossing the region to check up on the well-being of residents—only some of whom are Catholic—than he does baptising babies or giving communion. His work will continue whatever Rome decides. But the current in the synod appears to be flowing in the direction of change. ■

India

The two Modis

India

India is stumbling because of its prime minister's failure to curb his darker side

Narendra Modi needs to show more of his reformist character and less of the Hindu nationalist, says Max Rodenbeck

[Print](#) | Special report Oct 24th 2019



Reuters

TO ROARS OF approval from the pumped-up crowd packing a stadium in Houston, Texas, India's prime minister gave his answer to the local greeting. "You ask, 'Howdy, Modi?', so I say, 'Everything is fine in India!'" The prime minister repeated the phrase in half a dozen Indian languages, drawing more roars from different parts of the crowd. Narendra Modi is a master at turning such shows to his advantage. For more than 4m Indian-Americans, he had subtly equated his own person with the Old Country. And, by persuading President Donald Trump to appear on stage with him, he was showing a resurgent India, respected by world leaders and walking tall on the world stage.

The son of a Gujarati grocer and a devout Hindu nationalist, the most powerful prime minister in a generation projects a comforting small-town conservatism. Yet his natty dress, uplifting talk of progress and cutting wit speak of upward mobility. Mr Modi's stilted English may be awkward, but his aura of confidence declares the arrival of a bolder, stronger country.

As on the world stage, so at home. When the results of India's election were announced in May, Mr Modi's Bharatiya Janata Party (BJP) surprised even its own supporters with the scale of its re-election success. The party had more money, more energy and a sharper message than its feeble, divided opponents. But mainly the outcome was a personal triumph for Mr Modi. Pundits now assert that after decades of wobbly coalition governments, India has entered a phase of hegemonic politics reminiscent of the 1950s and 1960s, when the Congress party held unchallenged power. The BJP's current majority means it could push through almost any legislation Mr Modi wants. But for all his massive mandate, can he hold India together in all its contradictions and move it forward?

Judging by his first term, and his government's trajectory in the early months of his second, the answer is not at all clear. A great deal of hype accompanied Mr Modi's arrival on the national scene in 2014. He was praised as a can-do, pro-business pragmatist who would wipe clean and shape up a government widely seen as venal and rotten. Yet Mr Modi's first five years proved in many ways a wasted opportunity. With some notable exceptions, such as the introduction of a nationwide goods and services tax (GST) and a huge effort to stop "open defecation" by building more toilets, bold reforms were largely postponed in

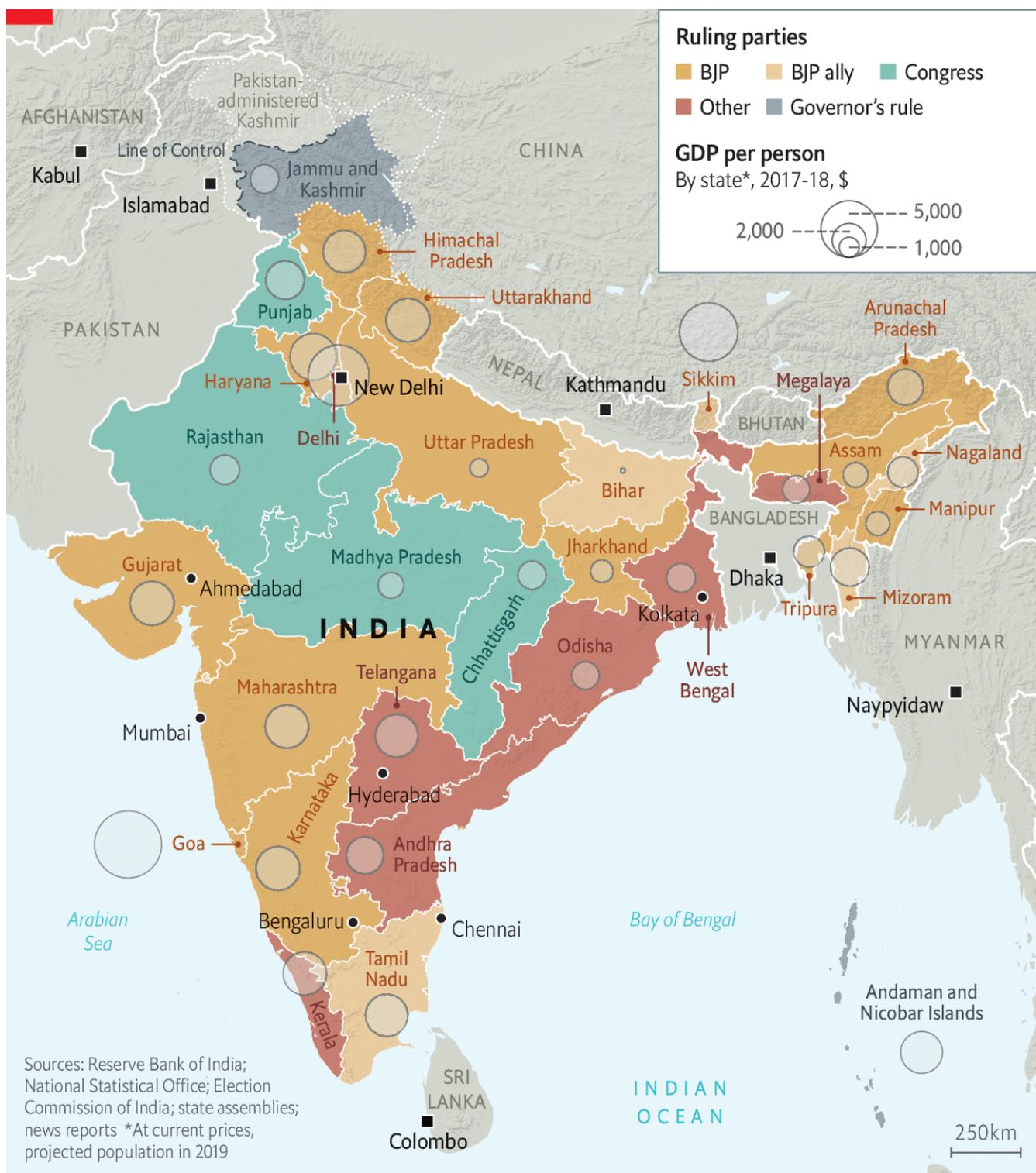
favour of policy tinkering, sops to noisy constituencies and packing the bureaucracy with loyalists. In his latest term, Mr Modi has seemed more intent on following another side of his character, consolidating personal control, punishing political foes and pursuing Hindu-nationalist ideological goals—such as placing 7.5m unhappy Muslims in Kashmir under extended lockdown and direct rule from Delhi—than dealing with more pressing economic issues.

A reckoning

Mr Modi's government has failed to acknowledge looming dangers to India's economy and is now struggling to cope with an alarmingly sharp slowdown. In the first half of 2019 new banking credit to businesses crashed by a shocking 88%, and growth fell from 8% in 2018 to just 5% this year. For a large and diverse economy, this remains a respectable figure. But demographic pressures mean that India must sustain growth of 7.5% just to keep unemployment in check—and needs to do even better if it hopes ever to catch up with China. “Anything less than 6% feels like a recession in India,” says Pranjal Bhandari, chief India economist at HSBC in Mumbai. And some of the troubling domestic indicators—such as this year's sudden plunge in car sales, lingering debts in banking, property and power-distribution companies, and long-term declines in consumer spending, household saving and industrial investment—could soon meet strengthening global headwinds to create a nasty storm.

India's current economic challenges are not due to some big outside cause. The country has the resources and talent to grow strongly for decades to come. This special report will argue that its troubles stem largely from policy failures, albeit more by omission than commission. Successive governments—at state as well as national level—have failed to pursue sensible, consistent policies to promote growth. Mr Modi, too, for all his promise, is failing in this regard, as he follows more his nationalist, rather than his reformist, instincts.

India is not easy to govern. What other country has nearly 800 spoken languages, 22 of them languages of state? And what other society is fragmented into more than 3,000 castes, each with its own proud creation myth? Some caste rigidities have softened over time, but the structure is remarkably robust: even now only one in 20 marriages crosses barriers of caste. India's large Muslim, Christian, Sikh, Buddhist and Jain minorities often claim to be free of caste. In practice they are nearly as compartmentalised as the 80% Hindu majority. Economic divisions coexist with social ones. When introduced in 2017, the GST replaced a web of local taxes stretched over 29 states and seven territories. Goods move faster now, but they still cross radically different economies. Residents of Goa on India's west coast enjoy incomes per person 12 times those in Bihar, a rural state to the north-east. Levels of fertility, literacy and life expectancy in the southern states of Kerala and Tamil Nadu approach those of Thailand or Turkey; in parts of the Gangetic plain in the north they are nearer to those of sub-Saharan Africa. Banks in Maharashtra, home to India's commercial capital, Mumbai, boast loan-to-deposit ratios of 100%, as in advanced economies. In India's most populous state, Uttar Pradesh, they are stuck at 40%, reflecting slim pickings and high barriers to enterprise.



The Economist

Overlying such disparities are other divisions, between prospering cities and struggling hinterlands, and between the few big, globally competitive conglomerates with access to capital, knowledge and political clout, and millions of small firms at risk of extinction from a flick of the government's bureaucratic tail. India's "formal" economy may indeed have grown by 8% in early 2018, as the government's GDP figures insist. But the hard-to-measure "informal" economy, accounting for three out of four jobs, may have been growing by just 2%, or even tumbled into recession.

Understandably, India's many fractures generate anxieties. This is especially true when the pace of change accelerates, and when awareness of differences grows. Although India's population growth at national level has slowed markedly, the total tally is still expected to overtake China's by 2027. India faces both a big bulge in working-age people and a growing rural exodus. Unemployment figures are unreliable, but the trend is unmistakable. Fewer young people can find a job, never mind one that matches their hard-earned qualifications. Openings for even menial posts attract throngs of overqualified applicants.

As such competition mounts, an explosion in access to information is demolishing archetypes and encouraging greater ambition. By next year, 700m Indians will be online, a 14-fold increase in ten years. All but a small fraction of them use smartphones. Between 2014 to 2018, Indians' consumption of mobile data grew 56 times. The sheer volume of fake news,

gossip, political spin and cricket highlights eclipses anything carried by print, broadcasting or Bollywood. For tens of millions of Indians, revolutions that took generations to unfold elsewhere seem to be happening overnight; in literacy, in exposure to the wider world and in expectations for personal achievement and freedom.

Two-horse race

GDP, % change on a year earlier



Source: IMF

*Forecast

The Economist

Such factors may explain why, despite strides in raising living standards, Indians are not growing more cheerful. In 2018 they ranked alarmingly low in a Gallup survey of global well-being: just 3% said they were “thriving”, compared with 21% of Chinese. Moreover, India had sunk faster on the “happiness index” than Egypt, Greece or Yemen, which endured a collapsed revolution, national bankruptcy and a fierce civil war respectively. Strikingly, too, for a society so defined by caste, language and creed, India scored low on measures of social support. Many respondents said they had no one to count on in times of trouble.

In spite of the “Modi effect”, and in contrast to the ebullience of a decade ago, when India was at the tail of an economic boom, the mood today is anxious and unsettled. This special report will argue that for the country not only to prosper but to be strong as a nation, it needs to change course. Without sweeping administrative reforms, the government itself will remain hamstrung by inadequate capacity. Without a clearer vision and bolder approach to economic policy, India will continue to underperform. Without a firmer commitment to its own constitutional principles, the drift towards authoritarianism will accelerate. And unless Indians resist Mr Modi’s push towards heavy Hindu majoritarianism and instead embrace their diversity, what will soon be the world’s most populous country may remain a largely unhappy one. ■

The prime minister
What does Narendra Modi want?

Is it bold economic reform or a Hindu state?

[Print](#) | [Special report](#) Oct 24th 2019



Zuma/Eyevine

INDIA'S PRIME MINISTER has a knack for puns. "Hard work is stronger than Harvard," he quipped when Amartya Sen, a Nobel prizewinning economist, criticised his policies. During last spring's re-election campaign Mr Modi relentlessly needled his chief opponent, Rahul Gandhi, the Congress party leader and fifth-generation scion of India's most illustrious political family. The choice, growled the prime minister at rallies across the country, was between *naamdar* and *kaamdar*—those who rely on a fancy name, and those who achieve through hard work.

The cheers brought by such snappy juxtapositions, as well as cascades of votes, tell of more than Mr Modi's skill with words. They show the depth of resentment he has been able to tap into, simply by parading his own modest caste origins and posing as a proud working man. In the decades when the Congress party dominated politics, paunchy politicians moved into colonial-era bungalows and travelled first class. Sweeping reforms in the 1990s lifted living standards for everyone, but also widened gaps between rich and poor, and between fast-rising aspirations and more slowly evolving opportunities. The same anger that has swept the developed world against self-appointed elites emerged especially strongly in India. Polls showed that Indians, more than citizens of any other democracy, craved a strong leader or even army rule.

In 2014 Mr Modi seemed just the man. He presented himself first and foremost as an honest, powerful, capable administrator who could fix problems and work for ordinary people. Those ordinary people liked what they heard, and so did businessmen. Tired of bureaucratic sludge, they cheered Mr Modi's promise of "minimum government, maximum governance". Addressing concerns raised by his failure as chief minister of Gujarat to prevent a pogrom in 2002 that left some 2,000 people, mostly Muslims, dead, Mr Modi declared that *sabka saath*—all together—would mean *sabka vikas*—development for all.

He also presented a second image of himself: as a devout Hindu combining personal piety, celibacy, closeness to grassroots right-wing Hindu groups and toughness on Muslim issues. The combination of the two made him a powerful campaigner. In office, however, it is not clear which face dominates, the ideologue or the can-do reformer.

Mr Modi's government has rolled out, or appropriated and re-energised, dozens of central-government programmes: Smart Cities to eradicate urban squalor, Make in India to boost manufacturing, Digital India to overhaul the supply of government services, along with Clean India, Stand Up India, Start Up India and so on.

Many of these programmes have been successful: a campaign to replace wood and dung stoves with gas cookers has prevented tens of thousands of lives from being shortened by indoor air pollution. But it is not clear if other initiatives have been

as successful as Mr Modi's administration claims. Polls show that a large majority of voters believe he has boosted India's prestige in the world, though the main evidence of this seems to be television footage of his foreign visits. Mr Modi's first term in office could hardly be called transformative. Expected reforms of antiquated administrative structures and of restrictive laws governing labour and land did not materialise. Except for a hardening of rhetoric towards Pakistan, there were no big shifts in foreign policy.

The biggest transformation came in the prime minister's office itself. Shunning press conferences, and instead connecting directly with voters via radio talks, tweets and a dedicated "NaMo" app, Mr Modi has made his role far more presidential. Appointing relatively weak ministers, he has pulled more powers into his own office. And he has skilfully and ruthlessly used state institutions to influence the media, punish perceived enemies and undermine the opposition.

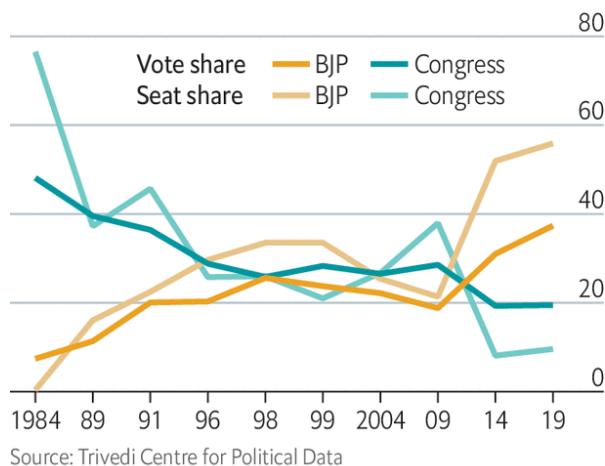
It would seem that Mr Modi's main focus during his first term was to establish control. Entering his second term with an increased majority of the Lok Sabha's 545 seats, he faces few checks. True, the BJP won only 38% of the vote, against a respectable 19% for its only real rival, Congress. But the older party's successive losses have left it demoralised and fragmented. In the few states that it still runs, it is fighting for survival. The power that Mr Modi wields now places him closer to Turkey's Recep Tayyip Erdogan or Vladimir Putin than to more constitutionally constrained populists such as Donald Trump or Brazil's Jair Bolsonaro. Now that he has consolidated his power, what will India's strongest leader in a generation do with it?

Mr Modi has few academic credentials. His real education came in the Rashtriya Swayamsevak Sangh (RSS), the "volunteer organisation" that is the quiet, steady flagship of an armada of Hindu-nationalist (or "Hindutva") groups. In his 20s Mr Modi served as an unpaid *pracharak* or devotee of the RSS, soaking up ideas of India's past glories and of its subsequent humiliation under 1,000 years of Muslim and Christian rule. His political career began when in 1985 the group assigned him to work in one of the newer members of the Hindutva "family", the BJP.

The party was a big success. It captured power in Gujarat in 1995 and made Mr Modi the state's chief minister in 2001 before elevating him to its national leadership in 2013. He not only led the BJP to two thumping general-election victories, but in the capable fists of his chief henchman from Gujarat, Amit Shah, the party has expanded its membership to 180m people (making it the world's largest political party) and, with its allies, stormed to power in 18 out of the 29 state assemblies.

Changing of the guard

India, dominant parties' vote share in national elections and seat share in Lok Sabha, %



Source: Trivedi Centre for Political Data

The Economist

During Mr Modi's first term, hardline Hindus complained that their agenda was not vigorously pursued. His government did move gently on such touchstone Hindutva issues as the building of a Ram temple atop a demolished mosque in Ayodhya, and demands to stamp Indian rule more firmly onto the restive, Muslim-majority state of Jammu & Kashmir. Quietly, however, it carried out a wholesale turnover of personnel that has transformed key institutions. In effect, Mr Modi has implanted a new, RSS-friendly nomenklatura nationwide, ranging from Yogi Adityanath, a far-right Hindu priest who is now chief minister of Uttar Pradesh, India's most populous state, to the pliant heads of state universities, friendly judges, army officers, boards of state-owned firms and bosses of private news networks.

In his own office, say former bureaucrats, Mr Modi's preference for "hard work" over fancy degrees has often meant rewarding loyalty over competence. The previous Congress government frequently ignored advice, says Puja Mehra, author of a book that laments lost economic opportunities under both governments. Mr Modi's simply got rid of dissenting advisers. The director of a think-tank concurs. "His inner circle don't listen to anybody with an independent mind. They say, 'first agree with me,'" he says. "Our civil-service culture is attuned to anticipating what the big man wants. And what Modi wants is control."

So far in his second term, Mr Modi's team has shown less circumspection about its Hindutva agenda. Ram Madhav, a BJP leader, penned a post-election op-ed that hinted at more aggressive purges. The party's new mandate, he wrote, is a rejection of "the pseudo-secular/liberal cartels that held a disproportionate sway and stranglehold over the intellectual and policy establishment of the country". In a second term, he insisted, "the remnants of that cartel need to be discarded from the country's academic, cultural and intellectual landscape."

Mr Modi's move in August to tear down seven decades of complex constitutional niceties that had afforded the Muslim-majority Indian state of Jammu & Kashmir ostensible autonomy was a shock, but one that plenty of opponents had foreseen. The move split the territory in two, placed both parts under direct rule from Delhi and clamped 7.5m people under a virtual blockade. With the issue of the Ram temple having reached India's supreme court, a BJP minister in Uttar Pradesh crowed that it would soon be built because "the judiciary is ours".

Apparently not concerned that a campaign in the state of Assam to check nationality credentials has labelled nearly 2m residents as foreigners, Mr Modi's government is building prisons to hold them, and says it plans to expand the exercise across the country. Amid Hindutva complaints that many of the supposed intruders are Hindu, the government plans a law that, in a worrying challenge to the secular constitution, will accept refugees from nearby states as long as they are not Muslim. In the meantime Mr Shah, the home minister, has used the BJP lock on parliament to force through laws that reinforce powers of arbitrary arrest and weaken public oversight.

The prime minister has, to a large extent, already achieved a long-standing goal of Hindu nationalists, by cutting across caste and ethnic boundaries to forge an unusual degree of unity among Hindus. But in doing so he has deepened yet another of India's divides. For decades the country's underlying debate has been about whether to be strong by embracing diversity as a nation of citizens with equal rights or by fashioning India as a Hindu state.

Many, perhaps even most, of his own voters may not have intended it, but Mr Modi's election victory has settled that debate in favour of Hindutva. And Mr Modi may not have intended it, but at street level the shifting balance can be seen in cruder form, as Hindu vigilante groups violently enforce bans against the slaughter of cows, or simply harass people who too obviously belong to the world's largest minority, India's 190m Muslims.

The underlying message is that either Muslims submit, or they fight and we crush them, says Harsh Mander, who runs a group working with victims of communal violence. He fears the country has rejected ideals of kindness and consensus in favour of self-righteous force. "When there were riots in Delhi after Partition, Mahatma Gandhi said he would not leave the city until there is not a single Muslim child who would feel afraid here," he says. "And look where we are now." ■

Foreign policy

India's foreign policy remains cautious and unimaginative*Even as the world beyond India is being transformed*[Print](#) | [Special report](#) Oct 24th 2019

New York Times/Redux/Eyevine

INDIA STAYED aloof during the cold war, happy to be the flag-bearer for non-aligned nations. With the rise of China and the retreat of America transforming international relations, and with India's growing sense of its destiny as a soon-to-be great power, some observers believed its foreign policy might change, too. Yet Narendra Modi has struggled to match the country's big ambitions with its still-limited capabilities.

The relationship with America has grown closer. But for all the razzmatazz of Mr Modi's recent rally with Donald Trump in Houston, there has been little progress on difficult issues. A mooted trade deal fizzled as the American team blamed India for protectionist policies. Mr Trump shook his head at India's "very aggressive" tone towards Pakistan. And, though Mr Modi loudly endorsed Mr Trump, that may look less wise as impeachment proceedings against the erratic American president unfold.

There are particular pitfalls to dealing with the Trump administration. Yet the mix of going big on public relations while reaping relatively small political dividends seems to be a signature of Mr Modi's foreign policy. He has shared photo opportunities with Vladimir Putin and Xi Jinping as often as with Mr Trump, with similarly scant returns. Russia, long India's main source of weapons, now sells weapons to Pakistan, too.

Mr Xi has avoided direct friction with India at disputed spots on their long, mountainous frontier. But China has made deep inroads in India's backyard, wooing countries such as Nepal, Sri Lanka and Bangladesh. It has also grown even closer to Pakistan, propping up its economy with billions of dollars worth of arms, infrastructure and investment. China's navy intrudes with growing frequency into the Indian Ocean, challenging India's traditional dominance of its own back yard. Yet although the Indian fleet struggles to keep up, Mr Modi still seems to fear partnering with maritime powers that share his unease about Chinese intentions.

So non-alignment has continued. This means that, although it has no real enemies apart from Pakistan, India also has few friends. That would be fine if it were stronger militarily or economically. But among larger powers it stands out as the only one that relies chiefly on imported arms, and whose military budget is spent largely on salaries and pensions. In addition, its relationship with Pakistan seems stuck, never able to get beyond the ugly tit-for-tat that has characterised the past 70 years. When India struck a guerrilla training camp in Pakistan last February, in retaliation for a terror attack that killed 40 of its soldiers in Kashmir, the Indian public cheered loudly, but the ensuing crisis between the nuclear-armed neighbours necessitated emergency intervention by outside powers.

It says much that Mr Modi's biggest foreign-policy success may be to have achieved a relatively muted global response to his recent actions in Kashmir. Yet the lack of international condemnation may reflect compassion fatigue and dislike of Pakistan more than Delhi's diplomatic skill. Abroad, as at home, Mr Modi's dreams are bolder than his actions. ■

Economy**A downturn in India reveals the desperate need for deeper reform***Narendra Modi is belatedly making changes, but will they be enough?*[Print](#) | [Special report](#) Oct 24th 2019

AFP

WITHIN A FEW years, Indian planners hope that bullet trains will reduce the time taken for the 500km (310 miles) journey between Mumbai, the commercial capital, and Ahmedabad, the biggest city in Mr Modi's home state of Gujarat, from six hours to just two. For now, laws that protect tiny properties are holding up the railway's construction. Two years after breaking ground, the Japanese-financed project has not yet managed to acquire even half the land it needs. By contrast, China added another 4,000km of track for its nationwide high-speed network in 2018 alone.

Historians reckon that the two Asian giants have had roughly equal economies for much of their history. Only since the 1990s, when China began its daring, deep-seated economic reforms, has it raced ahead. Its nominal GDP is now five times India's. The dragon has slowed its pace, but even so, notes a report by Rakesh Mohan, a Yale professor and former deputy governor of the Reserve Bank of India (RBI), the country's central bank, it is still adding the equivalent of a quarter of India's economy every year. If India were to sustain its GDP growth per person of 7%—about its average for the past two decades—to 2030, it would barely have got to where China is today. And even that may prove ambitious.

Now, with alarming speed, India has gone from being the world's fastest-growing large economy to something more like a rumbling Indian railway train. In the quarter to June, growth slipped to 5%, the slowest in six years. Other indicators are more worrying still. Sales of trucks and buses fell 45% in the year to September, and even sales of cheap biscuits and soap have contracted. The 88% drop in overall credit flows to businesses in the two quarters to September compared with the same period last year suggests a virtual freeze on lending.

Believing its own boosterism, the government failed to see the signs. Yet even as the slowdown became more pronounced, Mr Modi still managed to get himself re-elected in May with a huge majority. The first budget of his second term, announced in July by the incoming finance minister, Nirmala Sitharaman, signalled business as usual. The emphasis was on new taxes, more handouts, more regulations, a further bail-out of public-sector banks and the airy goal of doubling India's GDP to \$5trn within five years. As the summer wore on, however, it became clearer that the economy had turned against Mr Modi, even if the electorate had not. The big question now is whether the downturn will be bad enough to force the prime minister into some of the much-needed reforms that he avoided in his first term. Some changes have started to be made in the past few months.

Initial tweaks in August had little effect, but on September 20th the government abruptly decreed a sharp cut in corporate tax, from an effective rate of 35% to a far more competitive 25%. The move prompted Mumbai's biggest stockmarket leap in a decade. The market's instant, oversized joy suggests two things. One is that there is a great deal of pent-up energy in

the Indian economy, waiting to be released by wiser government policies. The other is that if Mr Modi's government puts in some effort, it is capable of coming up with those wiser policies. Businesses are watching to see what will follow. There are rumours of a sweeping privatisation drive. But it is unclear whether Mr Modi's reforming side can override his conservatism, which reflexively favours an interventionist state, protectionist trade policies and the opinions of Hindutva trade unions, small business lobbies and ideologues.

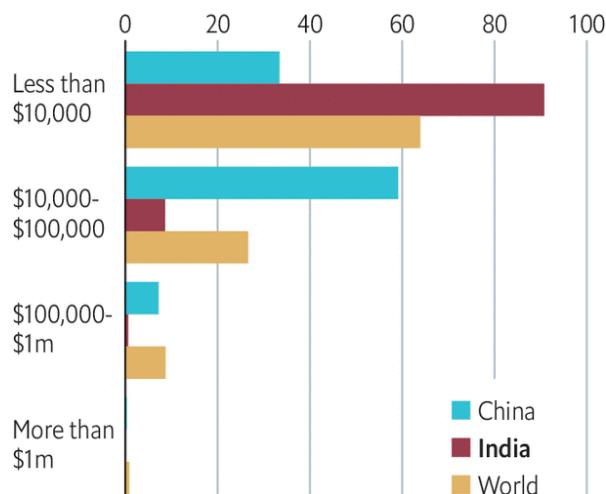
Some progress

These tensions played out during Mr Modi's first term, which saw the introduction of some welcome reforms. A long-overdue bankruptcy law theoretically reduced the time to settle a business failure from around four years to nine months. The GST did, for all its paperwork, abolish absurd interstate duties and so sped up internal commerce. Fiscal discipline kept inflation modest. Infrastructure—and in particular power supplies—improved substantially. Over the past decade 30m more Indians every year have been connected to the electric grid, which now reaches 90% of all homes. India climbed a stunning 65 places up the World Bank's Ease of Doing Business Index and pulled in record hauls of foreign investment, totalling more than \$35bn in each of the past three years.

Yet the government shied away repeatedly from risking its political capital on deeper structural reforms. Labour laws that make hiring and firing too expensive remained a block to growth, as did laws making it hard for companies to acquire land. Such blockages continue to hamstring efforts to expand India's manufacturing base, Chinese-style, to create plentiful low-paid factory jobs for rural migrants. Instead of supporting small business, the government experimented with shock demonetisation, fancy new taxes and heavier enforcement. Rather than promoting trade, it scrapped existing bilateral deals, raised tariffs and sparred with the WTO. Disappointing his own business constituency, Mr Modi dodged calls to privatise some banks, industries and utilities, instead forcing healthy state-owned firms to swallow sick ones.

A long way behind

Wealth per adult, 2018, %



Source: Credit Suisse Global Wealth Databook

The Economist

At the same time, regulators moved too slowly to deal with an urgent problem. Driven by starry forecasts and cronyism under the previous government, state-owned banks had let non-performing loans inflate to a \$200bn balloon. Then, caught in the glare of increased scrutiny, they reined in lending, further crimping investment and pushing credit-seekers towards non-banking financial corporations (NBFCs). In October 2018 a default by one of those caused hiccups across the financial sector. Despite \$30bn in government bail-outs for state banks, and a slow decline in non-performing assets, lenders and borrowers remain wary.

Though foreign direct investment stayed strong in Mr Modi's first term, all but a trickle of the new money poured into services and a few big acquisitions, rather than job- or export-generating industry. The largest single deal saw Walmart, an American retail giant, splash out \$16bn for control of Flipkart, an online retailer. The ink had scarcely dried on Walmart's cheque before the government radically changed the e-commerce rules that had underpinned Walmart's decision to invest. Small traders, who are an important part of the influential Hindutva business lobby, had pressed the government for changes, revealing the kind of obstacles that reforms have to overcome.

All the while, talk of Indian growth obscured such facts as declining farmgate prices, stagnant urban wages, flat exports, rising household debt, a long-term decline in savings and investment rates, and flat or falling consumer spending.

Some of India's top economists did notice the gloomy numbers and realised that since the country's statistics agency changed its methodology in 2011, there had been growing divergences between calculations of GDP and a range of other indicators. The doubters, who include Arvind Subramanian, the government's chief economic adviser from 2014 to 2018, do not suggest foul play but rather poor methodology, compounded by the difficulty of measuring an "informal" sector that makes up 45% of the economy and accounts for 75% of employment. If the critics are right, growth since 2011 may have been overstated by 2-2.5%

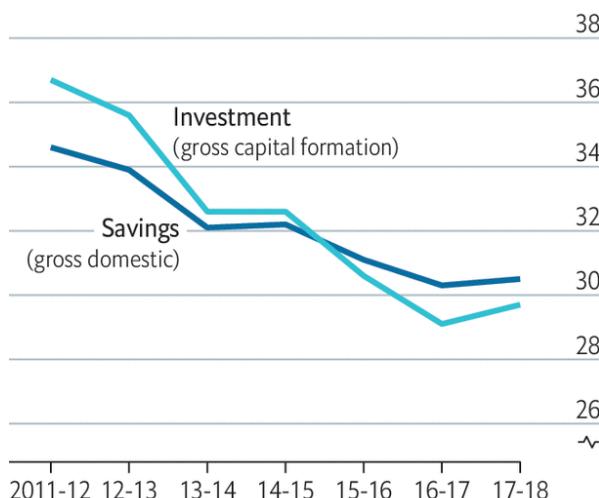
a year. As Mr Subramanian notes, the trouble with bungling the numbers is that it is like driving with a faulty speedometer. Indeed, the strongest proof that growth was overstated may be that India appears to have driven off course. The current slump can largely be ascribed to policies followed in the mistaken belief that India was hurtling along at 7-8% annual growth, when the reality was more like 5-6%.

Since the slowdown has taken hold, Ms Sitharaman has scrapped the most onerous of new taxes and compliance rules. She also announced the government would support NBFCs, and top up a range of schemes meant to ease access to export credits and housing loans. Amid a series of rate cuts by the RBI, the government also imposed a slew of mergers between state-owned banks that will, in theory, improve their books and make them keener to lend. The sudden move to slash company taxes came with a further sweetener, a two-year window for new industrial investments to attract a rate of just 17%.

Businesses have broadly welcomed all these moves, as well as having their tax cut by a third, but concerns persist. Though the supply-side tinkering helps, it does not indicate personal attention from Mr Modi, let alone the kind of policy shift many feel is needed to kick-start growth. “The lack of economic vision baffles me,” says a conservative think-tank scholar who now regrets voting for Mr Modi. “They get this monster electoral verdict, and then do nothing?”

Decline and fall

India, % of GDP



Sources: RBI; Central Statistics Office

The Economist

Turning ten stodgy state banks into four bigger ones, for instance, may indeed strengthen the financial sector in the long term. More immediately, though, it ties up the institutions just when the economy needs them. The government promises to buy itself more cars, and to lower interest rates on housing for public servants, but neglects stronger demand-side prods such as rural public works. Ms Sitharaman talks of tweaking export credits and speeding tax reimbursements for exporters, when letting the overvalued rupee drop would boost exports even more. She has chastised tax officers for being overly aggressive, but aside from the cut in corporate rates that simply brings India closer to world averages, has proposed no other bold tax relief.

This is badly needed. India has some of the world’s most convoluted taxes, and enforces them with gusto. GST paperwork is tricky. Rates for some goods are ruinously high. Cement and cars are taxed at 28% (plus hefty further taxes for cars), which is odd if you wish to save manufacturing jobs or spur housing investment. Some personal stories are hair-raising. One luxury-goods executive complains that inspectors invaded his home at gunpoint in the middle of the night and held him and his wife hostage for two days, threatening jail for not co-operating as they poked through his cupboards. They found nothing, but left the businessman shaken. He has decided to leave the country.

Can't rely on unicorns

Despite the gouging, the government is faced with a chronic deficit. It pretends this is a mere 3.4%, but after allowing for hidden off-budget liabilities and state debts, overall government borrowing is closer to 9%. August brought a reprieve, with a hefty and controversial dividend payment from the central bank to shore up revenue. But those off-budget fudges, demands from states and shrinking tax receipts will soon start to squeeze the exchequer.

The gloom is not universal. The \$180bn IT sector, centred on boomtowns like Bengaluru (formerly Bangalore) and Hyderabad, continues to prosper. NASSCOM, an industry body, counted 7,200 start-ups in 2018, of which eight became “unicorns”, valued at over \$1bn. Tata Consulting Services passed another milestone for Indian IT firms, reaching a market capital of \$100bn. The sector cannot pull the rest of India along, however, and has its own limits. NASSCOM predicts that automation is likely to shrink the number of IT jobs—currently more than 4m—by some 14% in the next five years.

Population growth, rising productivity and growing aspirations can probably propel a big, diversified economy at a steady 5%. Barring a global crisis, even without ambitious new policies, India may be able to climb out of the current doldrums. Returning to the trajectory of 7-8% growth would take a little longer.

With luck, in a few years' time, the present slump may be regarded as a useful catalysing moment, like the economic crisis of 1991 that sparked India's initial market reforms. But bringing back the brash, risk-taking ebullience of the mid-2000s will not be easy. Many believed Mr Modi when he promised *achhe din*—good times—in 2014. Starting his second term with a deep slump, he has no one to blame but himself. Worse, say critics, he has no one to turn to. Ms Sitharaman is tough and straight, but her team does not inspire confidence. “We always had bad institutions, but a few really talented people—ninjas who could go in and make things work,” says a former finance-ministry mandarin. “Now it's a Trumpian wasteland.” ■

Three challenges**Environmental, educational and administrative gridlock threaten India's future***The prime minister needs to deal with these three key challenges*[Print](#) | [Special report](#) Oct 24th 2019

AFP

INDIA'S INFRASTRUCTURE is creaking, its health-care system even more so. Poverty and inequality remain omnipresent, and now the economy is struggling. Narendra Modi's to-do list is long. But there are three issues that, if dealt with, could bring about big improvements. The environment is one. Twelve of the world's 15 most polluted cities are in India (see chart), and the country ranks 120th of 122 on the global index of water quality. A second is education. As more people move to cities for the first time, it is crucial that they are trained to find jobs in India's 21st-century economy. A third issue is administration. With its basic structures unchanged since the British Raj, India's government is undermanned, unevenly deployed and badly equipped to cope.

Take the environment first. A visitor from the past would scarcely recognise the plains of Punjab and Haryana in northern India. Vast irrigation works, mechanised farming and hybrid seeds have greened the horizons, turning once-hungry India into a big exporter of grain. But now a visitor may not even be able to see the plains. Every year farmers setting fire to rice stubble create a dense seasonal smog. This mixes with diesel exhaust, smoke from coal-fired power stations and other noxious gases to form a toxic cocktail engulfing the whole north Indian plain from Lahore in Pakistan to Dhaka in Bangladesh, where some 800m people live. The bad air may cause as many as 1.2m premature deaths a year, and shave four years off the average lifespan.

Some of this comes from changing agricultural techniques. Mechanical harvesters leave the rice stubble longer, so it cannot be ploughed in and must be burned. "What do you expect us to do?" shrugs a turbaned farmer near Karnal, a rural town 100km north of Delhi. But much of India's air pollution is simply the price of progress. Western countries went through it and their democratic process forced them to change. China is passing through it, too, but its one-party state can wield a big stick at polluters. India is stuck in between, with a democracy that is not robust enough to force environmental-policy change.

Gasp

World's most polluted cities, 2018

Micrograms per cubic metre*

Rank	City	Average Pollution
1	Gurugram, India	136
2	Ghaziabad, India	135
3	Faisalabad, Pakistan	130
4	Faridabad, India	129
5	Bhiwadi, India	125
6	Noida, India	124
7	Patna, India	120
8	Hotan, China	116
9	Lucknow, India	116
10	Lahore, Pakistan	115
11	Delhi, India	114
12	Jodhpur, India	113
13	Muzaffarpur, India	110
14	Varanasi, India	105
15	Moradabad, India	105

Source: AirVisual World Air Quality Report 2018

*PM_{2.5}

The Economist

On paper, India has strong laws and institutions for protecting the environment, including a powerful National Green Tribunal, which helps bolster enforcement. Mr Modi's government has taken some big steps, adopting stricter vehicle-emissions standards, and achieving some ambitious solar-power targets. It is spending \$150m on public messaging and new equipment to dissuade farmers from burning their fields, and has closed down some urban coal-fired power stations. Indians are not victims of deliberate policies but of a systemic failure to account for, and deal with, the uglier side-effects of progress. At the climate-change talks that led to the Paris agreement, Indian diplomats argued for, and won, relatively lenient commitments, having pleaded that it was unfair to be punished for following the same path as developed economies.

India promised, for instance, that solar power will make up an impressive-sounding 36% of its generation capacity by 2030. Yet the government itself predicts that it will still account for just 23% of actual generation as opposed to capacity. Coal's share is expected to fall from 74% to 50% of the mix, but since the total amount of power generated will grow, that still means adding more coal-burning power plants. These suck up precious fresh water and spew out greenhouse gases. Whereas the growth in carbon-dioxide output has slowed or fallen in much of the world, including China, in India it has doubled since 2005.

As for water, a near-total reliance on moody monsoons has not made Indians careful users. Around 70% of surface water is thought to be polluted, and pumping from 20m tube wells has dangerously lowered groundwater levels. Indian farmers use more groundwater than America and China combined. They draw as much as 6,000 litres of water to produce a kilo of rice, compared with as little as 600 in China. This is because for 50 years Indian governments have subsidised farming. Water for irrigation is free, and seeds, diesel fuel, electricity and fertiliser are all sold below cost. As a result, India now has a 70m tonne grain mountain and a 15m tonne sugar mountain. It ranks as the world's biggest exporter of virtual water, shipping out the equivalent of nearly 100bn cubic metres a year in its exports of rice, textiles and other goods.

Lack of access to clean water kills an estimated 200,000 Indians a year, and sickens millions more. Once-pleasant rivers such as the Yamuna in Delhi and the Mithi in Mumbai are devoid of oxygen and black with sewage. Bengaluru's suburban lakes now regularly burst into flames or erupt in towers of toxic foam. Between pollution, overuse and global warming—which appears to be making the monsoons more capricious and slightly less generous—India is fast approaching a water crisis.

Yet shifts in policy have been slow and piecemeal. Governments have preferred big, showy dams and canals to investing in urban sewage networks or enforcing rules on effluents. Many of the impressive 100m toilets built in Mr Modi's first term stand idle for lack of water. His government now plans a nationwide programme to bring piped water to every home—a transformational move if it can pull it off. Yet, wary of rural voters, it has shied away from fixing an appropriate pricing structure to reflect the rising value of water.

Only when it does is there likely to be the sort of decisive shift towards cities that China has recently undergone. Two-thirds of Indians still live in rural areas, compared with 41% of Chinese. One of the main reasons for lower urbanisation is that subsidies to farmers make small rural holdings sustainable. More than drought or flood or government neglect, the resulting lack of profitability is the real root of India's rural distress.

As more Indians become city-dwellers, one thing they need is better education. Although some states—Kerala being the champion—are approaching universal literacy, others trail far behind. And though the official claim of 75% literacy sounds

respectable, more detailed studies raise doubts. The most recent report by ASER, an NGO that has undertaken annual surveys of rural schools since 2005, reveals rising attendance, an overall improvement in school facilities and an encouraging, albeit small, recent rise in learning levels. Even so, barely half of fifth-grade students nationwide had reached second-grade reading level, and less than a third were able to do basic maths. Among students completing eighth grade, some 27% could still not read at second-grade level, up from 15% ten years ago.

Such results suggest not just that India's 1.5m schools are generally bad, but that many children fail to develop important skills and yet still move up to the next level. The trouble is not limited to rural elementary schools. Aspiring Minds, a recruitment firm that tests millions of tech-industry applicants every year, reckons in its latest report that only 1.5% of India's engineering graduates possess adequate skills to work in data-driven fields. More disturbing, this "employability ratio" has not improved since the company's first survey in 2010.

It is easy to ascribe such poor outcomes to low government spending on education. For decades, this has lingered below 4% of India's GDP, far below the world average. A disproportionate share of that, too, has gone to higher education, to ensure that India has a trained elite to run the country. As a result, many of India's top state universities are indeed globally competitive. The downside is that its ordinary state schools are not.

Karthik Muralidharan and Abhijeet Singh, two economists, say the solution is not just to spend more money, but to change the culture and structure of Indian education. Schools are so geared to passing exams that they fail to impart skills or values. Teachers have limited time or motivation to teach slower students.

Yamini Aiyar of the Centre for Policy Research, a Delhi think-tank, suggests the trouble starts higher up, in the educational establishment. The whole system, she argues, is designed and incentivised around enrolment and infrastructure rather than learning. The focus on measurement may reflect the scale of the challenge of managing so many schools in such diverse conditions. But add to this an 18% rate of absenteeism among teachers and it is not surprising the system is struggling.

To the relief of education experts who have long pleaded for reform, Mr Modi's government is considering a draft national educational policy that admits to a crisis. Its chief recommendation is for a massive focus on literacy and numeracy at the foundation stage, so that children stop falling behind. That would be a good start.

A third challenge facing Mr Modi is one that plagues every Indian government: its tools are not up to the task. Almost uniquely among large developing countries, India does not have a bloated administration. Its bureaucracy is underweight and overstretched. In the words of Milan Vaishnav of Carnegie, a think-tank, "India is a 21st-century economic and diplomatic entity powered by a 19th-century state."

The vaunted "steel core" of government, the elite Indian Administrative Service, is made up of just 5,000 active officers, the same number, in proportion to the population, as when this correspondent's great-grandfather joined it in 1889. That is some 1,500 officers short of the service's full strength, made worse by politicians' habit of shunting them from post to post. Similar levels of understaffing, as well as the "transfer Raj" of frequent repostings, and mismatches between skills and duties, plague every other Indian service, from the courts to schools to the police.

The result is not just poor service. As many as 37% of high-court and 25% of district-court positions remain unfilled, which helps explain why Indian justice carries a backlog of more than 30m cases. If the most congested courts worked as efficiently as the least congested, one study found, India's overall productivity would rise by 5%, an annual gain to GDP of some \$150bn. Considering that India spends a miserly 0.12% of GDP on justice, hiring enough judges to sit in courts would seem a useful investment.

Free the cities

If government is too flimsy, it is also the wrong shape, thin at the central and local levels but fat at the state level. Big cities, in particular, have neither the independence nor the political clout to cope with rapid urbanisation, let alone to plan for the future. "It is ironic that India, which is constitutionally federal, is less devolved than China," says an urban-studies researcher.

Mumbai, the richest and most populous city, is run by the same unelected bureaucrats who manage the surrounding state of Maharashtra, similar in size and population to Vietnam or Germany. The 22m Mumbaikars are at last getting a metro system. Until now, public transport consisted of a rumbling state-run bus service and a Raj-era suburban railway, managed from distant Delhi, that is so crowded and precarious it kills some 3,000 commuters a year.

Freeing Indian cities to run their own affairs would cost very little but substantially boost the quality of life for millions of people. The reason it does not happen is political. In states like Maharashtra, party bosses like to milk urban areas to pay for vote-buying rural schemes. They also prefer big infrastructure to more mundane measures like making streets tidier or safer. If India is to thrive, the cities where the majority of Indians will soon be living need to be much better run. ■

The future**Narendra Modi must reassure Indians that he is committed to democracy***To do this he must overcome his instinct towards Hindu nationalism*[Print](#) | [Special report](#) Oct 24th 2019

AFP

INA small town in Gujarat in the early 1960s, the teenage son of a local grocer staged a school play. It was about a Dalit mother whose son falls ill. No doctor will treat the “untouchable” child. Even a priest shoos away the woman when she begs for the flowers that worshippers offer to the gods, which are said to have healing powers. At last he relents and hands her a single yellow bud.

The young playwright was Narendra Modi and the story gives an early hint at his desire to improve the lot of India’s most downtrodden. The problem is that, even though he now has the power to do much more than hand out flowers, he still seems to prefer symbol over substance.

That is not to say that the lives of dalits have not improved. In Sapawada, a village near Mr Modi’s home town, half a dozen Dalit families share a narrow alley. Ramesh, a day labourer, says that being an untouchable used to be brutal. Now, though, Dalit women are seldom molested or kidnapped. Their children have long since been allowed to go to the village temple and government school. Yet they are still told to sit at the back of class and ask no questions, so they fall behind. Other streets in the village have piped water, and toilets too, except for the dalits’ lane, which relies on wells and the neighbouring fields. “They still expect us to do demeaning work like removing carcasses,” says Ramesh. The nearby Honda and Suzuki plants hire dalits only for cleaning jobs.

Across the country and up and down the caste scale, the experience of progress is similar. Everywhere there is improvement, but much hardship and injustice remains. More dramatically than in America or even China, India’s new wealth has accumulated disproportionately at the very top of the pile. Asia’s richest man, Mukesh Ambani, lives in a \$1bn, 27-storey Mumbai town house and sends out invitations to his daughter’s wedding costing \$4,000 each, about as much as four poor rural families spend in a year.

For all too many, the experience of Indian democracy has been of promises made and broken. Mr Modi, as all but his bitterest critics admit, has made bigger, more effective efforts to expand the reach of government help than any previous prime minister. But he has also made bigger promises. The 230m Indians who voted for him now expect him to honour them. They want better living standards, more access to clean water, decent education and health services. They want honest government, impartial justice and a strong India.

Will Mr Modi use his massive mandate to bring them a better life? With India in a deepening, self-inflicted economic slump, the answer hangs on which version of the prime minister they get: a reformer determined to use his power to unleash India’s

potential, or a master manipulator with a much narrower vision of India's destiny. Unfortunately, judging from his record of six years in power, people are right to be concerned that the prime minister is less likely to raise India's standard of living than to offer them instead the "yellow flower" of feel-good Hindu majoritarianism. This could do permanent damage to the country.

Mr Modi's instinctive authoritarianism threatens many of the freedoms that make his country so successful. One omen of change is that, in a place as famously chatty as India, few people were willing to be quoted by name in this special report. "They are not just telling us to be positive in public any more," whispers a high-tech tycoon at a fancy Mumbai dinner. "They are dictating what they want us to say."

Just now, the hold of Mr Modi's party is not just impressively strong but potentially suffocating. BJP leaders often say they aim not simply to beat their rival but to make India "Congress-free". If the BJP were just another secular party, that might not be so worrying. But many parts of the state, from investigative agencies to the once-vaunted Election Commission to national media and even the Supreme Court, now seem to move according to Mr Modi's script. Despairing at patronage from their own parties, opposition politicians have defected in droves. "If we opened our doors completely, no one would remain outside," jokes Amit Shah, the home minister.

Though Mr Modi speaks proudly of Indian democracy, Mr Shah has raised eyebrows by criticising the "weakness" of the multiparty system. More controversial still is his insistence that, following in the steps of Assam, a state that declared 2m of its residents to be non-citizens and is building camps to intern them, the experiment of creating a national register there should become nationwide. Minorities, especially Muslims, fear the focus of a massive citizenship sweep would be on them. The government's popular, though constitutionally questionable, moves in Kashmir, and the Supreme Court's failure to challenge them, have not helped.

Indian democracy is being undermined in other ways. Back in 2014, Mr Modi's most loudly proclaimed promise was to tackle corruption. Fewer top-level scams have emerged under his rule, and several high-profile cases—typically involving political foes of the BJP—have indeed gone to court. But low-level, rent-seeking graft is still pervasive.

A "reform" of Mr Modi's, the introduction of anonymous electoral bonds that place no limit on how much donors can lavish on political parties, simply legalises influence-buying. An independent watchdog group suggests that some 95% of these bonds have gone to the BJP. And if the proportion of elected officials with criminal records—currently 43% of MPs—is anything to go by, the nexus between politics and money is as strong as ever.

India remains a fiercely pluralist country, with a noisy and passionate opposition. But the balance of power has now shifted massively to one end of the spectrum. This places extra responsibility on Mr Modi. He can still choose whether to continue pursuing politics as a zero-sum game, where the winner takes all, or to recognise that it is healthier for India to have a level playing field. The vast majority of Indians want firm leadership and support Mr Modi. But they would be happier if he attended to things that need fixing rather than things that are not broken. And they would be dismayed if he ends up breaking their democracy—one of the things that makes all Indians rightfully proud. ■

Sources and acknowledgments

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Arvind Subramanian
KC Suri
Karan Thapar
Pragya Tiwari
Alex Travelli
Milan Vaishnav
Ashutosh Varshney

Here are a selection of books and other sources for readers who would like to dig a little deeper into the subject:

Walter Andersen and Shridhar Damle-The RSS: A View From The Inside

Raghav Chandra-Kali's Daughter

Pradeep Chhibber and Rahul Verma-Ideology and Identity: The Changing Party Systems of India

James Crabtree-The Billionaire Raj: A Journey Through India's Gilded Age

William Dalrymple-The Anarchy

Swapan Dasgupta-Awakening Bharat Mata

Elizabeth Flock-Love and Marriage in Mumbai

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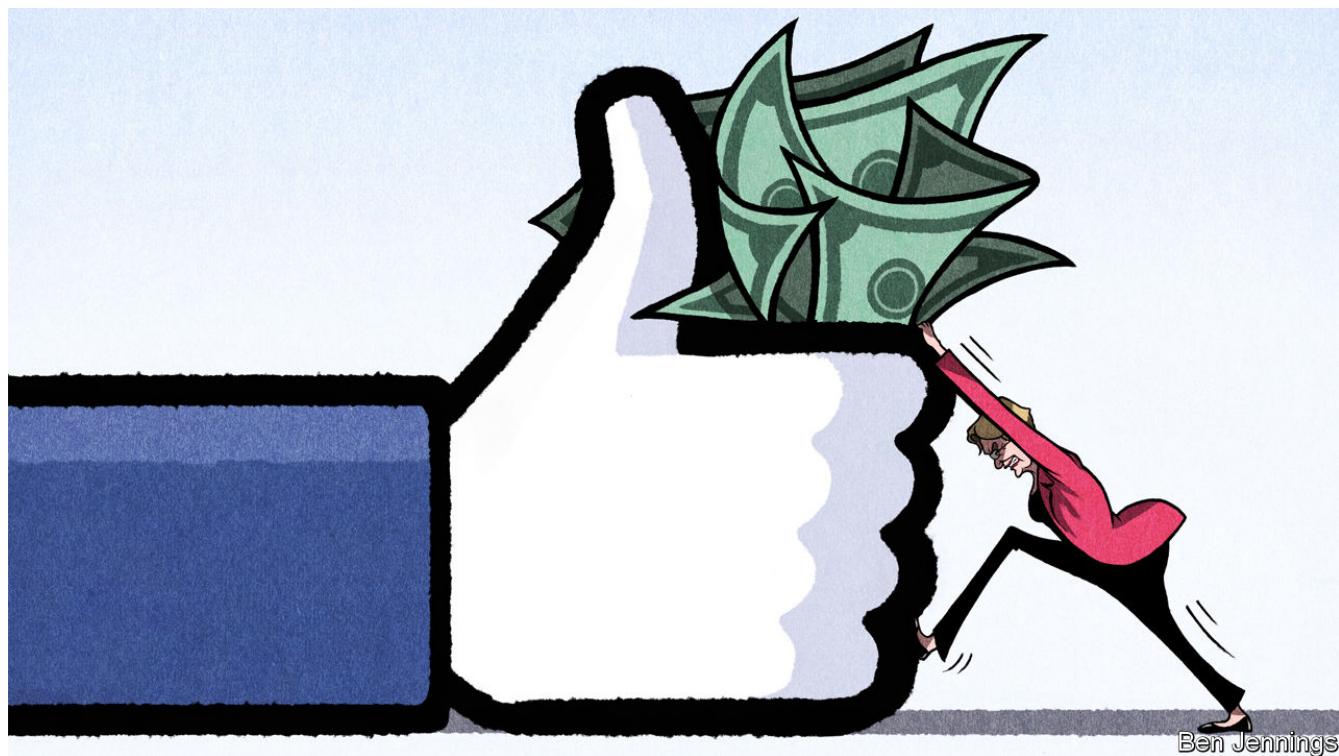
Big Tech and antitrust

How to dismantle a monopoly

Breaking up is hard to do Dismembering Big Tech

It would please investors, but is unlikely to happen

[Print](#) | [Business](#) Oct 24th 2019



“FATHER LENNON, have you some money? Buy Standard Oil.” That’s what John D. Rockefeller is said to have told his golf partner, a priest, when he heard the news in 1911 that the Supreme Court had ruled his oil company was to be broken up into 34 smaller firms. It was good advice. Within a few years the value of those firms rose threefold. The net worth of Rockefeller, who owned more than 25% of each, grew from about \$300m in 1911 to \$900m in 1913, around \$23bn in current dollars.

A break-up of today’s tech titans—Google, Amazon, Facebook and Apple—could also unlock vast value, say some with an eye on the industry. If the most radical plan, proposed by Elizabeth Warren, a leading Democratic contender for America’s presidency, were fully implemented, by some calculations the parts spun off alone could be worth over \$2trn—roughly half the value of the four complete firms today.

Ms Warren’s two-pronged scheme was presented in March, but it is now coming under closer scrutiny as her campaign for the Democratic presidential nomination gathers steam. The first part is relatively straightforward. She intends to unwind tech mergers deemed “anticompetitive” because they were undertaken to neutralise potential competitors. This is mainly aimed at Facebook, which in 2012 bought Instagram, a picture-heavy social network, for \$1bn and in 2014 paid \$19bn for WhatsApp, an instant-messaging service. Both of these, industry insiders argue, could have become serious rivals to Facebook. But Ms Warren also aims to undo other deals, such as DoubleClick, an advertising exchange bought by Google, and Whole Foods, a grocery chain acquired by Amazon.

The second prong requires more explanation. The tech titans are mostly two-headed beasts. They not only operate a market but compete in it too. Amazon owns the world’s biggest e-commerce marketplace and also sells products on it under its private labels. Apple hosts the app store on the iPhone but also offers its own apps. This creates incentives for these firms to promote their wares unfairly, for instance by showing them at the top of the result pages of their search engines.

Ms Warren wants operators of any online marketplace which generates annual global revenues of more than \$25bn to be declared “platform utilities” and prohibited from both owning a platform and doing business on it. At a minimum this would mean, for instance, that Amazon would have to spin off its private brands, in particular Amazon Basics. Apple would have to shed such apps as Mail and Maps.

Determining the effect of break-ups is tricky, though an analysis of the revenues of various parts of the tech titans’ businesses gives a sense of their worth (see chart). Equity analysts who engage in “sum-of-the-parts” (SOTP) analysis also try to estimate the value of bits of a business using similar firms as a yardstick. Their over-excited assessments of how much these might be worth sometimes look like flights of fancy. But the approach may work reasonably well for business units that have closely comparable peers, such as Instagram. In June Bloomberg Intelligence reckoned that Instagram would fetch \$100bn (although some in Silicon Valley put the number much higher, at around \$200bn, because of its fast growth). Brent Thill of Jefferies, a bank, values Amazon’s online retail business (including Amazon Basics, but without its marketplace) at nearly \$200bn and the firm’s physical stores (mostly Whole Foods) at up to \$6bn.

Give them a break?

2019 revenue forecast, as % of total

Alphabet (Google)

Total: \$132.2bn



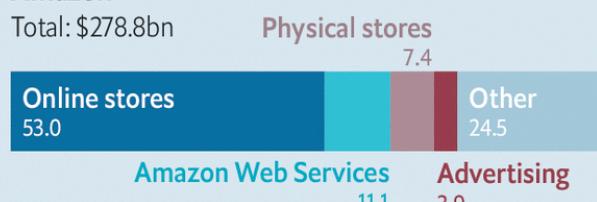
Facebook

Total: \$70.2bn



Amazon

Total: \$278.8bn



Apple

Total: \$259.0bn



Market capitalisation, October 23rd 2019

Alphabet (Google)
\$861.7bn

Amazon
\$873.4bn

Facebook
\$520.2bn

Apple
\$1.09trn

Sources: Jefferies; UBS; Evercore ISI; Bloomberg

The Economist

If good comparisons and financial data are absent, such estimates are more art than science, says Brian Wieser of Group M, the world’s largest advertising buyer. That makes it even harder to put a number on Google’s advertising business as a whole (Jefferies’ estimate is \$539bn). Ms Warren wants to split it into an ad marketplace and services that operate in it. But valuing its constituent parts is guesswork. The firm is not forthcoming with numbers.

These are not the only problems. WhatsApp, despite the whopping price Facebook paid for it, does not make much money, which makes assessing its worth hard. Trying to estimate a price for Apple’s and Google’s apps would be hopeless.

The fuzziness of Ms Warren’s plan also makes estimating a total break-up value difficult. If Facebook has to part with WhatsApp, why should it keep Messenger, its other instant-messaging service? Or why should Apple keep iMessage? Both may be regarded as services on top of a platform utility. It is similarly unclear what would happen to the app stores of Apple and Google or the cloud-computing arms of Amazon and Google (and Microsoft’s, for that matter, a rival to Amazon). A spin-off of Amazon

Web Services, for example, would create the world's second-most-valuable corporate IT firm. It would be worth \$438bn, says Morgan Stanley, a bank—about four times more than IBM.

Even though most analysts assume that the separate parts are worth more than the whole, could the opposite be true? Break-ups could destroy value. Synergies would evaporate, points out Amit Daryanani of Evercore ISI, a financial firm. Apple may no longer be able to offer a tightly integrated package of hardware, software and services, which is its main competitive advantage. If Amazon were shorn of its cloud-computing arm, it would lose its most profitable business, making whatever is left a less attractive investment. It is also unclear how markets would react if divestitures were to weaken network effects, the economic forces that let big firms get bigger and are pervasive in the digital world.

Those who think they can benefit from break-ups ought not to be too hopeful. Political and legal barriers abound. Even if Ms Warren wins next year's election, the Senate would probably remain under Republican control and might be unwilling to endorse a radical break-up. The other path, through regulatory agencies, seems equally rocky. Ms Warren intends to appoint regulators "committed to reversing illegal and anticompetitive tech mergers". But they would probably have to make their cases in court. Both federal appeals-court judges and the conservative majority on the Supreme Court are antitrust sceptics.

Second, practical difficulties will act as a further drag. In other industries "line-of-business" prohibitions, of the sort Ms Warren wants to impose on Amazon and Apple, have been used to avoid abuse of a dominant position. American railways were banned from carrying commodities they produced themselves and banks from engaging in commerce. In the digital world, these borders are more arbitrary and fluid.

No platforming

Separating platforms from services which run on them sounds elegant. But how would one divvy up all the data the tech giants have collected? What is part of the platform and what is not? What happens if the lines between them move? Instant-messaging could be described as a feature of a social-networking platform but also a separate service. The case against Microsoft was triggered when it bundled its Windows operating system with its web browser, which were then separate pieces of software. Today, browsers are usually considered part of an operating system.

Third, the fear of unintended consequences will act as a brake on break-ups. Ms Warren's plan was in part inspired by Lina Khan, a legal scholar, who in 2017 published an influential paper entitled "Amazon's Antitrust Paradox" and now advises the antitrust subcommittee of the House of Representatives in its investigation of Big Tech. But in a more recent paper she lists several drawbacks to heavy regulation. Quickly evolving technology can make break-ups obsolete. Because they introduce friction, they could lead to higher prices. If they are limited in what they can do, platforms may cut investment, thus slowing innovation. Although she identifies these drawbacks she says they are "not a compelling argument for inaction".

What is more, break-ups alone will not suffice to tame big tech. Harold Feld at Public Knowledge, a left-leaning think-tank, notes the "starfish problem". Some starfish have incredible powers of regeneration: tear them up and the pieces quickly grow into complete new creatures. Similarly, one part of a tech giant could become dominant again because of network effects. Break-ups, he argues, need to be complemented by regulation that weakens this effect, for instance with requirements that a user of one instant-messaging service can exchange texts with another.

Given all these hurdles, will break-ups ever happen? Sector-wide divestitures seem unlikely, but even Makan Delrahim, head of the Department of Justice's antitrust division, said on October 22nd that they are "perfectly on the table". Amazon looks vulnerable. It is disrupting many industries and creating many enemies. A line-of-business prohibition seems a relatively easy sell politically. The most likely victim is Facebook. Privacy scandals and its role in distributing misinformation have made the firm a target for both Democrats and Republicans.

The case against Facebook is relatively easy to make. Scott Hemphill and Tim Wu, two legal scholars based in New York, have already started advancing it. Backed up by Chris Hughes, a co-founder of Facebook now turned critic of the firm, they have been giving presentations to regulators explaining that "available evidence indicates that as of 2010, Facebook launched a programme of serial defensive acquisitions in order to maintain its dominance."

Legal arguments notwithstanding, it will be hard to unscramble the eggs. WhatsApp is still a separate entity but Instagram is not. It uses the same advertising platform as Facebook's social network. And the firm is busy tying its biggest services together even more tightly by merging their address books. Facebook subscribers will at some point be able to send messages on WhatsApp. The goal, the firm says, is to make life easier for users. Critics argue that the aim is to make divestiture more difficult. To avoid "irreparable harm", Messrs Hemphill and Wu call on regulators to ask for a preliminary injunction that would put an end to the integration work.

Mark Zuckerberg, Facebook's boss, knows that he has a target on his back. If Ms Warren were elected president, he recently told staff, "then I would bet that we will have a legal challenge." He would also bet that he would win, he added. Mr Zuckerberg may want to read up on the history of Standard Oil. Rockefeller thought so too—until it was too late. ■

Khan-do attitude**Creating the right culture in a business***Silicon Valley draws lessons from warriors of the past*

Print | Business Oct 24th 2019



Paul Blow

IT SEEMS OBVIOUS that, for a company to succeed, it needs the right products. But many people believe the right culture is just as important. Creating that culture has been the holy grail for managers ever since Tom Peters and Robert Waterman focused on the issue in their book "In Search of Excellence", published back in 1982. While the idea has never disappeared completely, it has come back into fashion today.

A prime example is a new book called "What You Do Is Who You Are: How to Create Your Business Culture" by Ben Horowitz, of the venture-capital firm Andreessen Horowitz (playfully known, because of the length of its name, as a16z). Mr Horowitz uses some unexpected examples as his case studies—Genghis Khan, Japanese samurai, Toussaint Louverture (who led a slave revolt in Haiti) and a reformed gang leader called Shaka Senghor.

It is easy to sense some wish fulfilment in these archetypes: the Silicon Valley tycoon, armed only with an iPhone, seeing himself as the modern equivalent of a historical warrior. That sense is heightened when Mr Horowitz talks of the contrast between "wartime" and "peacetime" chief executives, an analogy seemingly drawn from "The Godfather", a movie about the mafia.

Thankfully, the book is not the orgy of macho chest-thumping that these examples might suggest. Mr Horowitz draws some thoughtful lessons from each of his case studies. Take Genghis Khan. He is best known for his rapid conquests and bloody massacres but the leadership lesson that the author draws relates to Genghis's meritocratic approach. He was willing to promote people from conquered tribes and allowed religious freedom in his empire. The only condition was allegiance to his rule.

Toussaint Louverture was notable for his clear ethical code and his willingness to forgive his enemies; he even let slave owners on Haiti keep their land, provided they agreed to reward their workers properly. Shaka Senghor also imposed a strict code of behaviour on his prison gang.

The underlying principle is that culture cannot just be a pious-sounding mission statement in the annual report. It has to be expressed in the form of actions on a daily basis. Indeed, the culture must be applied consistently. As Mr Horowitz writes "You can't pat yourself on the back for treating your employees ethically if you're simultaneously lying to your customers because your employees will pick up on the discrepancy and start lying to each other". The goal is to embed the culture so deeply that employees will behave in the right way even when no one is looking.

Leaders set the tone. If they lie, shout or swear, then others will do the same. The corollary is that, if they want to encourage good behaviour, they have to get involved.

Companies may want a diverse staff but all too often, Mr Horowitz says, they try to achieve this by appointing a “head of diversity” or hiring consultants. At Andreessen Horowitz they insist that managers consult more widely by asking, for example, African-Americans what talents they would look for in a new candidate. The firm’s staff is now 55% female and 22% African-American.

But of course, some cultures can have bad effects. At Uber, a ride-hailing giant, the group’s values included such messages as “champion’s mindset” and “always be hustlin’”. The effect was to create a highly competitive culture that eventually had malign consequences in a series of scandals, leading to the departure of Travis Kalanick, Uber’s founder. Mr Horowitz argues that the board should have realised that the company’s aggressive culture would eventually lead it into difficulty.

The examples chosen by the author are certainly colourful but they seem just as likely to have inspired Mr Kalanick as they might a modern, culturally sensitive chief executive. Running a business is not like conducting a war where casualties suffered on the road to victory are often regarded as little more than collateral damage.

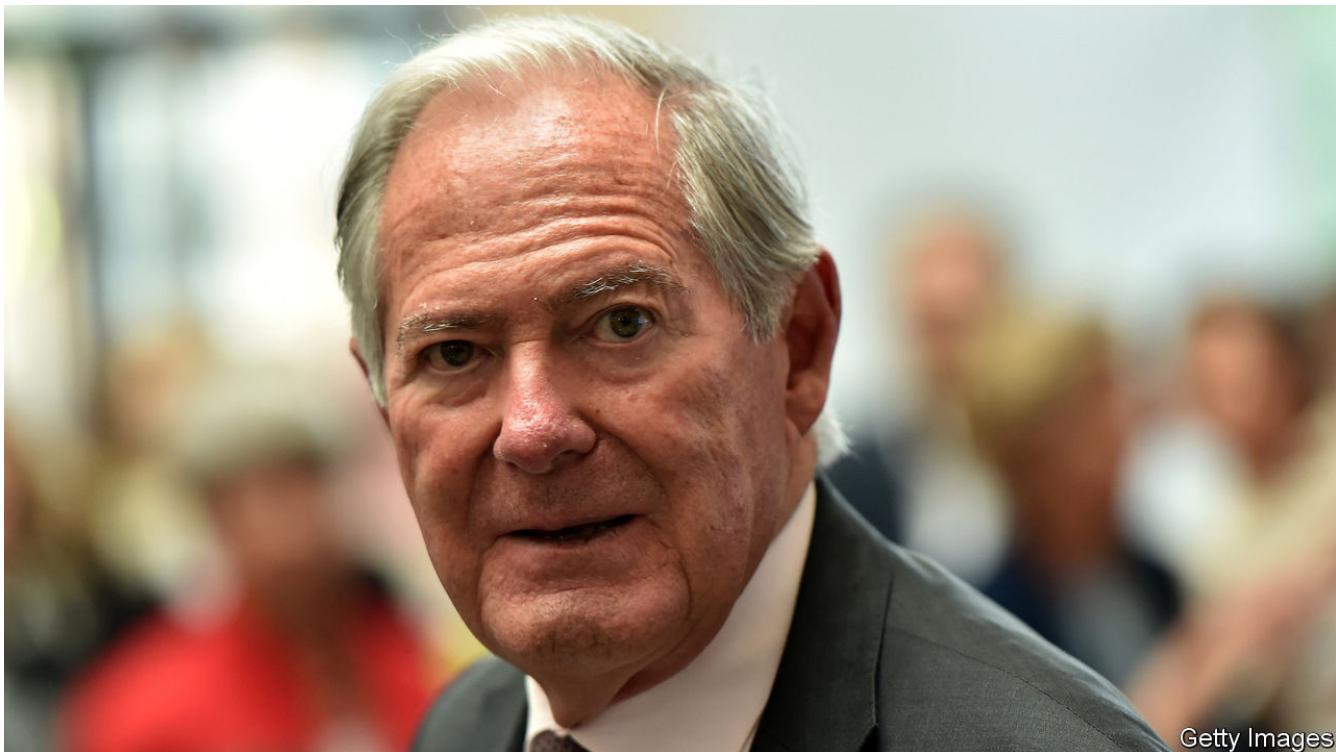
It is also worth remembering that Genghis Khan’s empire disintegrated within a generation of his death and that the Japanese economic miracle occurred only after the country had thrown off the rule of the samurai class.

Great leaders in history have not all been men of violence; some of them, indeed, have been women. Managers looking to set the right corporate culture might want to choose their role models from a more diverse group. ■

Generations at war

Roland Berger discovers his father's dark secret*He profited from the Nazi regime rather than defying it*

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Getty Images

IT HAS HAPPENED before and will almost certainly happen again. Offspring of Germans who were adults during the 12 years of Nazi rule shied away from asking too many questions about their elders' relationship with the regime. Many parents did not want to talk about it. And when they did so, most children went along with whatever version of the family's past was presented to them. Sometimes that was not the whole truth. Few, however, have told their father's story of defiance as frequently and publicly as Roland Berger, a celebrated management consultant. It was thus a shock for Mr Berger when a newspaper investigation revealed that his father, Georg, was a profiteer from the Nazi regime rather than the committed Christian hounded by the Gestapo as he had always claimed.

The account given in interviews and speeches by Mr Berger, who set up Germany's largest consultancy and advised the government of Helmut Kohl on the privatisation of companies in eastern Germany, was one of an inspirational transformation of a former member of the Nazi party. When Georg witnessed the horrors of Kristallnacht in 1938, he tore up his party-membership card and became an opponent of the regime. He was even sent briefly to Dachau, a concentration camp.

The reality, as revealed on October 17th by *Handelsblatt*, a German newspaper, was the story of a careerist with a penchant for the good life. Berger senior joined the Nazi party in 1931 and not, as he claimed, in 1933, after Hitler came to power, for reasons of political expediency. He paid his membership fees until 1944. Such was his allegiance that he was promoted to become a ministerial adviser in 1937 and later sent to Vienna to run Ankerbrot, Austria's largest bakery. In Austria's capital Berger lived in an elegant villa confiscated from a Jewish family. He then clashed with the Nazis but not because of his scruples. He fell foul because he hoarded groceries illegally and renovated the Viennese villa at lavish cost. *Handelsblatt* found no records of his imprisonment in Dachau.

The younger Mr Berger, who is 81, admits that he unintentionally deceived himself by readily believing the stories his parents and relatives related about his father's past. He now vows to find out the truth and has commissioned two respected historians, Michael Wolffsohn and Sönke Neitzel, to research his family's history.

The revelations are the latest in a series of discoveries of entanglements with the Nazis of the forebears of owners of large German businesses. (Mr Berger's father was not involved in the founding of his consultancy firm.) Earlier this year historians examining the history of the Reimanns, a super-rich clan that owns Krispy Kreme, Panera Bread and other consumer-goods brands, revealed that the family patriarch at the time, Albert, as well as his son, were early and enthusiastic supporters of Adolf Hitler.

Werner Bahlsen, the head of a biscuit empire, said in May the family will hire a well-known historian to examine their Nazi past after Verena, his 26-year-old daughter, caused a stir when she blurted in response to a question about Bahlsen's exploitation of forced workers that they were treated well. The Quandts (BMW), Krupps (steel), the owners of Bertelsmann (publishing) and others have grappled with similarly tainted legacies.

Two decades ago 6,500 German companies including Siemens, Deutsche Bank and Volkswagen, created a foundation that, along with the German state, raised more than €5bn (\$5.5bn) for survivors of Nazi atrocities and slave labour. Mr Berger's firm did not participate but 11 years ago he set up a foundation endowed with €50m to help disadvantaged youth. The foundation also hands out an award for human dignity every year. Though initially insisting this year's awards ceremony would go ahead, the Roland Berger Foundation announced on October 21st that it would be postponed until next year. This year's recipients, a Polish human-rights activist and a German anti-racism initiative, both said they would decline the prize. ■

Feeling the heat

Mexican business struggles to adapt to a new regime

But the president's attitude is not their only problem

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THE THICK, humid air of Cancún caused many attending this year's Mexico Business Summit, which began on October 20th, to swap their suits for *guayaberas*, the fancy shirts often adopted by populist politicians. The country's business climate has them sweating nonetheless. The president, who usually shows up, didn't make it this year. Andrés Manuel López Obrador (known as AMLO) was busy touring villages in Oaxaca, an impoverished southern state. His absence is symbolic of the uncertainty of the private sector under his tenure.

Entrepreneurs have struggled to understand AMLO since he became president a year ago. He lost no sleep cancelling construction of a \$13bn airport in Mexico City beloved by the private sector. Because business has been cosy with past governments, he blames it for his country's failings. His remedy is statist medicine.

Critical rhetoric and sudden decision-making has sown mistrust. In July the president asked to renegotiate a gas-pipeline contract signed with a Canadian firm by his predecessor, Enrique Peña Nieto. The oil sector has again been cordoned off from private investment, undoing Mr Peña's reforms. That has made businesses wary. Gross fixed investment dropped by 8% in the year after AMLO's election last July, the steepest fall in several years (see chart).

AMLO's low

Mexico, gross fixed investment

% change on a year earlier*



The Economist

The president has also failed to improve Mexico's faltering economy, which barely escaped recession this year. Firms depending on the domestic market have been hardest hit. The share price of Cemex, a cement company, has fallen by a fifth this year amid a wobble in construction. Tourism chiefs and exporters to America are less vulnerable. And the odd winner emerges. During a panel at the summit, one woman whispers that sales at her cosmetics firm are growing faster due to "more liquid money in the lower classes", thanks to AMLO's spending on the poor.

Amid the bad news, bigwigs are queuing up to declare common cause with the president. Carlos Slim, Mexico's richest man, says he "100%" shares AMLO's goals of eradicating poverty, crime and corruption. "We lost our vision for many years," says Carlos Salazar Lomelín, boss of the Businessmen's Co-ordinating Council (CCE), a lobby group. "Our well-being was very good and we stopped looking at society." This cooing is a strategy to crack the president's sphere of influence.

Mr Salazar and AMLO talk weekly. The CCE has helped resolve the pipeline dispute, organises regular energy talks between the government and business (raising hopes that private investment will again be allowed), and is working with the government on an infrastructure bill. These charm offensives keep bad laws from becoming worse ones, insiders say. Bosses fear not that Mexico will turn into Venezuela, says Alberto Bello, the editor of *Expansion*, a business magazine. Rather, they worry it may become like Argentina, where the relationship is so toxic that the government often does not speak to the private sector when making policy.

Adapting to a new regime is far from the only problem. At the summit everyone complains that security is worsening fast, swapping tales of warehouse robberies and kidnappings. One foreign financier laments the glacial pace of activity in Mexico's courts and government buildings. Some of these are long-standing gripes. But many doubt they will be resolved while bosses strut around in populist clothing. ■

A new spirit
Indian gin measures up

Distillers set up shop in the birthplace of the G and T

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Stranger & Sons

GIN AND TONIC originated in India as a more palatable way for Victorian colonialists to down the bitter quinine that protected them against malaria. The recent spurt in popularity of gin around the world has produced a long list of popular brands that tout Indian inspiration yet Bombay Sapphire, Sikkim, Jodhpur, Opihr and Gin Wala are distilled in Britain. Despite India's role in popularising gin it has taken many years for home-grown firms to join the party.

Stranger & Sons, set up in Goa a year ago, is one of a few domestic upmarket brands that are appearing in Indian bars. Not only can they trade on history but the local availability of "botanicals", plants and spices that impart flavour, is another boon. Demand for Stranger & Sons' products in India seems to match a worldwide thirst. Global sales of premium bottles are growing at around 20% annually, says IWSR Drinks Market Analysis, a research firm, two-and-a-half times the rate of overall spirit sales. Initial production at Stranger & Sons of 1,800 bottles a month will grow to 21,000 by the end of the year.

The firm is battling against the odds. Selling a high-cost product where poverty abounds is one difficulty. So is setting up an alcohol business in a country where four states are entirely dry and taxes are high. Overall gin sales in India are forecast to decline 5% annually over the next five years. But most of that is of the rot-gut variety, costing under \$2.50 a bottle. Yet even at the end of the market occupied by Stranger & Sons, which charges around \$40 a bottle, India is in 55th place of the global-sales ranking, below even Malaysia, a mainly Islamic country with tight controls on alcohol.

All of this meant that when the three young Mumbai-based entrepreneurs behind the new product began raising money they had to search for unusually adventurous backers. Perhaps the experience of studying abroad of two of the founders, who saw at first hand the growing popularity of premium gin, made for a convincing pitch. Other fancy domestic gin brands, such as Greater Than, are also battling for space behind Indian bars. Born in India, the G&T is capturing the imagination and so filling the glasses of ever more of the country's drinkers. ■

Schumpeter**IPOs are a racket. But try finding something better***If you see Sid, tell him*

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MARGARET THATCHER, a grocer's daughter from Grantham, knew a thing or two about selling. The privatisation of British Gas (BG) in 1986, on the back of an advertising slogan, "If you see Sid, tell him", raised £9bn (\$13bn), which at the time was the biggest-ever initial public offering (IPO). It wasn't just Sid who lit it up. The Thatcher government hired Goldman Sachs to hawk BG to American investors. As privatisations spread, investment banks such as Goldman used a new technique called book-building to ramp up enthusiasm. Rather than only tapping retail investors, they allocated blocks of shares to money managers such as Fidelity Investments, increasing the pool of capital available. Since then, the American IPO model has conquered the world.

It has done so despite a sometimes tawdry reputation. The nadir in America was the dotcom boom in 1999-2000, when deliberately underpriced IPOs rocketed on their first day of trading, bankers doled out "hot" IPOs to executives in exchange for underwriting business, and new shares were "spun" and "flipped" for profit. This year the IPO process is under fire again. WeWork, an office-rental firm, cancelled a listing that bankers once valued as high as \$104bn. Now SoftBank, its main backer, will throw it a \$9.5bn lifeline that values the firm's equity at a puny \$8bn. Shares of Uber and Lyft, two ride-hailing companies, have slumped since their IPOs, a sure sign of overpricing. Meanwhile Beyond Meat, a trendy vegan foodmaker, soared by 163% on day one, suggesting the reverse.

In Silicon Valley venture capitalists are livid—even though they are as much to blame for mispricing the unicorns as Wall Street. But investment banks like Goldman and Morgan Stanley are contrite and asking themselves whether the traditional IPO, however lucrative for them, remains the best means to bring tech firms to market. This is healthy. Scrutiny of IPOs is long overdue. To critics, they are a classic case of cronyism. Even fans, such as Ann Sherman of DePaul University in Chicago, call them "legalised bribery". The challenge, though, is to find anything better.

Most of today's IPOs start with a roadshow in which executives of the firm going public and underwriters hit the road—or take private jets—in order to catch the attention of investors and elicit orders from them. The process is part of building the book. For the underwriter, the trick is to find an IPO price that satisfies the company but also stimulates buying—providing a "pop" on the first day of trading. The trouble with the "pop", though, is that it represents money left on the table that should by rights belong to the company's sellers, not its buyers.

Jay Ritter of the University of Florida says that during the past decade the underpricing of IPOs in America left a whopping \$39bn on that table, or about 14% of the total sum raised. In theory, bankers have an incentive to minimise that amount because

they earn fees amounting to as much as 7% of the value of the IPO. In practice, though, they often underprice the listing to favour big investor clients. Money managers pay higher trading commissions, or “soft dollars”, he says, in exchange for access to the hottest listings.

That makes IPOs look like a racket. But the rub is that until now companies have mostly turned a blind eye. One reason, acknowledges Mr Ritter, is psychological. The sellers usually pocket such a windfall from an IPO that they do not fret about how much more they could have made if it were priced optimally. But there is a bigger reason. Except for the best-known firms, the alternatives are seen as too much of a gamble.

Other than book-building IPOs, firms have two more ways of going public. Auctioning shares to the highest bidders, as Google did in 2004, or selling shares directly without underwriters and without raising capital, a route taken recently by Spotify, a music-streaming service, and Slack, an office-communications firm.

Notwithstanding Google's success, auctions are unpopular. Ms Sherman and two fellow academics, Ravi Jagannathan and Andrei Jirnyi, have studied IPO auctions in at least 25 countries, including Singapore, Taiwan, Turkey and France, and found that they were abandoned in virtually all of them. In Japan they were mandatory in 1989-97. They vanished soon after issuers became free to choose.

Direct listings are now creating a buzz in Silicon Valley. Some big firms favour them because they already have lots of cash on their balance-sheets and have no need to raise more through an IPO. Furthermore, direct listings do not require an underwriter, so are cheaper, and allow the sale of piles of shares quickly. Investors are attracted by higher levels of liquidity than in an IPO. Banks are less keen. The fee pool is lower. Only Goldman and Morgan Stanley have shown much interest. Shares of Spotify and Slack have performed poorly since listing, which has been discouraging. Airbnb, a lettings agency, is considering a direct listing next year. The approach has yet to prove its worth.

The chief merit of book-building is that, as Ms Sherman puts it, it allows issuers in effect to buy attention from the market, hence the “legalised bribery”. Money managers know that if they appear at the roadshow and give reliable feedback, they will win for themselves a share of the IPO.

Tell Cicero, too

But it has never been easy to value companies. According to “Devil Take the Hindmost” by Edward Chancellor, as far back as Cicero's time, buying new shares, or *partes*, in ventures fulfilling government contracts was seen as a gamble that risk-averse ancient Romans avoided. Richard Sylla of New York University's Stern School of Business notes that America's first public offering in 1781, of the Bank of North America, flopped. A decade later, that of the Bank of the United States surged like a “hot” stock. The values of both were determined by the backdrop of the time: the revolutionary war and its buoyant aftermath. However much anyone re-engineers the process, valuing companies will always be a shot in the dark. ■

Wells Fargo

A journey of self-discovery

Far to go

What kind of bank will Wells Fargo be?

Other big lenders have already adopted new personalities

Print | Finance and economics Oct 26th 2019



Satoshi Kambayashi

WELLS FARGO has reinvented itself before. In a vault beneath the bank's headquarters in San Francisco is an archive of papers and objects from the 1860s, when the company's stagecoaches criss-crossed America delivering packages. Advertising posters tout the security of their wagons, thanks to the sharp-shooting skills of the marksmen that accompanied them. As first the railroads, then the telegram and later a government-run delivery service threatened the survival of the firm its bosses adapted, using customers' trust in their brand to expand their banking business.

Charlie Scharf, who took over as the bank's chief executive on October 21st, must transform Wells once again. He comes from BNY Mellon, a smaller bank based in New York. It is rare for a giant lender to pick an outsider to run it. The bosses of America's other largest banks—JPMorgan Chase, Bank of America, Citigroup, Morgan Stanley and Goldman Sachs—are seasoned insiders.

But these are unusual times for Wells. The bank has spent three years trying to cleanse itself of scandal. In 2016 it was revealed that millions of spoof accounts had been opened by more than 5,000 employees. Further infractions involving home and auto loans have since come to light. Regulators have slapped penalties on the bank, the most onerous of which was capping its assets at \$1.95trn, their level in 2017. Perry Pelos, Wells's head of commercial banking, says the cap has not crimped growth so far because the bank has scaled back unprofitable lines of business. But, he admits, it will eventually begin to bite.

Mr Scharf has much to do. Investors say working with regulators to lift the consent order is their priority. But the harder task is working out what comes after that.

In 2016 America's largest banks could mostly be split into two groups. The full-service banks—Bank of America (BoA), JPMorgan and Citigroup—did everything, from underwriting initial public offerings to lending to corporate and retail clients. The specialists, Goldman Sachs and Morgan Stanley, offered investment banking and wealth- or asset-management services. Wells, with its giant retail bank and limited exposure to risky investment banking, was the odd one out. That helped it sail through the financial crisis and become the world's most valuable bank.

But Wells has been firefighting since. Meanwhile JPMorgan, its biggest rival, has bounded ahead. Its balance-sheet has grown by nearly 10% since the end of 2017 (see chart 1), while Wells has gone nowhere. As big banks are barred by regulators from acquiring smaller ones, growth has been organic. JPMorgan expanded its branch network, gaining market share in places that Wells has traditionally dominated, such as Denver in Colorado. It has become a “tech giant”, says Betsy Graseck, a bank analyst at Morgan Stanley; last year it spent \$11bn on technology. Investors approve. Its share price has doubled since 2016, while that of Wells has floundered (see chart 2).

BoA's assets, deposits and market capitalisation have also leapfrogged those of Wells. It too is scaling up, but by expanding into areas of previous weakness, such as by lending to mid-size companies. It has also cut its cost-to-income ratio from a decent 51% to just 45% over the past year.

Specialist investment banks are also treading onto Wells's turf. In 2016 Goldman Sachs launched Marcus, a consumer arm that has gathered \$46bn-worth of deposits. The bank has partnered with Apple to launch a credit card. It is also drumming up commercial custom. “Goldman is used to doing business with the C-suite,” says Ms Graseck, “now they also want to do business with the treasurer.” Morgan Stanley, meanwhile, has doubled down on wealth management. In February the bank paid \$900m for Solium, a firm that manages share-vesting programmes at technology companies. These customers are less wealthy than its usual well-heeled clientele, indicating that it too is expanding its customer base.

All this means a more fluid competitive landscape. Mr Scharf will soon need to decide what kind of bank Wells should be. His rivals' strategies show that he has several options. Wells could try to go global, like Citi. It could shoot for a wealthier clientele, like Morgan Stanley, or bulk up in investment banking, like JPMorgan. But the most obvious approach for Mr Scharf is to double down and aspire to make Wells a leading tech-focused consumer bank.

He has form: at both the firms he has led before, BNY Mellon and Visa, a payments giant, he invested heavily in technology and cut costs. Shortly after his appointment was announced, an analyst asked Mr Scharf whether compliance, efficiency or digitisation would be the priority. He said that all were, and that solving them together was a “virtuous circle”. Wells is already dominant in many parts of the country, especially the west coast. And while other banks are bolstering their technology, it has led the pack. It pushed for the creation of Zelle, a payments system that competes with Venmo, a popular platform. Wells's banking app is one of the best rated by users, with only JPMorgan and Capital One doing better.

Other new ideas are bubbling. Wells wants to “tokenise” digital credit-cards so that there is a different number for each transaction, making them more secure. In a “digital lab” former tech workers research other futuristic prototypes. Shari Van Cleave, who runs the lab, says technology can help give customers more control.

The catch is that for Wells to become America's leading tech-savvy bank for consumers would require it to have a high degree of trust from customers and regulators. Instead a deficit of both is Mr Scharf's toxic inheritance. Wells's bosses have changed its direction before. Mr Scharf must decide where the wagon goes next. ■

The Zuck Buck ruck

Is Libra doomed?

Facebook's planned digital currency has had a miserable few months

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Getty Images

ON JUNE 18TH Facebook announced Libra, a new global payments system and currency, to be launched in 2020. Dubbed the “Zuck Buck” by Brad Sherman, an American congressman, the plan was to employ a mix of entrepreneurial daring and the technology underlying cryptocurrencies to shake up the world’s financial systems. Money would move at the speed of a smartphone-swipe, even across borders. Libra would lubricate life in the rich world and revolutionise it in poor countries, where basic financial services are dear and often scarce. After all, as the firm points out, 1.7bn people have no access to a bank account. Besides further expanding Facebook’s empire, Libra would bring them into the financial fold.

In the subsequent four months, Libra has had a bruising time. Many of its partner firms have got cold feet. Politicians and regulators around the world have made disapproving noises. On October 23rd Mark Zuckerberg, Facebook’s boss, spent a lonely few hours in Washington, DC, fielding mostly hostile questions from American politicians on the House of Representatives Financial Services Committee.

One problem, as Mr Zuckerberg admitted, is Facebook itself. Maxine Waters, the Californian Democrat who chairs the committee, began proceedings with a litany of its misdeeds, pointing out that it is subject to antitrust investigations in 47 states (see article), that Russia has used it to meddle in American elections, and that it has been fined \$5bn for deceiving consumers. Nydia Velázquez, a Democrat from New York, accused Mr Zuckerberg of lying to European regulators over the firm’s merging of user data from WhatsApp, a messaging service bought by Facebook in 2014, with those from the rest of the company. Why, the congresswoman wondered, should a firm like that be trusted with something as important as a currency?

Mr Zuckerberg pointed out that Libra would be administered not by Facebook, but by the Libra Association, an independent body that includes other companies and is based in Switzerland. But the association is already not what it was. Of the 28 original members, a quarter have left. PayPal, an online-payments firm, departed on October 4th. A week later eBay, Mastercard, Mercado Pago, Stripe and Visa—another group of payment firms—jumped ship, as did Booking Holdings, a travel company. PayU, a Dutch firm, is the only payments firm still in the association. Other remainers include two ride-hailing firms (Uber and Lyft), a pair of telecoms companies (Iliad and Vodafone), a gaggle of venture capitalists and a handful of charities. The association’s head of product, Simon Morris, left in August.

Other questions concerned users’ privacy and Libra’s potential attractiveness to money-launderers. Mr Zuckerberg promised that Libra would not launch until it had permission from America’s alphabet soup of financial regulators. But for a currency with global ambitions, placating the Americans will not suffice. France, Germany and Italy have already said they may block

Libra; ministers in India, which has more than half a billion internet users, have been unenthusiastic too. Facebook has said that, unlike most cryptocurrencies, Libra will be backed by a basket of assets, including currencies and government bonds. A report by the G7, a rich-country club, nevertheless said that Libra, if widely adopted, could pose a risk to the global financial system and should not go ahead until it could be proved safe. That Libra has been described as a cryptocurrency (exactly how it would work remains unclear) will not have helped: regulators are well aware of cryptocurrencies' reputation for scams and shady dealing.

Still, positive thinking is the order of the day, at least in public. Mr Zuckerberg talked at length about the value of innovation, and Libra's potential to spread freedom and democracy around the world. After the defections from the Libra Association earlier in the month David Marcus, the Facebook employee leading the initiative, tweeted that "in a way, it's liberating". Perhaps. But Facebook may hope there is not too much more liberation to come. ■

First across the tape

The remarkable influence of the World Bank's business rankings

The leaders of China, India and Saudi Arabia all pay it attention

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Alamy

A CLOTHING WORKSHOP, with just two sewing machines, established long ago on the outskirts of Lima, Peru's capital city, may be one of the world's most influential companies, even though it never started operating—and was never intended to do so. The business was conceived as an experiment by Hernando de Soto, a Peruvian economist, who commissioned a team to go through the motions of setting up the firm. Their aim was to find out how long it would take to comply with all the laws and regulations required to start a business. The answer was 289 painstaking days.

The answer now is a mere 26 days, according to the World Bank's latest report on the ease of doing business around the world. Inspired in part by de Soto's example, the bank each year asks thousands of lawyers, accountants and other experts how easy it would be for a company to obtain an electricity connection, transfer the title of a warehouse, enforce a debt contract, pay its taxes and so on. Based on the answers, the bank then ranks countries, from New Zealand at the top to Somalia at the bottom.

The report has its critics. Since it ignores infrastructure, price stability, workforce skills and the reliability of suppliers, among other things, it is not really a summary measure of the ease of doing business in a country. It is instead a snapshot of the cost of complying with formal regulations for companies that are not small enough to dodge the law or big enough to bend it. In one edition, the report described itself as a "cholesterol test". But it is sometimes interpreted as a full medical.

Podium finish

Ease of doing business index

Rank increases for the ten most improved countries*

■ 2019 rank ■ 2020 rank



Source: World Bank

*Out of 190 countries

The Economist

It has nonetheless become hugely influential. Costing less than 0.25% of the bank's operating budget, it has caught the attention of some of the world's most powerful people. Narendra Modi, the prime minister of India, has resolved to lift his country into the ranks of the top 50 by 2020. It climbed to 63rd place this year, from 142nd when he took office. The country's success may have helped galvanise a similar effort in China (which improved this year to 31st place) and in Pakistan, which was also heralded this year as one of the ten most reformed economies.

But the biggest improvement in score was awarded to Saudi Arabia. Once ranked tenth, it had slipped to 94th place by 2016. This year it bounced back to 62nd. It is now the cheapest (and third-easiest) place to transfer a property title to a buyer. Firms can get an electricity connection in 35 days, little more than half the time it took in 2018. The government has also set up an online one-stop shop, where an entrepreneur can jump through many of the hoops required to start a business, instead of traipsing around multiple ministries and offices, for commerce, labour, social insurance, tax and Zakat (a religious tithe).

The kingdom's reform efforts were overseen by a dedicated committee, bringing up to 50 government bodies together, that met every Wednesday at 1pm. The committee also included business folk who explained how regulations feel to the regulated. The structure left the bureaucracy with nowhere to hide. "You have to come and either say you've done it; or if you didn't do it what's stopped you," says Dr Eiman Al-Mutairi, head of the country's National Competitiveness Centre. Any roadblock that lasted more than a week was referred up to Muhammad bin Salman, the kingdom's crown prince.

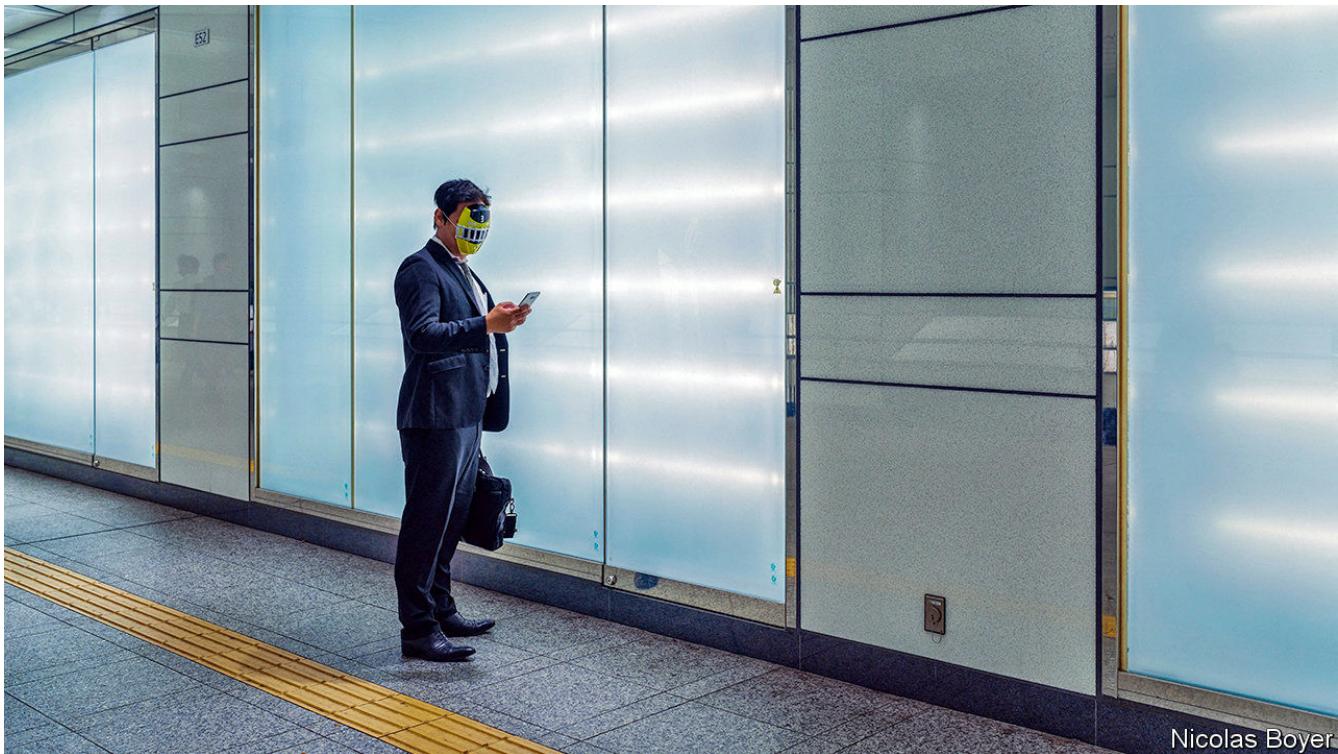
Not all reforms have won favour with business. Companies no longer need a government stamp on their registration certificates, for example. But many firms want one anyway, because it looks good on their papers. It's not easy to cut red tape when firms treat it like a ribbon and bow. ■

Capital control

Japan's new investment rules risk scaring off foreign investors

Analysts suspect activist investors may be their real target

[Print](#) | [Finance and economics](#) Oct 26th 2019



BUY MY ABENOMICS!", Shinzo Abe, Japan's prime minister, pleaded to the New York Stock Exchange in 2013. As he lowered the drawbridge to foreign investors, that pitch seemed to work. Today overseas owners hold 30% of Japan's TOPIX index of stocks and account for about 70% of the daily turnover on the Tokyo Stock Exchange (TSE). But new rules threaten to reverse these trends.

A proposed change to the Foreign Exchange and Foreign Trade Act, unveiled on October 8th, will lower the minimum stake foreigners can buy in many listed Japanese companies without prior government approval, from 10% to 1%. Other changes include requiring foreign directors to seek official permission before they sit on the boards of Japanese firms.

The finance ministry says it wants to protect sensitive sectors such as energy and weapons manufacturing. But analysts warned that the rules could choke off investment. Akira Kiyota, the head of the TSE told the *Financial Times* they were "absolutely idiotic". Under fire, the finance ministry clarified on October 18th that foreign "portfolio investors" (such as banks, insurance firms and asset managers) would not need to seek prior approval, as long as they could prove they had no intention "to influence management". The tweaked legislation was approved by the cabinet and is expected to be passed in parliament by early December.

But concerns linger. One is the law's broad scope. In addition to nuclear power and aeronautics, its purview includes agriculture, transport, shipping, software and internet services. Nor is it clear what counts as infringement. Would a letter from a foreign investor to the board of a Japanese firm, say, be considered an attempt to influence management? The upshot is that investing becomes more convoluted and time-consuming. One analysis concludes that the new rules mean an eight-fold increase in applications to the government.

Officials say they are just playing catch-up. The European Union tightened its screening of inward investment in April. America has expanded its regime, and even prodded Japan to reduce Chinese access to sensitive technology. But a foreign banker in Tokyo says the real target is activist investors. "The wording in Japanese is very specific about targeting investors who want a say on boards."

Activists have long fought for Japanese companies to sell non-core assets and stop hoarding cash. In recent years they have clashed with some of the nation's corporate giants. They have been leaning on Nissan to sack its managers and draw a line under the era of Carlos Ghosn, the carmaker's former boss. Earlier in the year a New York investment fund tried to force Kyushu Railway, a regional transport firm, to boost stingy returns to shareholders.

Ironically, Mr Abe can take some credit for this flurry of activism. By badgering bosses to change crusty boardroom practices, he has emboldened investors. The number of big listed firms with two or more external directors, for instance, has tripled since a corporate-governance code was introduced in 2015.

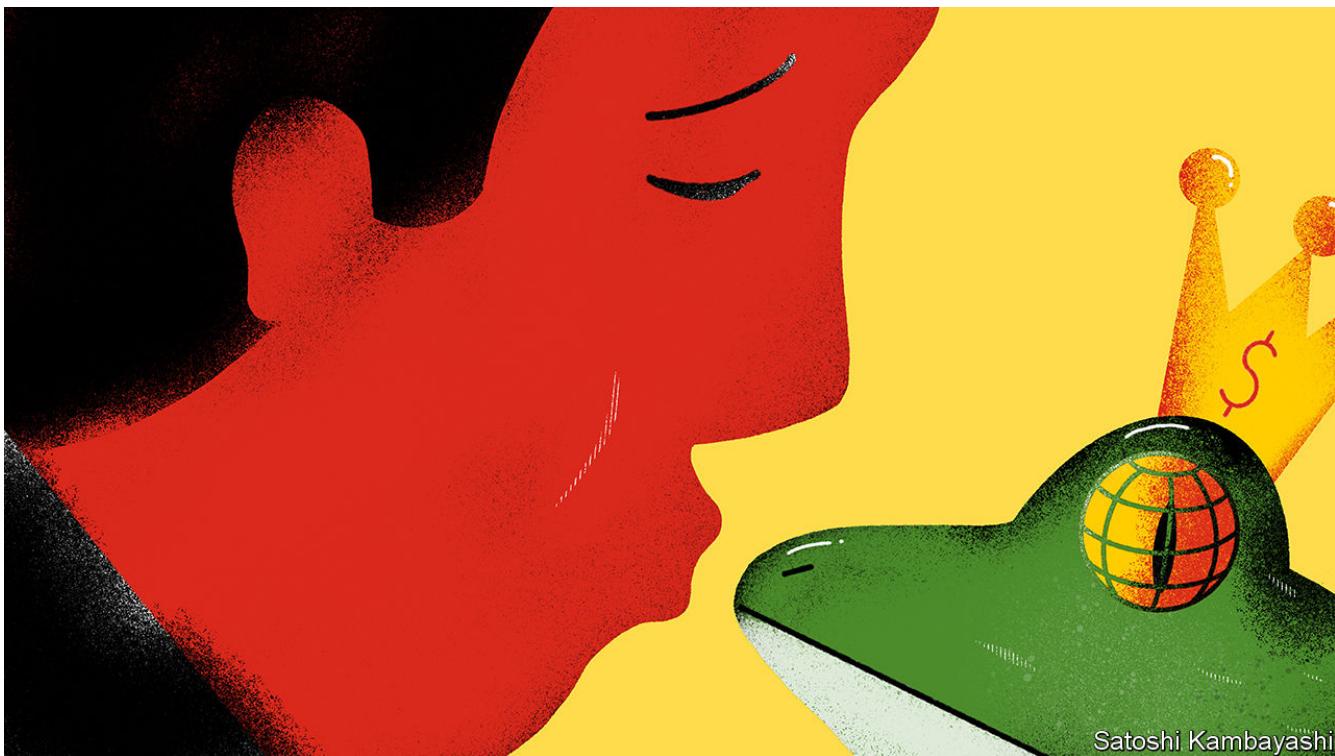
But many foreign investors already seem to be questioning the sincerity of the government's reforms. Last year they dumped ¥5trn (\$48bn) of Japanese stocks. Overseas investors once bought Abenomics. Now they want to sell. ■

Buttonwood

The deep appeal of emerging markets is their lack of surface appeal

They are less at risk of a surfeit of sellers over buyers

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BILL HICKS, a much-mourned comedian, would pause in the middle of his act as if a thought had just occurred to him. He would ask that anyone in the audience who worked in advertising or marketing kill themselves. This was the only path to redemption now left open. No one took up his invitation. I know what the marketing people are thinking, he would then say. The anti-marketing dollar, that's a good market. Look at our research! Bill is smart to tap into it.

Such next-level thinking comes to mind whenever the case for emerging markets is considered. For professional investors, diverting capital from America's stockmarket to other less-blessed places seems like an invitation to career suicide. The dollar's continued strength is kryptonite to emerging markets. They feel the damage from the trade war most keenly. Sure, emerging markets look cheap. But there is no law saying they cannot become even cheaper.

Cheapness aside, though, there is another, less appreciated, side to emerging markets. As capital rushes into an ever narrower set of favoured rich-country assets, there is growing anxiety that it might all suddenly unwind. At least emerging markets are an uncrowded trade. This is a paradox that tricksy marketing types should appreciate: the unloved asset class, that's a good market. You might be wise to tap into it.

But why are emerging markets out of favour in the first place? The perennial fear is they are crisis-prone. Look at Argentina. It has moved with breathtaking speed from default to emerging-market darling and then—unhindered by a \$57bn IMF support package—back to the brink of default. But fear of crises is not the only reason for caution. Indices of emerging-market stocks, such as MSCI's benchmark, lean heavily towards Factory Asia, and thus to China's supply chain. This puts investors on the front line of the trade war. Even away from the trenches, there is plenty to fret about. India has failed to fix its broken banks. The fractious politics of the ANC in South Africa get in the way of much-needed reforms. Russia lacks a convincing economic-growth story. The list goes on.

Emerging-market crises follow a pattern. Foreign investors head for the exit, and there are not enough domestic buyers to replace them. Some factors can make this kind of liquidity-driven crisis more likely: a bloated current-account deficit; an overvalued currency; lots of short-term debt; or runaway inflation. But these days, such vulnerabilities have become rare.

The bigger emerging markets tend to have freely floating currencies. This militates against the build-up of external debts and internal pressures. Their independent central banks aim for low inflation. Most of the 25 emerging markets listed on the indicators page of *The Economist* have inflation below 4%. It is in the double digits in only two—Argentina and Pakistan. Low and stable inflation has allowed the local market for government bonds to deepen. Debt burdens financed at short maturities make

countries more crisis-prone. Long-term debt makes them more stable. According to the IMF, the average emerging market has public debt of 54% of GDP, around half the rich-country norm. The average maturity of debt is similar, at around seven years.

All this has made emerging markets much less brittle. Yet assets trade at a discount. The price-to-earnings ratio for the MSCI index of emerging-market stocks is below its average since the mid-1990s. It looks even better value when compared to that in the rich world. The S&P 500 share-price index has only rarely been dearer relative to emerging-market stocks than it is now (see chart).



The Economist

You should expect out-of-favour markets to be cheap. But they also have a less appreciated appeal. They tend to be uncrowded, and so less at risk of a sudden surfeit of sellers over buyers. If liquidity risk has fallen in emerging markets, it has probably risen in developed ones. The worry is that investors are chasing the same assets: the safest government bonds; investment-grade corporate bonds; technology stocks; and dollar assets in general. The more investors cram into these markets, the greater the risk of a rush to the exit.

An allocation to unloved assets insures against such herding. It is hard to drum up much enthusiasm for the leadership or growth trajectories of China, India, Russia and the rest. There are few if any captivating stories of reform and renewal. But the appeal of emerging markets is in their very lack of superficial appeal. Some bright marketing spark should put that on a billboard.

A spiky relationship

Germans have mixed feelings about Christine Lagarde

Some had hoped Mario Draghi would be replaced by a German

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Bloomberg

AT THE END of September Sabine Lautenschläger, the most senior German official at the European Central Bank (ECB), unexpectedly resigned from the bank's executive board, years before her term was due to end. She gave no reason for her departure, but is known to have opposed the bank's decision, announced last month, to resume its bond-buying programme until inflation neared its target of close to, but below, 2%. If that opposition was why she stepped down, it would make her the third German official to quit over bond purchases. In 2011 both Axel Weber, then head of the Bundesbank, and Jürgen Stark, a member of the ECB's executive board, left over an earlier asset-purchase scheme.

The controversy over the ECB's latest round of stimulus, which also cut interest rates to -0.5%, has heated up. Current and former central bankers in both Germany and other northern countries have attacked the decision to resume bond-buying. *Bild*, Germany's biggest-selling tabloid, has accused Mario Draghi, the ECB's boss, of sucking people's savings dry. Mr Draghi's term ends on October 31st. Christine Lagarde, the former boss of the IMF, replaces him.

Perhaps signalling a desire to cool things down, Germany's government announced on October 23rd that Isabel Schnabel, a member of its council of economic advisers, would replace Ms Lautenschläger. Ms Schnabel, who is also a professor at the University of Bonn, appears more pragmatic than those who have thrown in the towel. She has repeatedly warned politicians and bankers of the dangers of telling the public that the ECB is stealing their savings. In an interview with *Handelsblatt*, a German daily, she pointed to Brexit as evidence of the risks of making the European Union (EU) a scapegoat.

Ms Lagarde will probably be glad to have a more conciliatory German at the ECB. All together the central banks of countries accounting for more than half of the euro zone's economic output opposed the bank's stimulus package. (Few economists, though, were expecting any change to policy at its meeting on October 24th, after *The Economist* went to press). Banks hate negative interest rates because they feel they cannot pass them on to customers, meaning their net interest margins are squeezed. Christian Sewing, the boss of Deutsche Bank, Germany's biggest lender, says that *Strafzinsen* (punitive interest rates) will eventually destroy the financial system. Ms Lagarde faces the unenviable task of winning these critics over.

Some German bank-watchers would probably have preferred that Jens Weidmann, the hawkish boss of the Bundesbank, was picked to succeed Mr Draghi. A few worry that, as a former French finance minister, Ms Lagarde might further politicise matters by pursuing policies that are redistributive across borders, rather than sticking to the ECB's price-stability mandate. But some hawks hold out hope that Ms Lagarde might change the bank's policy. Some see her promise to review the bank's

strategy as an opening to rethink its commitment to stimulus. And as she is not a trained economist, they reckon she might prove more pliable than Mr Draghi.

In her 78-page-strong responses to questions from the EU parliament, she wrote that she wanted to restore trust in the ECB by communicating more with the public, and by listening to the young and civil-society organisations. A headline in *Bild* asked whether life for German savers might improve after she takes the helm.

Ms Lagarde might do well, though, to remember Mr Draghi's experience with the German press. When the Italian took charge eight years ago, *Bild* pronounced him a "proper Prussian" and gave him a spiked Prussian helmet. Only a year later, after Mr Draghi had allayed fears of a euro-zone breakup by saying he would do "whatever it takes" to preserve the single currency, *Bild* asked for its helmet back, commanding: "No more German money for bankrupt states, Herr Draghi." He has had a tricky relationship with the euro zone's biggest member ever since. ■

Time's up

Trade finance is nearing a much-needed shakeup

The world's oldest and most intricate paper trail is about to be ripped up

Print | Finance and economics Oct 24th 2019



EVERY DAY of the week thousands of visitors flow through Istanbul's fragrant Spice Bazaar. They are a varied collection, local shoppers mingling with camera-wielding tourists. So are the products on offer. While many delicacies on display are Turkish-grown, one trader gets his berries from Iran, his walnuts from Chile and almonds from California. Another, asked if she went all the way to China to buy her jasmine tea, says wryly: "Of course not. Importers ship it here."

Most commodities traded round the world still travel on merchant vessels. From Istanbul's hills you can see them placidly converging on Ambarlı, Turkey's largest port. Less visible is the liquidity that makes those journeys possible. Four-fifths of global trade transactions, worth \$15trn a year, rely on specialised loans or guarantees. This hidden world of trade finance is huge but poorly understood. It has long needed a shake-up, and a nascent revolution promises to unlock trillions in fresh capital. But trade wars are putting that Big Bang in peril.

Trade finance is one of the oldest jobs in banking. Millennia ago merchants in present-day Turkey exchanged cloth or copper for engraved tablets promising a later payment in silver. Trade credit today may be more sophisticated, but it still tackles the same problem: that exporters prefer being paid at the time of sale (so they can finance more production), whereas importers would rather settle up after receiving the goods (so they can first raise the cash by reselling them). Each side rarely trusts the other to keep its end of the bargain.

Trade finance places banks in the middle. Typically, the importer's bank, once presented with a shipping bill or other proof, issues a "letter of credit" to the exporter guaranteeing payment. This allows the exporter to obtain credit from a bank, and then to repay the lender when the ultimate customer pays up. The loans are short-term, usually less than four months. And they are safe. Annual default rates on letters of credit averaged 0.08% of transactions in 2008-17, compared with 1.6% for corporate lending. When loans do sour, recovery is quick.

The work is as unspeakably tedious—thousands of small, similar deals—as it is steady. Annual returns on trade-finance instruments have an average volatility of less than 0.30%, compared with 4.44% for investment-grade bonds. Four-fifths of global transactions are processed by just ten banks, mostly in London, New York or Singapore. Borrowers rarely switch providers. Graduates would rather work on initial public offerings or multi-billion mergers. Business cards change, but not the cast. "It's very incestuous," says a senior banker.

All this explains why an industry that is global by definition is parochial and antiquated. From banks and insurers to warehouses and customs, processing trade credit requires the exchange of 36 original documents and 240 copies, on average; each

of the 27 parties involved spends hours if not days fact-finding and form-filling. Less than a quarter of banks use electronic documentation. It is not, as Andrew Colgan of Mizuho, a bank, notes, “a screen-based market”. Standards and terminologies vary across the industry, and even within banks.

Since the financial crisis, regulators have made banks set aside more capital against risky or exotic lending. As a result trade finance is punished, because it often serves small firms in poor countries. Watchdogs also want lenders to stop dodgy flows of cash, and the cost of scrutinising customers makes small trade-finance deals unprofitable. So most lenders compete for big clients, says Joon Kim of BNY Mellon, a bank. Low interest rates have also crushed margins, which have shrunk by a third since 2014.

In response, banks have retreated. The top ten earned 19% of their transaction-banking revenue from trade finance last year, down from 27% in 2010, according to Coalition, a data provider. The Asian Development Bank (ADB) reckons \$1.5trn of financing proposals were rejected in 2018. “Country risk” was cited as a reason by 52% of banks. Nearly half of applications by small firms got nowhere. As supply chains move from China to poorer countries, rejections could rise to \$2.5trn by 2025, says the World Economic Forum. That hurts even big multinationals: many rely on the niche suppliers shunned by banks.

Luckily transformation is coming—on three fronts. First, thanks to the internet and easier international travel, buyers and suppliers know more about each other, which boosts trust. Many blue-chip importers are also keen to lengthen payment terms beyond what exporters can bear. This has fed the rise of “supply-chain finance” (SCF). It usually involves cutting out several steps in the chain, with exporters filing their invoices directly with the importer’s bank, which pays them promptly minus a fee. Suppliers need not waste time and money amassing documents. They benefit from their patrons’ stronger credit rating (as it is the buyer who eventually pays the bank). Last year banks earned \$21bn from SCF, a 12% rise over 2017. It now represents 18% of trade-finance deals.

Second, banks are starting to sell tranches of the loans they originate to third parties, while also acquiring slices of debt from others. That helps to diversify portfolios and increase lending capacity. Surath Sengupta of HSBC, a bank, says it will sell over \$30bn-worth of trade assets in 2019, up from \$2bn three years ago.

A profitable trade

Banks still account for over 95% of buyers in this secondary market. But institutional investors are starting to be lured in—thanks to technology, the revolution’s third prong. With its many transactions, trade finance is an ideal training ground for machine learning. Platforms like Tradeteq, a startup, allow banks to repackaging short-dated invoices into rolling debt products. Algorithms crunch data to predict credit risks, so investors know what they buy.

More transparency and liquidity could lead data providers like Bloomberg to recognise trade finance as an asset class, bringing it onto the radar of big money managers. Fasanara Capital, a hedge fund with €750m (\$835m) of assets under management, has already invested in over 16,000 trade deals. Stenn International, another firm, aims to quadruple its trade-finance assets to \$2bn within 18 months.

Yet danger looms. Impeded by protectionism and an economic slowdown, the IMF predicts global trade will grow by just 1.1% in 2019, down from 3.6% in 2018. So far that has put only a minor dent in financiers’ revenues, in part because supply chains are being reshuffled, bringing global banks new business. But smaller lenders are more exposed. And competition for a shrinking volume of deals could push all lenders to lower interest rates.

That pool may shrink further as the credit standing of borrowers worsens. This year corporate defaults are expected to rise. Meanwhile trade-credit insurance claims are picking up, says Alexis Garatti of Euler Hermes, a firm that insures payments to exporters. This will probably mean rising premiums and more lenders fleeing to the safest borrowers, hurting margins further. “We should expect a mild version of a credit crunch,” says Francesco Filia of Fasanara.

The trade war between America and China threatens to erase other gains. Rising uncertainty in 2019, for instance, has led both traders and lenders to demand more paperwork. That feeds a resurgence in letters of credit, at the expense of supply-chain finance. The shift could accelerate as the trade war leads importers to source their wares from riskier markets, says Sukand Ramachandran of BCG, a consultancy.

Technological progress, at least, cannot be undone. But it can harden emerging divides. The birth of a single global standard—the 20ft container—revolutionised shipping. But partly because of tariffs, partly because fleeting consumer tastes require shorter supply chains, commerce is splintering into regional blocs. If digital standards also develop in silos, rather than as part of a global effort, that may prove impossible to reverse. Trade finance may yet see its container moment float away. ■

Free exchange**Can central bankers talk too much?***As the Fed and the ECB have learnt, transparency has its downsides*

Print | Finance and economics Oct 24th 2019



IMAGINE YOU are a journalist trying to reassure your bosses that you will hit a tight deadline. What would be more effective: a forceful but brief commitment that you will do whatever is needed to get the job done, which leaves them in the dark on all the things that might go wrong along the way? Or a plan detailing every step you will take—but in which they can spot unnerving risks?

That resembles the choice central banks face as they try to convince financial markets and the public that they will meet their goals. Over the past decade their preference has been clear: the more transparency and detail, the better. In 2011 America's Federal Reserve began holding press conferences after its monetary-policy meetings. It started publishing the range of rate-setters' economic forecasts the following year. Across the rich world, forward guidance on the path of interest rates has become part of the toolkit. Central bankers make ever more speeches, bringing once-hidden debates out into the open. Some tweet their views.

The theoretical justification for all the talk is strong. The more markets understand how the central bank will react to events, the better they anticipate future policy. Conditions in financial markets should immediately tighten or loosen in response to economic news, making central bankers' jobs easier. It is as if setting out your plan to your boss makes it easier to implement.

Today, however, the theory is being tested. The European Central Bank (ECB) meets on October 24th, after *The Economist* goes to press, amid a very public row about monetary policy. In September the ECB said that it would restart quantitative easing (QE), the purchase of bonds with newly created money, and that it would keep buying assets until inflation picks up from its current level of 1% towards the bank's aim of close to 2%. Hawks such as Klaas Knot, the head of the Dutch central bank, have been unusually vocal in their dissent. Bond yields, which move inversely to prices, first fell as markets digested the ECB's guidance. But the bickering has since sent them in the other direction. Market pricing now also reflects expectations of how the political struggle over open-ended QE will play out. Investors have spotted a flaw in the plan.

In America the Federal Reserve may cut interest rates for a third time this year on October 30th. It has been accused by economists at Goldman Sachs, a bank, of constructing a "hall of mirrors" in its communications with markets. The Fed, the argument goes, has this year simultaneously signalled its intentions to bond markets while taking its cues from them. But bond yields are a prediction of what the Fed will do, not an instruction. As a result, the Fed and the markets have entered a pessimistic spiral, while the real economy has been ignored. In its eagerness to be in touch with markets, the Fed has forgotten that it is in the lead.

Central banks everywhere must also work out how to offer forward guidance when facing sharply divergent forks in the road. A trade truce between America and China could transform the economic outlook. A no-deal Brexit could cause chaos in Britain that spills over to the rest of Europe. Telling markets what to expect of policy is much harder when prediction involves choosing between black and white.

Might it help, therefore, for central banks to talk a little less? Microeconomists have long known that ambiguity can have strategic uses. Employment contracts, for example, do not specify every action an employee must take, nor all the obligations of an employer, possibly because it may be better to leave room for either side to punish the other's bad behaviour. In recent years Bengt Holmström of MIT, who in 2016 won the Nobel prize for economics, has argued that central-bank opacity has its uses in credit markets. Most of the time, he argues, these markets, unlike stockmarkets, are "information-insensitive"—they do not respond much to news. In contrast to stocks, there is no upside for the lender when things go especially well, and default is a remote risk, especially when loans are adequately collateralised. "A state of 'no questions asked' is the hallmark of money-market liquidity," he argues.

In a panic, however, money-markets dry up as the risks loom larger. Lenders find themselves having to scrutinise every transaction. Restoring stability might require a promise that is light on detail, and thus hard to pick apart. At the worst of the euro zone's sovereign-debt crisis, for instance, Mario Draghi, the head of the ECB, pledged to do "whatever it takes" to keep the single currency safe. Mr Holmström also notes that when the Fed provided emergency lending to banks during the financial crisis, it did not disclose which institutions received support, for fear that any associated stigma could provoke bank runs.

Too much information

Might a similar logic carry across to central bankers' everyday goals, such as targeting inflation? Inflation expectations, like financial panics, can prove self-fulfilling. Some economists reckon that central banks' promises to keep inflation low may have become so credible that the public rarely revises its expectations in light of economic news—another case of "no questions asked".

But the analogy breaks down when it comes to interest rates. Rates vary and markets have to expect something. Central banks might as well steer such expectations. The limits of communication are best seen as the latest round in the decades-old battle between those who want monetary policy to be set by rules, and those favouring discretion. The clearest forward guidance would be a fully transparent algorithm that relates interest rates to economic data. But such a mechanical "reaction function" exists only in economic models. In reality, policymakers have to use their judgment, meaning their decisions are inherently uncertain.

As long as that is true, there is a limit to how much more transparency can make interest rates predictable. And, as the recent experience of central banks shows, talking can have its downsides. It is worth pondering when silence might be golden.

Combating fake news

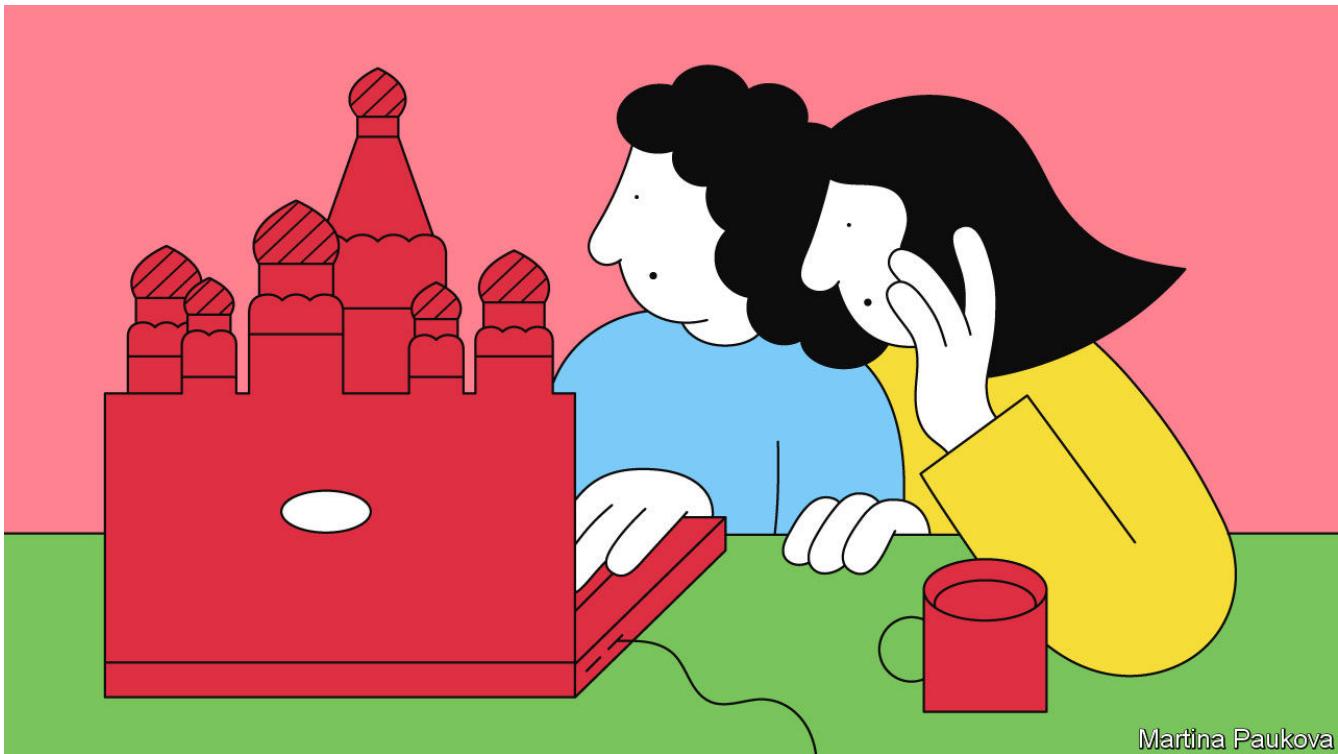
Lie detector

Disinformation

Lithuanians are using software to fight back against fake news

The country is besieged by Russian propaganda

Print | Science and technology Oct 24th 2019



Martina Paukova

“PATIENT ZERO” is a medical term that started as a misunderstanding. An early North American victim of AIDS was anonymised in some documents as “Patient O”. The individual in question, Gaëtan Dugas, a Canadian flight attendant, was thought at the time to have been the point of origin of the North American AIDS epidemic. The misreading of O (for “Outside of California”) as 0 (ie, zero), though accidental to begin with, thus seemed propitious. In fact, Dugas was not the sole point of that epidemic’s origin. But the term stuck, and has spread. It has, indeed, spread beyond medicine to embrace another sort of plague—disinformation.

Demaskuok, which means “debunk” in Lithuanian, is a piece of software that searches for the patient zeros of fake news. It was developed by Delfi, a media group headquartered in Lithuania’s capital, Vilnius, in conjunction with Google, a large American information-technology company. It works by sifting through reams of online verbiage in Lithuanian, Russian and English, scoring items for the likelihood that they are disinformation. Then, by tracking back through the online history of reports that look suspicious, it attempts to pin down a disinformation campaign’s point of origin—its patient zero.

Playing ping-pong with the Kremlin

Demaskuok identifies its suspects in many ways. One is to search for wording redolent of themes propagandists commonly exploit. These include poverty, rape, environmental degradation, military shortcomings, war games, societal rifts, viruses and other health scares, political blunders, poor governance, and, ironically, the uncovering of deceit. And because effective disinformation stirs the emotions, the software gauges a text’s ability to do that, too. Items with terms like “current-account deficit” are less likely to be bogus than those that mention children, immigrants, sex, ethnicities, animals, national heroes and injustice. Gossip and scandal are additional tip-offs. Verbiage about sports and the weather is less likely to fire up outrage, so the software scores items about those subjects as less suspicious.

Another clue is that disinformation is crafted to be shared. Demaskuok therefore measures “virality”—the number of times readers share or write about an item. The reputations of websites that host an item or provide a link to it provide additional information. The software even considers the timing of a story’s appearance. Fake news is disproportionately posted on Friday evenings when many people, debunkers included, are out for drinks.

Disinformers can be careless, too. Demaskuok therefore remembers the names of people quoted in fake news, as they sometimes crop up again. It also runs image searches to find other places a picture has been posted. Some, it turns out, first appeared before the events they supposedly document. Others also appear on websites with a reputation for disinformation, such as RT and Sputnik—both news outlets backed by Russia’s government.

Russian-sponsored disinformation of this sort is a bane everywhere, but it is particularly rife in Estonia, Latvia and Lithuania—the three countries that, in 1990, were the first to declare independence from the Soviet Union, catalysing that union’s disintegration. The Baltic states, as they are often known collectively, then exacerbated their offence by joining NATO and the European Union. Russia, the Soviet Union’s puppetmaster, has neither forgiven nor forgotten. One consequence is that the Baltic states are particular targets for falsehoods intended to confuse and destabilise.

Demaskuok is part of the fightback. It has improved since Delfi’s journalists began using it a year ago. It can now flag up not just total fabrications, but also more cunning trickery that works by exaggeration or omission. Viktoras Dauksas, who runs Debunk EU, a charity in Vilnius that was created in June to develop the technology further, says it can now even sometimes spot “broken mirrors”. This is his term for disinformation in which facts are technically accurate but presented selectively to mislead. Russian disinformation, he says, has become increasingly treacherous, with truthful elements savvily “twisted in a way to undermine democracy”.

Demaskuok is pretty good. About half the items it flags prove, under human scrutiny, to be disinformation. That scrutiny, though, is an important part of the process.

Some of it comes from Demaskuok’s users. Besides Delfi, these include Lithuania’s foreign ministry and a score of news outlets, think-tanks, universities and other organisations. After studying an item that the software considers disinformation, people in these organisations tell the system if it was on or off the mark. That improves future performance.

Demaskuok is also supported by more than 4,000 volunteers known as “elves”. About 50 of them scroll through Demaskuok’s feed of suspected disinformation, selecting items to be verified. These are sent to the other elves for fact checking. Reports on the findings are then written up by the software’s users and emailed to newsrooms and other organisations, including Lithuania’s defence ministry, that produce written or video “debunks” for the public.

The whole system typically moves so fast that an elf in Vilnius who goes by the alias “Vanagas” jokes it is like playing “Kremlin ping-pong”. This speed makes all the difference, says Vaidas Saldziunas, one of Delfi’s journalists. Wait too long and it may not matter if you “kill the patient zero, the original virus”, he says. If the resulting false narrative survives long enough, it may take on a life of its own.

Officials say that abundant debunking has cultivated healthy scepticism in most Balts. But Eitydas Bajarunas of Lithuania’s foreign ministry frets about disinformation’s effects on countries farther west, where fewer people fear Russian aggression. He points to a bogus report on September 25th that falsely claimed 22 German soldiers had desecrated a Jewish cemetery in Kaunas, a city 100km west of Vilnius. Neglect to nip such rot in the bud, he says, and political support in Germany for keeping troops in Lithuania could falter.

Moreover, some worry that even Demaskuok’s success may play into Russia’s hands. Rob Procter, professor of social informatics at the University of Warwick, in Britain, offers a sobering thought. The Kremlin’s goal, he suggests, is not so much to convince Westerners that certain falsehoods are the truth. Rather, it wants its adversaries to doubt that anything can be trusted as true. If this is the aim, software that increases the number of news reports which get debunked may, paradoxically, have the opposite effect to that intended. ■

Dysgenics**Migrants from coalfields take DNA as well as talent with them***Educational achievement has a genetic component. Bad news for deprived areas*

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Getty Images

IT IS A common assumption that migrants have more pizzazz than stay-at-homes. That this is reflected in people's genes, though, may come as a shock. Yet this is the conclusion of a study based on almost half a million Britons who have volunteered to have their DNA, and much else about them too, recorded in the UK Biobank, a resource available to researchers who are trying to understand the links between genetics, environment, disease and social outcomes.

The study in question, just published in *Nature Human Behaviour*, was carried out by a team led by Abdel Abdellaoui of the University of Amsterdam, in the Netherlands, and Peter Visscher of the University of Queensland, in Australia. Building on previous work done in the Netherlands, they were looking at how genetic patterns associated with certain biological, medical and behavioural traits cluster geographically and change as people move around.

To establish baselines for their work, Dr Abdellaoui, Dr Visscher and their colleagues turned first to 33 published studies that used a technique called genome-wide association study. This is intended to discern the contributions to a trait of large numbers of genetic differences that each have a small effect. It concentrates on so-called single-nucleotide polymorphisms (SNPs)—places in the DNA where an individual genetic “letter” routinely varies from person to person. There are, for example, about 100,000 SNPs that affect height. On average, each makes a contribution, either positive or negative, of 0.14mm to someone's adult stature. This is in contrast to Mendelian variations, where a single difference between individuals has a pronounced effect—such as the difference between brown and blue eyes.

Each of the 33 baseline studies identified large numbers of SNPs that had positive or negative effects on a particular trait: extroversion, heart disease, height, body fat, age at menopause, recreational drug use and so on. The researchers then applied these SNP patterns to the records of 450,000 UK Biobank participants, and asked various questions. One thing they looked for was geographical clustering of SNPs related to individual traits. This, they discovered in abundance. Of the 33 traits under consideration, 21 showed evidence of SNP-related geographical clustering.

The most strongly clustered of all, they found were SNPs for educational attainment (ie, how many years an individual had spent at school and college). SNPs lowering educational attainment were particularly clustered in former coal-mining areas. These are places that have seen a lot of internal migration, both inward, when the mines were developed during the late 18th and 19th centuries, and outward, after the second world war, as mining shrank from being one of Britain's biggest employers to its current state of near non-existence.

Dr Abdellaoui and Dr Visscher were able, from their studies of the biobank's records, to chart the effects of the more recent, outward migration. They divided participants into four groups: those born in mining areas who had subsequently left; those born in mining areas who had stayed; those born outside mining areas who had moved into one; and those who had never lived in a mining area. The results were stark. People in the first group, outward migrants from mining areas, had significantly more educational-attainment-promoting SNPs, and fewer damaging ones, than any of the other groups, while people in the second group, stay-at-homes in mining areas, had the opposite.

Though not quite so sharply as with educational achievement, this pattern was also reflected in all but one of the other 20 SNP-related traits the researchers looked at. With the exception of bipolar disorder, the best outcomes were found in outward migrants from coalfields and the worst in stay-at-homes. The healthy, in other words, depart. The less healthy remain.

The upshot is a vicious spiral. That young, ambitious, healthy people tend to leave economically deprived areas is hardly news. But to see that written clearly in their DNA, which they take with them when they leave, while the converse is written in the DNA of those who stay behind, raises questions of nature and nurture that society is ill-equipped to answer, and possibly unwilling to confront. ■

Agriculture**Plantation owners profit by not persecuting primates***Monkeys act as pest controllers who take their fees in fruit*

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PALM OIL is a lucrative business, but not without its problems. Plantations of palms, the fruit of which are crushed to release the oil, are usually there at the expense of rainforest. This does not go down well with environmentalists. Nor does it go down well with the rainforest's inhabitants, some of whom, such as pig-tailed macaques, a species of monkey, raid the plantations to eat the palm fruit before it can be harvested.

Such raiding, naturally, invites retaliation by planters, who try to trap and relocate the animals, or scare them off with gunshots. But a study published in *Current Biology* this week, by Nadine Ruppert and Anna Holzner of the University of Sciences Malaysia, suggests such retaliation is a mistake. Far from driving monkeys away, plantation owners should welcome them, because monkeys help control a yet more important pest of oil palms—rats.

Dr Ruppert and Ms Holzner spent more than two and a half years tracking a pair of macaque troops around a large oil plantation in West Malaysia. As they expected, they found that the monkeys were eating oil-palm fruits—but not, actually, all that many. A troop of 44 animals (the average for this species) would, they reckoned, get through 12.4 tonnes of palm fruit a year. This is 0.56% of the fruit that would be produced in such a troop's home range. That same troop would, though, in the same time, get through more than 3,000 rats.

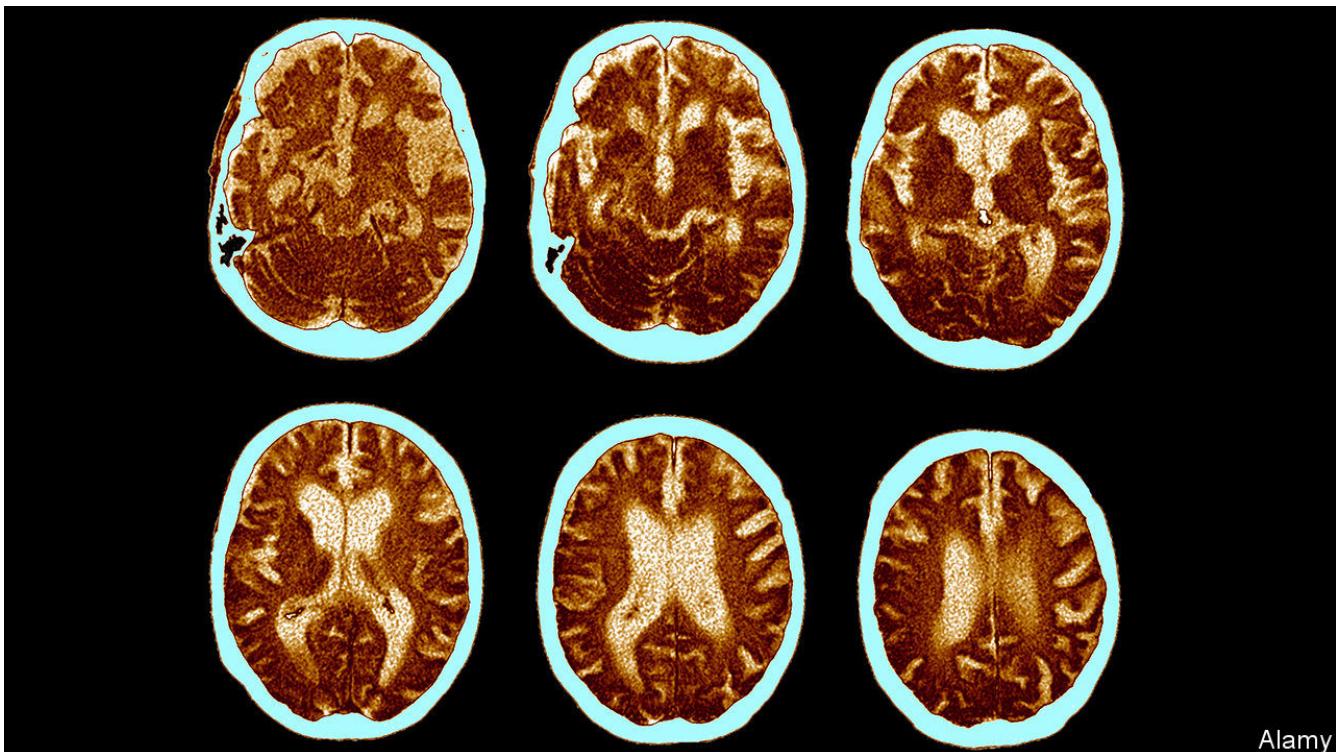
Previous reports suggest rats living in palm plantations consume around 10% of the fruit produced, so it crossed the researchers' minds that, from a planter's point of view, leaving the monkeys alone to act as rat controllers might actually make economic sense. And so, after a bit more work, it proved.

By comparing plantations whose owners did and did not discourage monkeys from visiting, Dr Ruppert and Ms Holzner found rat abundance in the former to be five times that in the latter. Overall, they calculated, tolerating monkeys would lead to a crop loss of about 2.5%, compared with the 10% toll that rats impose unhindered. And this is before the costs of control measures against the two species are considered.

For planters, then, the message of this work, as far as monkeys are concerned, is “live and let live”. Though macaques do charge a fee in fruit for their services, that fee is a small price to pay for the benefits they provide. ■

Dementia**Claims about a treatment for Alzheimer's should be met with caution***More trials would be a good idea*

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Alamy

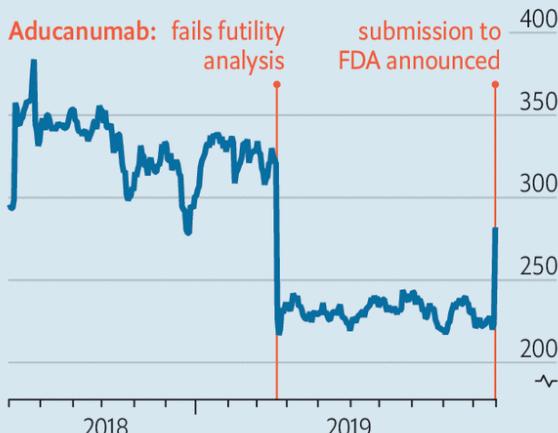
A DRUG THAT slowed the progress of Alzheimer's disease would be both a boon to humanity and a cash cow for the firm that developed it. Hence the rollercoaster ride enjoyed by the shares of Biogen, a biotechnology company based in Cambridge, Massachusetts, which hopes to be the firm in question. The recent surge in its share price (see chart) followed its announcement, on October 22nd, that it would soon seek approval in America for aducanumab, a molecule it believes will fit the bill.

Aducanumab is a type of drug known as a monoclonal antibody. Antibodies are specialised protein molecules that form part of the immune system. They include so-called hypervariable regions, the exact chemistry of which differs from one type of antibody to another. The specifics of the hypervariable region cause it to bind with great fidelity to some other molecule, usually part of a pathogen, stopping that molecule working and marking it for destruction by other parts of the immune system.

Aducanumab is tailored to bind to a protein called beta-amyloid, which forms plaques in the brains of people with Alzheimer's disease. Most researchers agree that these plaques are at least part of the cause of Alzheimer's symptoms, rather than being a benign consequence of other, harmful processes. And aducanumab does, indeed, seem to reduce the amount of beta-amyloid around. The theory is that this should, in turn, slow progress of the illness's symptoms. And that is where things get complicated.

Trial runs

Biogen Inc share price, \$



Source: Datastream from Refinitiv

The Economist

Having established aducanumab's safety in preliminary trials, Biogen organised a pair of larger trials to test its efficacy in slowing down the development of symptoms. Such trials are monitored as they go along, in order to check that a drug under test still looks safe, and also for futility—in other words, whether there is any sign that the substance is having the desired effect. In March, the firm announced that aducanumab had failed the futility test and both trials would therefore end.

That seemed to be that. But the latest announcement, based on extra data squeezed out of one of the trials, says there is an effect after all. And, according to statistical convention, there is. Just.

Statistically, there is little doubt that aducanumab was clearing beta-amyloid. A rule of thumb in statistics is that if the likelihood of an apparently significant result having actually been accidental is less than five in 100, then it can provisionally be accepted as real. Calculation suggests the plaque-clearing effect found would happen by chance only one time in 1,000. That, though, is merely to confirm what was already known about aducanumab's powers. Of the four results cited for various cognitive effects, only one is this good. Two others have "happened-by-chance" values of one in 100—which counts, but would benefit from confirmation. The fourth has a value of six in 100. Nor is Biogen's case assisted by the fact that only one of the two trials is being cited in this reinterpretation.

America's Food and Drug Administration, which will decide whether to give aducanumab the go-ahead, will of course be aware of the conventions concerning statistical power, and will make its decision in light of that awareness. There must, though, be a temptation, given the magnitude of the problem of Alzheimer's (in America alone there are almost 6m cases), and the absence of alternative treatments, to give a green light to something that might work, in the hope that it does work. Which will make heroes out of everyone involved if it turns out to be correct—and villains if it does not. ■

Taxonomy

Why museums' animal collections favour males

They are showier, and more easily caught

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The Trustees of the NHM

UNTIL RECENT years, science has been a male-dominated profession. And that bias, it turns out, is reflected not just in its practitioners. A team of researchers at the Natural History Museum in London have carried out a thorough review of the animal specimens in their own collection and in the collections of four of the world's other great museums of natural history. They have found, as they describe in the *Proceedings of the Royal Society*, that, among birds and mammals at least, there is a noticeable preference for cocks, stags and drakes over hens, hinds and ducks.

The team, led by Natalie Cooper, an evolutionary biologist at the museum, analysed records of almost 2½m specimens in London, Paris (Muséum National d'Histoire Naturelle), Chicago (Field Museum), New York (American Museum of Natural History) and Washington (Smithsonian Institution). The oldest dated from 1751. The newest were from 2018. They considered only species with 100 or more representatives, to reduce the effects of chance.

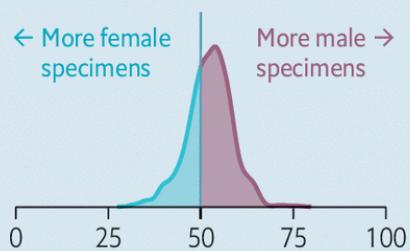
A surprising number of the records they looked at (49% of bird specimens and 15% of mammals) did not describe the sex of the animal they referred to. But of those that did, 60% of the birds and 52% of the mammals were male. Even taking into account known sex ratios in the wild, which do favour males in some species, these figures suggest collection bias.

There are two possible explanations. One is that if the sexes look different, it tends to be the male who has the splendid feathers or showy antlers, and thus attracts the hunter's attention. Similarly, if one sex is larger than the other it is almost always the male.

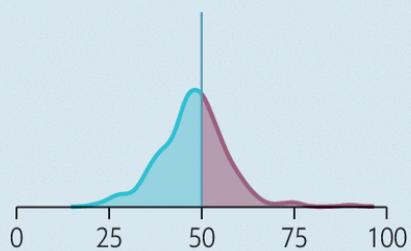
You've got male

Frequency of museum specimens being male, by species, %

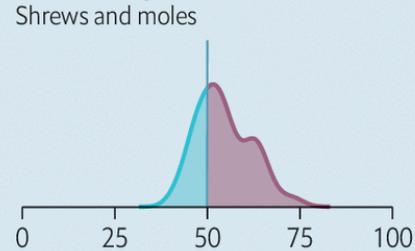
Rodents



Bats

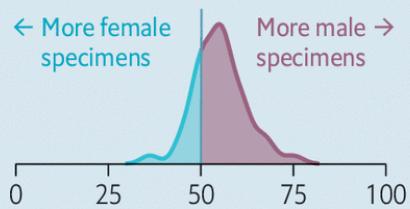


Soricomorpha

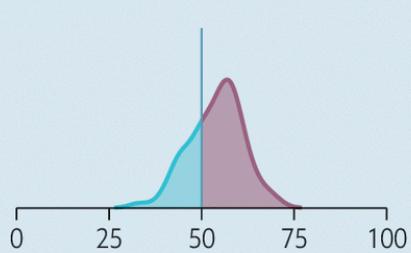


Carnivora

Dogs, cats, bears, raccoons and others

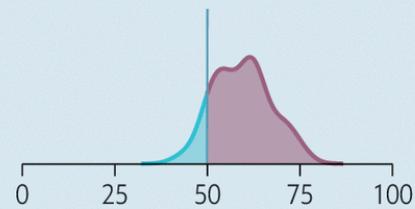


Primates



Artiodactyla

Cattle, sheep, deer, pigs and others



Source: *Proceedings of the Royal Society*

The Economist

The other explanation is that males, being generally more aggressive, more likely to wander from where they were born, more curious and less fearful of novelty, are more likely to put themselves in the line of fire. These explanations are not mutually exclusive. And according to the researchers, both are probably true.

As the chart shows, the biggest male-bias seen in the six largest orders of mammals (rodents, bats, shrews and their kin, carnivores, primates and artiodactyls) is in the artiodactyls. These, the even-toed, or cloven-hoofed ungulates, include deer, sheep, goats, cattle and antelopes—all groups whose members often sport horns or antlers, and in which such headgear is more often found in males than females.

Among birds, meanwhile, analysis of the largest order (passerines, or song birds, which are 60% of bird species) showed that the proportion of specimens of a species that were male was directly related to how showy that species' male plumage was compared to the plumage of its females.

Demonstrating the importance of behaviour differences is harder. But it is difficult to come up with convincing hypotheses about hunting bias to explain results for groups like rodents and shrews, which are usually caught by trapping. Intriguingly, it may be the exception that proves the rule, here. Unlike those of the other large mammalian orders examined, collections of bats have a slight female bias. The researchers suggest this may be a result of the sexes often roosting separately, with female roosts being bigger. Past practice by bat collectors has been to collect entire roosts, thus accidentally collecting more females than males. ■

Inequality

The broken ladder

The broken ladder

In the past, America was not as unequal as it has become

Three new books explore the obstacles to a more egalitarian future

[Print](#) | Books and arts Oct 24th 2019



Owen Gent

The Triumph of Injustice. By Emmanuel Saez and Gabriel Zucman. W.W. Norton; 232 pages; \$27.95 and £21.99.

The Meritocracy Trap. By Daniel Markovits. Penguin Press; 448 pages; \$30. Allen Lane; £25.

Unbound. By Heather Boushey. Harvard University Press; 272 pages; \$27.95 and £22.95.

FOR MOST of its history, America has been a more egalitarian place than Europe—at least, so long as you exclude the abomination of slavery. White migrants to the New World found it less class-bound than the old. Inherited wealth cast a shorter shadow. In 1810, according to Thomas Piketty, a French economist, the richest 10% of Americans controlled less than 60% of national wealth, compared with more than 80% in Europe. When industrialisation threatened to establish an aristocracy like those across the Atlantic, the social backlash was prompt and decisive. Reforms extended the vote to women and protected workers' rights, busted powerful monopolies and introduced an income tax. Franklin Roosevelt's New Deal finished the work begun in the late 19th century. By the 1950s, the American economy was not only the most advanced in the world, but was once more a bastion of egalitarianism.

The evolution of inequality since that time thus represents a significant departure from American history. The incomes of the rich have grown much faster than those of the poor. From 1979 to 2016, the income of the top 1% of Americans grew by a cumulative 225%, compared with just 41% for the middle-class. Wealth inequality, too, has risen. Over the same period, the share of the country's wealth controlled by the top 0.1% more than doubled, to 20%. In continental Europe, meanwhile, the gap between rich and poor has widened only slightly. The share of total national income earned by the richest 1% of Europeans has increased by two percentage points over the past 40 years, compared with ten percentage points in America.

Political momentum is building for a response; several Democratic candidates for the presidency promise to introduce new wealth taxes (see Briefing). Even now, though, the origins of the malaise are poorly understood. Analysis tends to focus on proximate causes, such as globalisation or the impact of technology on the job market. These matter, but have also affected other rich countries. The source of America's troubles lies deeper.

Part of the problem is that American policy has exacerbated the effect of economic pressures. In their new book, “The Triumph of Injustice”, Emmanuel Saez and Gabriel Zucman pin the blame for rising inequality squarely on the American tax system. The authors—both economists at the University of California, Berkeley—argue that taxation in America has become less progressive over the past four decades. In the 1970s the rich paid twice as much in tax, as a share of their income, as the working poor (taking into account all taxes, including those at the state and local level). After President Donald Trump’s tax reform in 2018, by contrast, the very rich paid a smaller share than many Americans in the bottom half of the income distribution. The 400 richest Americans paid an average tax rate of about 23% of income in 2018, according to the authors’ estimates. Low-income Americans paid roughly 25%, the authors say, although this excludes transfer payments made to the very poorest households: a misleading omission, some critics reckon. Personal taxation is only part of the story, as the authors cursorily allow. Even so, the decline in the tax burden on the very rich, at a time of extraordinary growth in their incomes, is startling.

Only the little people

This analysis poses a question: why has American tax reform been so heedless of inequality? Messrs Saez and Zucman suggest a rationale. Economic injustice (as they see it) is a result of a simple cycle. The rich try to avoid tax, then win concessions from politicians who argue that attempts to get more from the wealthy are doomed to failure. This gambit foundered in the past, they say, because of a shared conviction of the value of collective, state-funded action. Erosion of that belief led to complacency in the face of avoidance and acceptance of widening chasms in wealth and power. The pair do not press their analysis further; economists, Mr Saez says, are “ill-equipped” to take on questions of values, important as they may seem.

Others are willing to try. In “The Meritocracy Trap”, Daniel Markovits, a legal scholar at Yale, blames the loss of social solidarity, and much else besides, on the slow corruption of American meritocracy, which has ossified into a formidable caste system. As the economic premium on education rose, he explains, competition for places at elite institutions of higher education grew. That struggle has become an obstacle to success for all but the cognitive elite. The gap in academic achievement between the children of rich and poor families is now larger than that between black and white pupils in the era of segregation, Mr Markovits notes.

In theory, this is a fixable problem, as “Unbound”, a new book by Heather Boushey, makes clear. Ms Boushey is the president and CEO of the Washington Centre for Equitable Growth, a left-leaning think-tank. Her book is a detailed account of the obstacles to a more egalitarian American future. Social cleavages described by Mr Markovits pop up repeatedly. The conditions into which children are born drastically influence their economic prospects as adults, Ms Boushey observes—from how likely they are to be arrested to the chance that they will be an inventor or entrepreneur.

But those effects can be countered. Health at birth, for instance, has been shown to sway educational performance and employment prospects—suggesting that better access to pre- and post-natal health care could help. So could improved access to early childhood education. Studies of high-quality pre-kindergarten programmes find enduring benefits to recipients from poor backgrounds. High-income parents read to their children more and spend more time and money on intellectually enriching activities than do poorer parents. Higher wages at the bottom, as well as more predictable work schedules, could narrow the gap. Research finds that rates of upward mobility are higher in some places than others; zoning reforms or subsidies that encourage migration to thriving areas could loosen up America’s class-bound hierarchy.

Ms Boushey frames her proposals as ways to reduce inequality while also aiding economic growth. For example, because highly unequal economies seem to rely more on credit booms to propel growth, redistributing income from rich to poor would make the economy less crisis-prone. Raising American test scores to the average across developed economies would boost output by an estimated \$2.5trn—or 12% of 2017 GDP—over the next 35 years.

This two-sided argument is persuasive, but is also an acknowledgment that the power to implement change rests with the winners. As Ms Boushey notes, the priorities of the rich receive more legislative attention than those of the poor. Political spending by the rich has risen alongside inequality, as has political polarisation; the resulting dysfunction suits the wealthy, given the popularity of redistributive tax and spending measures.

Convincing the well-off of the benefits of a less lopsided society may be necessary to remedy it. And perhaps, by couching their manifestos as a means to boost growth, and by reminding the rich that Americans are in it together, thinkers like Ms Boushey could begin to re-establish a lost sense of solidarity.

Just deserts

If Mr Markovits is right, however, that is a remote prospect. Subtly but corrosively, he thinks, the idea of meritocracy has validated inequality, because rich and poor alike “earn” their position. Success depends on educational achievement beyond the reach of many, but winners feel they deserve their spoils, while losers are asked to accept their fate. Restoring dignity to workers at the bottom may require the sort of organisation and activism that improved their lot a century ago. For some Americans, that upheaval could prove uncomfortable. ■

Mother courage

“Ducks, Newburyport” is an ingenious feat of storytelling

Lucy Ellmann’s novel is not so much a stream of consciousness as a vast delta of the mind

Print | Books and arts Oct 24th 2019



Getty Images

Ducks, Newburyport. By Lucy Ellmann. Biblioasis; 1,040 pages; \$22.95. Galley Beggar Press; £14.99.

THE NAMELESS heroine of Lucy Ellmann’s 1,000-page novel once had to endure a Wagner opera “so long it nearly killed me”. What would she, an over-worked, middle-aged mother-of-four who runs a baking business from her kitchen in Newcomerstown, Ohio (an actual place), make of the mammoth slab of print that she narrates, for the most part, in one unbroken sentence?

In this domestic epic, which was shortlisted for the Booker prize, Ms Ellmann, an American-born novelist who lives in Scotland, seeks to make connections. She builds bridges and find patterns that link home and away, near and far, the state of the family and the fate of the planet. Snatches of old songs, show tunes and opera arias punctuate the mighty flow of this interior monologue. So do the classic Hollywood movies (mostly of the Katharine Hepburn, Bette Davis and James Stewart vintage) that fill the narrator’s thoughts, along with the plucky heroines of Jane Austen and Laura Ingalls Wilder.

Thus the anxious soliloquy of an ordinary—but acute and well-informed—woman in contemporary America incrementally binds the human frame to the body politic, the neighbourhood rubbish to the pollution that has left the magnificent old Ohio river “full of mercury”. Ms Ellmann mourns ecosystems despoiled by modern humankind. The Native Americans of Ohio cherished their homelands for many millennia, but “the Europeans managed to just trash the place in a few hundred years”. Equally, “Ducks, Newburyport” itself forms a huge, sustainable ecosystem of storytelling. It is not so much a stream of consciousness as a vast delta of the mind, criss-crossed by tributaries and creeks.

Humans may have robbed the planet of its abundance, but their inner life teems and blooms: “there must be seven and a half billion of these internal monologues going on”. Ms Ellmann offers just one, over a single day. Her father, Richard Ellmann, wrote the definitive biography of James Joyce, and she nods to “Ulysses” and its everyday hero, Leopold Bloom. The narrator’s much-loved but absent husband (an expat Scot who teaches engineering in Atlanta and Philadelphia) is called Leo.

Readers need not scoff this giant pie in one gulp. Sampled at regular intervals, it tastes sweeter. The sheer ingenuity of Ms Ellmann’s wordplay, the fabulous profusion of her recipes, catalogues and inventories, from a freezer’s contents to confectionery brands, imbue every passage with fun as well as a sardonic poetry. Few novels have ever packed in so much culinary advice: the pies and cakes aside, see her chicken stock and beef chilli.

This onrush of introspection obliquely tells a sad family story. The sickness and early death of the narrator's adored mother "wrecked my life". Readers get to know devoted, dependable Leo and the four kids, "sulky Stace" (her first-born, with a previous husband), "pedantic Ben, obsessive Gillian, and pell-mell Jake". They share the pensive protagonist's self-doubt, shyness, memories of illness and her unwarranted belief in "the fact that" (a favourite phrase) "I can't love or be loved". They feel her fear of the violence all around her, from a disturbed deliveryman to weapon-toting Ohio males, schoolyard massacres, historic atrocities and the factory-farm annihilation of chickens. "Nobody seems to notice, cooking *or* motherhood," she frets.

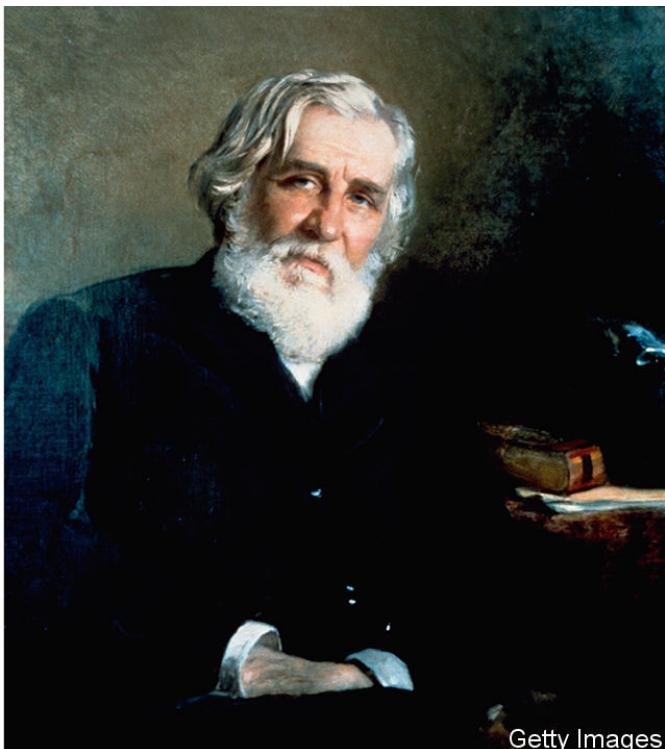
Conventionally punctuated, a briefer second story interrupts the first. It tells of a stray mountain lioness and her cubs who encounter the "graceless and brutal" human men who "never got enough of killing". Slowly, these twin narratives of heroic maternity on hostile terrain converge. The novel's odd title alludes to an act of rescue that made possible the narrator's entire existence. Mothers, human or leonine, always remain "at the centre of the vortex", while "after the apocalypse people will still need pie". In the blighted future, the all-feeling baker hopes that "a few good movies will be made" and "a few good books written". But very few better than this. ■

Ode to joy

A single market in culture emerged in the 19th century

New technologies brought people and ideas from across Europe together

[Print](#) | Books and arts Oct 24th 2019



Getty Images

The Europeans. author By Orlando Figes. *Metropolitan Books; 592 pages; \$35. Allen Lane; £30.*

FOR AN EXAMPLE of the cosmopolitan glamour and sheer brassiness of high European culture in the 19th century, look no further than the obsequies of Frédéric Chopin, which took place in a grand Paris church in 1849. Pauline Viardot (pictured left), a Spanish-born mezzo-soprano who had known the composer, sang Mozart's "Requiem" to a packed congregation that included "the whole of artistic and aristocratic Paris", as well as her lifelong admirer, the Russian author Ivan Turgenev (right).

Turgenev enjoyed her rendering, but complained peevishly of a poor use of stops by the organist. As for Viardot, she was genuinely upset by the loss of a friend but insisted on collecting every centime of her 2,000-franc fee (nearly half the cost of the funeral). The daughter of an impresario, her attitude to money—and life in general—was hard-headed. This fashionable event provides one of many vignettes etched in masterly detail by Orlando Figes, a British historian, in "The Europeans".

Mr Figes is best known as a chronicler of Russia itself, and of the ways its cultural and political masters have juggled indigenous traditions with those from the West. In this latest work, the scene moves to the heart of Europe via the life and world of Turgenev, the most westernising of Russian prose-writers. Ambitiously, Mr Figes sets out to tell both a big story and a small one. The larger narrative is the emergence, thanks to railways, cheap printing and an ever-growing middle class, of a transnational artistic scene, in which musical works and their performers, as well as writers and painters, were in perpetual motion. The micro-saga is that of the Russian writer, his favourite singer and her husband Louis Viardot, who formed an unlikely trio.

Viardot, a French opera manager, critic and scholar of Spanish and Russian, had married Pauline Garcia when he was 39 and she was 18. Soon he was negotiating appearances for her in places such as Berlin and Vienna, and eventually St Petersburg. There, in 1843, she enthralled the royal court, high society—and in particular, Turgenev, an impoverished blueblood and author. Throughout all these travels, the nascent railway system was a help, although the final part of the Viardots' journey through Russia was made in a bumpy horse-drawn carriage.

Thereafter Turgenev spent as much time as he could in their company, whether in the spa town of Baden-Baden or in the environs of Paris. The soprano had no strong feelings for either of the two men who adored her, but she was capable of passion, as became clear when a young composer called Charles Gounod enchanted her with his looks and talent; the other men had to stand aside and bite their lips.

Mr Figes refrains from judgment about his protagonists and lets the densely woven detail speak for itself. Louis Viardot emerges as a quiet hero, Pauline Viardot as a ruthless but likeable pragmatist and Turgenev as an insufferable prig whom posterity (and perhaps Louis) could forgive only because of his excellent, observant prose.

As a tale of an awkward but enduring relationship between three outstanding people, this book shines. But it also aspires to be a kind of anti-Brexit parable, tracing one of the most powerful developments in the 19th century, the creation of a single market in culture. Mr Figes certainly shows that entirely unexpected relationships, clashes and synergies can emerge when talented people from different corners of Europe have the money and the technological means to interact. But he acknowledges, too, that countervailing cultural forces were at work, such as the German nationalism of Wagner. (Pauline Viardot admired the German composer while Turgenev, despite his love of things Teutonic, felt instinctively hostile. Out of deference to the lady he worshipped he changed his mind, and then only with “a certain effort”.)

Trends in the world of culture are never straightforwardly linear. As “The Europeans” shows, the shifting relationships between flawed, fickle human beings are messier still. ■

Hidden talent

The first “Last Supper” painted by a woman goes on public display

Plautilla Nelli’s masterwork was created in a convent more than 450 years ago

[Print](#) | Books and arts Oct 24th 2019



Courtesy of Advancing Women Artists

SHE SET the table with elegant cutlery, sparkling glasses and intricately decorated bowls. The white cloth, once freshly ironed, bears the trace of a concertina of folds. In Plautilla Nelli's "Last Supper" (c.1560)—the earliest known version of the theme painted by a woman—Jesus and the 12 Apostles feast on lamb, lettuce, bread and wine. Under the table, the men's toes peek out from beneath their robes. Above, the men respond to Jesus's prediction that one among them will betray him. Judas sits alone on the opposite side to the group, his face stern and unmoving.

Last week at the Museum of Santa Maria Novella, Florence, Nelli's 21-foot-long painting was put on display to the public for the first time, more than 450 years after it was created. It has undergone four years of extensive restoration work. "I wanted to give her a voice," said Jane Fortune, the founder of Advancing Women Artists (AWA), the American charity which led the effort to salvage Nelli's masterwork. Fortune, who died in 2018, had estimated that there were more than 1,500 pieces of historic art by women in Tuscany; in 2009 she set up AWA to research into these neglected paintings, repair them and place them in museums. "True restoration is when the public can see a work and learn that it's part of history," Linda Falcone, AWA's director, says.

Born to a wealthy family in 1524, Nelli was sent to a convent at the age of 14. Rather than being sites of passive prayer, "convents were centres of creativity and power", says Ms Falcone. Half of all literate women were sent to them, as many families could afford a dowry only for the eldest daughter. Nelli's life within the cloistered walls of Santa Caterina di Cafaggio was productive. She taught herself and the other nuns to paint, and set up such a successful art workshop that the convent became financially self-sufficient, selling devotional pieces to noblemen. Giorgio Vasari, an art historian, wrote in 1550 that her works were so popular "it would be tedious to attempt to speak of them all".

Yet Nelli's "Supper" was her most revolutionary undertaking. Only the best Renaissance artists dared capture the moment when Jesus warned his followers that his death was imminent. The large, dramatic scene demanded ambition, creative verve and technical precision. Painting was prescribed as a way for nuns to ward off sloth, but their scenes were expected to be modest, decorative pieces. By making this work, Nelli and the team of nuns that assisted her were presenting themselves as equal to the men who had tackled the subject.

Though the painting has its flaws—shadows do not always fall where they should, the beards are unconvincing, proportions are occasionally askew—it is bold and evocative with its use of thick brushstrokes and jewel-like colours. Nelli also pays close

attention to the human details on her holy subjects, such as the cuticles on fingernails and the curl of eyelashes. “There aren’t other devotional Last Suppers with such a strong sensual touch,” says Rossella Lari, the conservationist who led the restoration.

For the past few decades Nelli’s pockmarked painting loomed over Santa Maria Novella’s friars in their private quarters. Though the monks were understandably disappointed to see it go, they have been given an exact reproduction; the restored original can now be viewed by Florence’s locals and the millions of tourists who visit the city each year. Nelli never painted a self-portrait, so it is hard to imagine the author of such a compelling piece. But with her “Last Supper”, she made sure that her name would be remembered. “Sister Nelli,” an inscription at the top of the painting reads; “Pray for the Paintress”. ■

Economic and financial indicators

Economic data, commodities and markets

Economic data, commodities and markets

[Print](#) | Economic and financial indicators Oct 24th 2019

Economic data

1 of 2

	Gross domestic product				Consumer prices			Unemployment rate	
	% change on year ago:		2019†	latest	quarter*	% change on year ago:		latest	2019†
	latest	quarter*				latest	2019†		
United States	2.3	Q2	2.2	2.2		1.7	Sep	1.8	3.5 Sep
China	6.0	Q3	6.2	6.2		3.0	Sep	2.7	3.6 Q3§
Japan	1.0	Q2	1.3	1.0		0.2	Sep	1.0	2.2 Aug
Britain	1.3	Q2	-0.9	1.2		1.7	Sep	1.9	3.9 Jul††
Canada	1.6	Q2	3.7	1.6		1.9	Sep	2.0	5.5 Sep
Euro area	1.2	Q2	0.8	1.2		0.8	Sep	1.2	7.4 Aug
Austria	1.5	Q2	-1.4	1.4		1.2	Sep	1.6	4.5 Aug
Belgium	1.2	Q2	0.9	1.2		0.8	Sep	1.8	5.5 Aug
France	1.4	Q2	1.3	1.3		0.9	Sep	1.3	8.5 Aug
Germany	0.4	Q2	-0.3	0.5		1.2	Sep	1.3	3.1 Aug
Greece	1.9	Q2	3.4	1.9		-0.1	Sep	0.6	16.9 Jul
Italy	0.1	Q2	0.3	0.1		0.3	Sep	0.7	9.5 Aug
Netherlands	1.8	Q2	1.6	1.7		2.6	Sep	2.7	4.4 Sep
Spain	2.3	Q2	1.6	2.1		0.1	Sep	0.9	13.8 Aug
Czech Republic	2.5	Q2	3.0	2.6		2.7	Sep	2.7	2.1 Aug‡
Denmark	2.2	Q2	3.6	1.9		0.5	Sep	0.8	3.8 Aug
Norway	-0.7	Q2	1.0	1.4		1.5	Sep	2.3	3.8 Jul†‡
Poland	4.2	Q2	3.2	4.0		2.6	Sep	2.0	5.1 Sep§
Russia	0.9	Q2	na	1.1		4.0	Sep	4.6	4.5 Sep§
Sweden	1.0	Q2	0.5	1.3		1.5	Sep	1.8	7.1 Sep§
Switzerland	0.2	Q2	1.1	0.8		0.1	Sep	0.5	2.3 Sep
Turkey	-1.5	Q2	na	-0.3		9.3	Sep	15.6	13.9 Jul§
Australia	1.4	Q2	1.9	1.7		1.6	Q2	1.5	5.2 Sep
Hong Kong	0.5	Q2	-1.7	0.2		3.3	Sep	3.0	2.9 Sep‡‡
India	5.0	Q2	2.9	5.2		4.0	Sep	3.4	7.2 Sep
Indonesia	5.0	Q2	na	5.1		3.4	Sep	3.1	5.0 Q1§
Malaysia	4.9	Q2	na	4.8		1.1	Sep	0.8	3.3 Aug§
Pakistan	3.3	2019**	na	3.3		11.4	Sep	9.2	5.8 2018
Philippines	5.5	Q2	5.7	5.7		0.9	Sep	2.3	5.4 Q3§
Singapore	0.1	Q3	0.6	0.7		0.5	Sep	0.5	2.2 Q2
South Korea	2.0	Q3	1.6	1.8		-0.4	Sep	0.4	3.1 Sep§
Taiwan	2.4	Q2	2.7	2.4		0.4	Sep	0.5	3.7 Sep
Thailand	2.3	Q2	2.4	2.4		0.3	Sep	0.9	1.0 Aug§
Argentina	0.6	Q2	-1.3	-3.3		53.5	Sep‡	53.7	10.6 Q2§
Brazil	1.0	Q2	1.8	0.8		2.9	Sep	3.8	11.8 Aug§
Chile	1.9	Q2	3.4	2.6		2.1	Sep	2.3	7.2 Aug‡‡
Colombia	3.4	Q2	5.6	3.1		3.8	Sep	3.5	10.8 Aug§
Mexico	-0.8	Q2	0.1	0.3		3.0	Sep	3.6	3.5 Sep
Peru	1.2	Q2	4.1	2.6		1.9	Sep	2.2	6.1 Sep§
Egypt	5.7	Q2	na	5.5		4.8	Sep	8.8	7.5 Q2§
Israel	2.0	Q2	0.6	3.2		0.3	Sep	1.0	3.8 Aug
Saudi Arabia	2.4	2018	na	1.5		-0.7	Sep	-1.1	5.6 Q2
South Africa	0.9	Q2	3.1	0.7		4.1	Sep	4.5	29.0 Q2§

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.

The Economist

Economic data

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	Current-account balance % of GDP, 2019†	Budget balance % of GDP, 2019†	Interest rates		Currency units	
			10-yr govt bonds latest, %	change on year ago, bp	per \$ Oct 23rd	% change on year ago
United States	-2.4	-4.6	1.8	-144	-	
China	1.4	-4.5	3.0	§§	-38.0	7.07
Japan	3.2	-2.9	-0.2	-35.0	109	3.2
Britain	-4.0	-1.8	0.8	-78.0	0.78	-1.3
Canada	-2.3	-0.8	1.5	-93.0	1.31	nil
Euro area	2.9	-1.1	-0.4	-81.0	0.90	-3.3
Austria	1.7	0.1	-0.1	-82.0	0.90	-3.3
Belgium	0.1	-1.0	-0.1	-97.0	0.90	-3.3
France	-0.8	-3.2	nil	-87.0	0.90	-3.3
Germany	6.6	0.5	-0.4	-81.0	0.90	-3.3
Greece	-2.9	0.4	1.3	-299	0.90	-3.3
Italy	2.0	-2.4	1.1	-253	0.90	-3.3
Netherlands	9.7	0.6	-0.2	-83.0	0.90	-3.3
Spain	0.7	-2.3	0.3	-141	0.90	-3.3
Czech Republic	0.5	0.2	1.4	-79.0	23.1	-2.4
Denmark	6.8	1.0	-0.3	-72.0	6.72	-3.1
Norway	5.4	6.5	1.3	-69.0	9.16	-9.4
Poland	-0.6	-2.0	2.0	-124	3.85	-2.6
Russia	6.6	2.4	6.6	-206	63.9	2.6
Sweden	3.5	0.4	-0.1	-74.0	9.66	-6.4
Switzerland	9.3	0.5	-0.6	-65.0	0.99	1.0
Turkey	-0.2	-2.9	13.2	-645	5.76	0.5
Australia	0.1	0.1	1.1	-157	1.46	-2.7
Hong Kong	4.8	0.1	1.5	-93.0	7.84	nil
India	-1.7	-3.8	6.7	-121	70.9	3.7
Indonesia	-2.4	-2.0	7.1	-154	14,029	8.3
Malaysia	4.5	-3.5	3.4	-73.0	4.19	-0.7
Pakistan	-3.5	-8.9	11.3	†††	-75.0	156
Philippines	-1.1	-3.1	4.6	-337	51.0	5.6
Singapore	14.4	-0.3	1.7	-89.0	1.36	1.5
South Korea	3.0	0.6	1.7	-65.0	1,172	-3.0
Taiwan	12.0	-1.0	0.7	-23.0	30.6	1.2
Thailand	6.0	-2.8	1.6	-107	30.3	8.2
Argentina	-1.1	-4.2	11.3	562	58.9	-37.3
Brazil	-1.7	-5.7	4.5	-372	4.07	-8.8
Chile	-2.6	-1.3	3.0	-160	727	-5.8
Colombia	-4.4	-2.5	5.9	-121	3,407	-8.7
Mexico	-1.7	-2.7	6.9	-149	19.1	1.6
Peru	-2.1	-2.0	5.6	64.0	3.35	-0.3
Egypt	-0.9	-6.7	na	nil	16.2	10.7
Israel	2.3	-3.9	0.9	-144	3.53	4.0
Saudi Arabia	1.4	-6.6	na	nil	3.75	nil
South Africa	-3.9	-4.8	8.2	-94.0	14.6	-1.4

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

The Economist

Markets

% change on:

In local currency	Index Oct 23rd	one week	Dec 31st 2018
United States S&P 500	3,004.5	0.5	19.9
United States NAScomp	8,119.8	-0.1	22.4
China Shanghai Comp	2,941.6	-1.2	18.0
China Shenzhen Comp	1,618.4	-1.1	27.6
Japan Nikkei 225	22,625.4	0.7	13.0
Japan Topix	1,638.1	0.4	9.6
Britain FTSE 100	7,260.7	1.3	7.9
Canada S&P TSX	16,335.9	-0.6	14.1
Euro area EURO STOXX 50	3,606.9	0.2	20.2
France CAC 40	5,653.4	-0.8	19.5
Germany DAX*	12,798.2	1.0	21.2
Italy FTSE/MIB	22,351.1	-0.3	22.0
Netherlands AEX	576.0	-0.2	18.1
Spain IBEX 35	9,385.0	nil	9.9
Poland WIG	57,950.2	1.8	0.5
Russia RTS, \$ terms	1,392.5	3.3	30.6
Switzerland SMI	10,023.5	-0.1	18.9
Turkey BIST	99,785.1	6.0	9.3
Australia All Ord.	6,778.2	-0.9	18.7
Hong Kong Hang Seng	26,566.7	-0.4	2.8
India BSE	39,058.8	1.2	8.3
Indonesia IDX	6,257.8	1.4	1.0
Malaysia KLSE	1,568.8	-0.4	-7.2
Pakistan KSE	33,439.7	-2.5	-9.8
Singapore STI	3,144.3	0.3	2.5
South Korea KOSPI	2,080.6	-0.1	1.9
Taiwan TWI	11,239.7	0.7	15.5
Thailand SET	1,631.5	-0.2	4.3
Argentina MERV	32,775.1	6.6	8.2
Brazil BVSP	107,543.6	2.0	22.4
Mexico IPC	43,546.5	nil	4.6
Egypt EGX 30	14,126.5	-0.6	8.4
Israel TA-125	1,570.3	0.1	17.8
Saudi Arabia Tadawul	7,887.4	4.9	0.8
South Africa JSE AS	55,571.5	-0.9	5.4
World, dev'd MSCI	2,208.3	0.6	17.2
Emerging markets MSCI	1,030.9	0.7	6.7

US corporate bonds, spread over Treasuries

		Dec 31st
Basis points	latest	2018
Investment grade	160	190
High-yield	501	571

Sources: Datastream from Refinitiv; Standard & Poor's Global Fixed Income Research.

*Total return index.

Commodities

The Economist commodity-price index			% change on	
2015=100	Oct 15th	Oct 22nd*	month	year
Dollar Index				
All Items	110.7	109.0	0.3	2.1
Food	95.3	95.2	4.0	2.8
Industrials				
All	125.1	121.9	-2.2	1.5
Non-food agriculturals	93.6	95.2	1.5	-15.7
Metals	134.5	129.8	-3.0	6.3
Sterling Index				
All items	132.3	128.9	-3.0	2.6
Euro Index				
All items	111.3	108.6	-0.9	5.1
Gold				
\$ per oz	1,480.8	1,484.7	-2.7	20.4
Brent				
\$ per barrel	59.3	60.2	-5.8	-22.3

Sources: Bloomberg; CME Group; Cotlook; Datastream from Refinitiv; Fastmarkets; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

The Economist

Graphic detail

Shakespeare

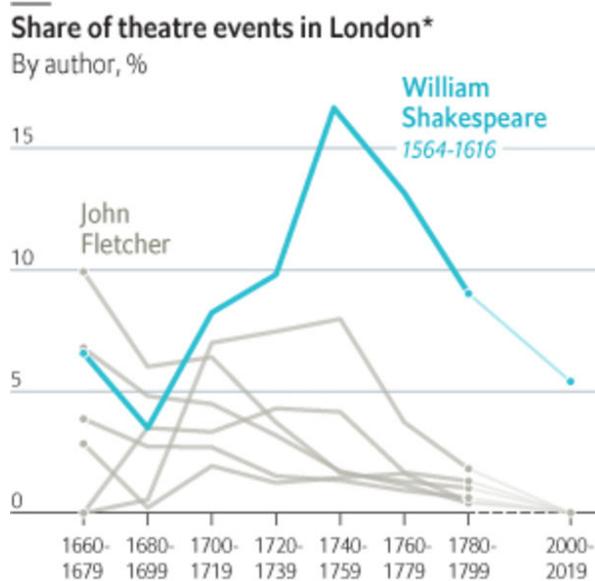
Greatness thrust upon him

The bard's ascent

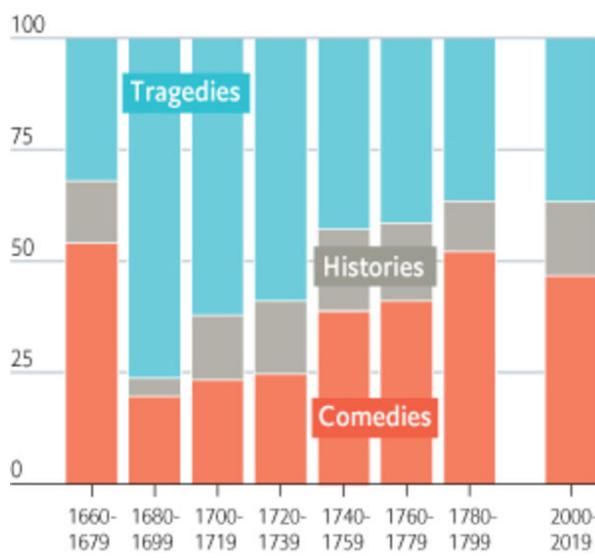
When was greatness thrust upon William Shakespeare?

His popularity soared in the 1700s, thanks to noblewomen and eminent actors

[Print](#) | [Graphic detail](#) Oct 26th 2019



Shakespearean performances by genre*, %



*Includes adaptations by other authors

HE WAS NOT of an age, but for all time," wrote Ben Jonson, a peer of William Shakespeare's, in the preface to the First Folio—a collection of the bard's works published in 1623, seven years after he died. Today, those words seem prophetic.

In Jonson's time, they were mostly just polite.

Shakespeare was popular in his day. His company drew large crowds at the Globe Theatre in London, and sometimes performed at court. But other authors of that era were more acclaimed. Francis Beaumont was buried in Poets' Corner at Westminster Abbey, near Geoffrey Chaucer. Jonson received a royal pension for writing. When Will died, few would have guessed that all the world would become his stage.

A newly digitised version of "The London Stage", a record of performances from 1660 to 1800, tracks Shakespeare's ascent to unquestioned supremacy. Mattie Burkert, the project's leader, says the data are patchy from 1660, when theatres reopened after a Puritan ban, to 1700, when daily newspapers began. Moreover, attributing shows to authors is tricky in the 17th century, since most were advertised without naming the playwright. Nonetheless, of 2,300 events recorded in this period, just 122 (5%) included material that might have been by Shakespeare. The data give more credits to two newer writers, John Fletcher (with 191) and John Dryden (137). Courtiers returning from France preferred libertine heroes and neo-classical styles. Shakespeare's untutored mingling of fools and kings seemed odd, so dramatists often rewrote his texts.

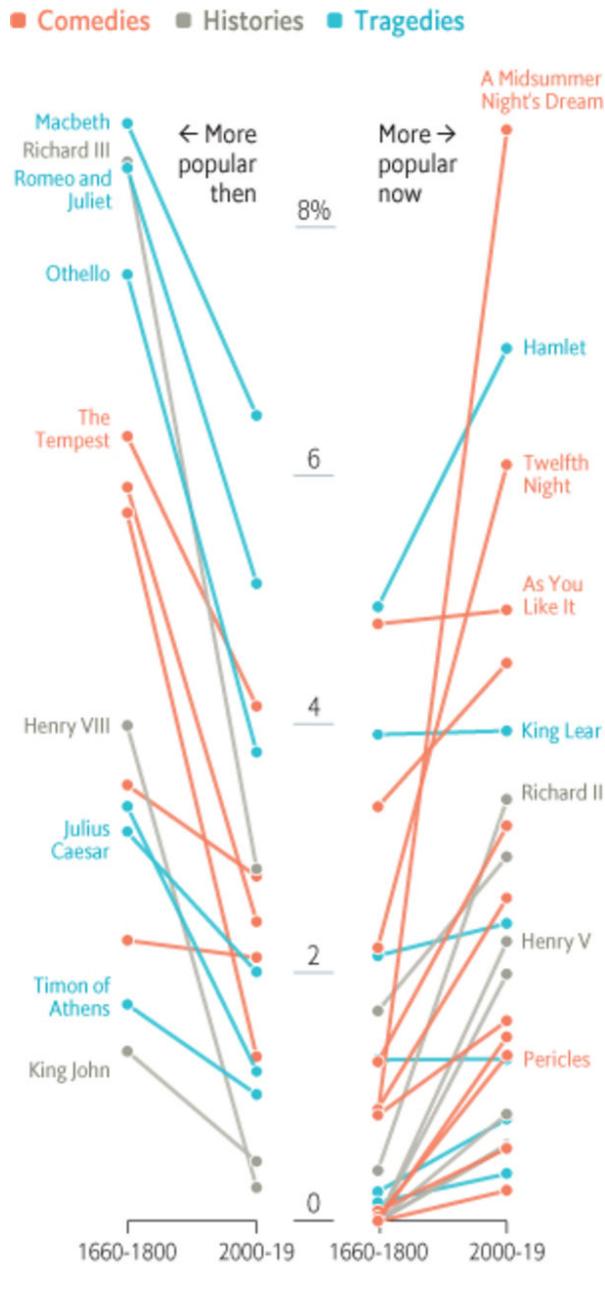
Shakespeare's star began to rise a century after his death. Fiona Ritchie, a scholar who specialises in his 18th-century reputation, notes a few causes. Some adaptations of his work, such as a happily ending "King Lear", became popular. In the 1730s the Shakespeare Ladies' Club, a group of aristocratic women, petitioned theatre owners to stage his plays rather than foreign operas. Comedies such as "Twelfth Night" and "As You Like It", now featuring female actresses, came back into fashion.

Even as the appetite for comedies grew, eminent actors—above all David Garrick—used sturdier roles, such as Richard III and Macbeth, to boost their careers. In 1769 Garrick organised a jubilee of Shakespeare's birth, to celebrate "the god of our idolatry". Shakespeare has held that status ever since. Harold Bloom, a critic who died on October 14th (see Obituary), called his plays "the outward limit of human achievement".

By 1800, 9% of shows in London used his material—down from a peak of 17%, but much more than his rivals. Today, Londoners still lend him their ears. Using listings from UK Theatre Web, an online archive, we estimate that the city's big theatres have put on 360,000 performances since 2000 (including musicals and operas to mimic the older data). Of those, Shakespeare accounts for some 19,000, or 5%. Although this share is similar to that of the 17th century, it is far more impressive, since Shakespeare must now compete with thousands of writers who had not been born in 1700.

Past and present popularity of plays

Share of Shakespearean performances*, %



*Includes adaptations by other authors

London's taste for specific plays has evolved. "A Midsummer Night's Dream", once seen as insipid, is now the most performed. But the split among comedies, tragedies and histories remains similar to that in 1740-1800. It was the thespians of that age who prepared him for all time. ■

Sources: London Stage Database; UK Theatre Web

Harold Bloom

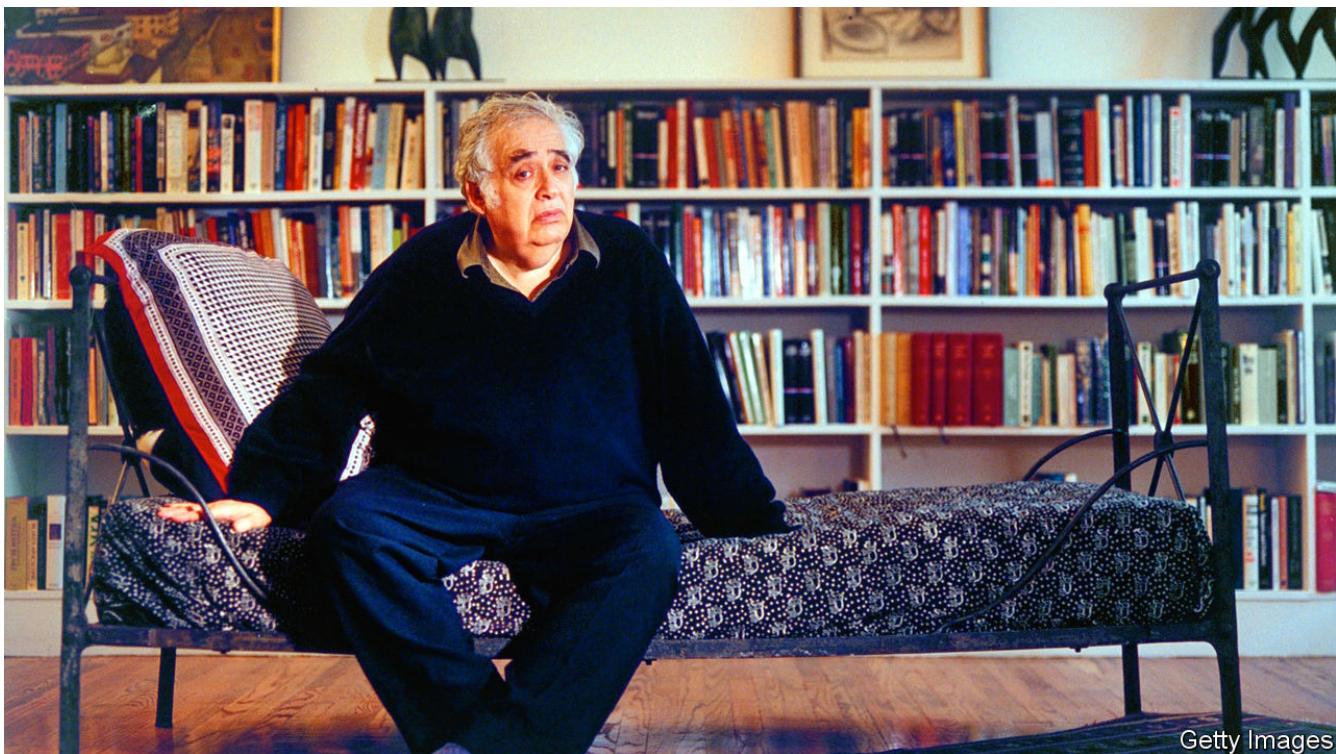
Falstaff Agonistes

Falstaff Agonistes

Obituary: Harold Bloom died on October 14th

America's colossus of literary criticism was 89

[Print](#) | [Obituary](#) Oct 24th 2019



Getty Images

AS HE SLUMPED in his chair, listening to some interviewer or student, Harold Bloom could seem a very picture of gloom. His jowly head leaned lower on his hand; his eyes sank deeper in their dark circles; his impressive belly sagged outward with each breath. Inside that head reposed all Shakespeare's works, both plays and Sonnets; all the poetry of William Blake, including the most obscure; Milton's "Paradise Lost", and as much of the Bible as was composed in Hebrew. Besides a good deal else. He was a monument of memory and exposition, a rock round which eager pupils gathered. But to his mind he was also a tired creature who was losing, or had lost, a war. He was Samuel Johnson, best of critics, who nonetheless grappled with "vile melancholy" all his life. And he was Falstaff, the philosopher of Eastcheap, the charismatic larger-than-life spirit of misrule, who was rejected in the end by Prince Hal for simply offering him a teacher's love.

Goodness knows, he had reason to be discouraged. Over the decades that he had taught English literature, principally at Yale, he had found himself steadily surrounded by enemies. At first it was only the New Critics, F.R. Leavis, T.S. Eliot and the rest, with their promotion of dry Anglican Metaphysicals and their hatred of the Romantics he adored: Shelley, Wordsworth, Keats. By the 1960s he had managed to install his favourites on the syllabus again. Yet all around him the belief persisted that literature should be studied theoretically and reductively, for its structure and etymologies, as if genius could not appear and astonish out of a clear sky. My dear, as he would sigh to students giving him such piffle for the umpteenth time, that wouldn't do.

Worse was to come. He watched American universities, even those of name, fall prey to a rabble of Marxists, feminists, pseudo-historicists and cultural-hegemonists, who forced their own programmes on to English departments. His response, in 1994, was "The Western Canon", a clarion-call that listed, from Dante to Molière, from Freud to Neruda, from Chaucer to Beckett, the 26 writers he considered central, and at the back the 3,000 or so books that everyone should read. His list of writers was all-white and almost all male—inevitably, as he refused to be strong-armed into picking "rudimentary" African-Americans or "sadly inadequate" women. He was now in hot water indeed, especially with those female students he had tried to seduce,

Falstaff-clumsily, with Amontillado sherry; but he ignored it. As a lower-class Jew, the son of a garment-worker, decidedly rare on the faculty at Yale, he needed no lessons in minority-sensitivity. That was beside the point.

The list of books caused a furious row too, as to what was on it and what not. His method had been simple: if a book survived a second serious reading, he included it. (He could read 400 pages in an hour; it was not so difficult.) People carped about contemporary relevance; but great literature, from Homer on, was always relevant. It reflected eternal verities of human life. A truly great book was not only an aesthetic pleasure; it also expanded cognitive power. It allowed an experience of otherness, and the lives of others, that was impossible otherwise. From this the self could take what it found most useful, and grow. As Emerson said—Emerson, with the transcendental Gnostics, being his sage, and “Self-Reliance” the creed he most approved of—some words could even strike the reader as sublime truth that he had known before. Thus “God in you...responds to God without”.

This had happened to him for the first time when he was swept away by Hart Crane’s poetry in the Bronx Public Library. He was eight, and already perplexing his Yiddish-speaking family by reciting Blake’s “Prophecies” around the place. Now, as he read “O Thou steeled Cognizance whose leap commits/The agile precincts of the lark’s return”, the strange words burned. Eight years later it happened again, when he saw Shakespeare’s “Henry IV” and first met Falstaff in the round flesh, crying out his vitality (“Give me life!”) and his pathos. The writer who could create both Sir John and Hamlet, that quintessential ironist torn between thought and action, could be treated only with awe. He was God. Shakespeare, he wrote in 1998, had invented the modern concept of personality, the first characters who overheard their inner selves and were changed by it. It mattered little what sort of man Shakespeare was, whom the Sonnets were addressed to, what his politics were. His infinite art contained everyone. To the question “Why Shakespeare?” Professor Bloom’s answer was: “My dear, what else is there?”

In that thought, the sense of a colossus whose work would never be bettered, lay the impulse for the whole enterprise of literature: for all the books stacked in his study, his shingle house in New Haven and his apartment in Greenwich Village, and laid up in layers in his brain. Each writer, he wrote in 1973, especially each poet, was engaged in an Oedipal agon, or struggle, against the influence of masterly precursors. Shelley had fought against Milton, Whitman against Emerson, Mailer against Hemingway. Inner anxieties, not outside factors, drove them. Each needed to let their own lustre shine. Only the strongest could manage that *clinamen*, that Lucretian swerve of the atoms which achieved change. Those were the men and women whose works had to be read.

And where was he on this battlefield? At the forefront in some ways, with his books bestsellers and his name glorious or notorious in the celebrity realm of buzz. He was leading the charge to keep great literature alive: to ensure it was both read and, above all, taught in the universities, where he fretted that syllabuses might soon consist of Harry Potter and Batman comics. The Western canon was still his chief care, a tradition accrued over 3,000 years; let others add on, if they wanted, the Asians and the Africans. He worried, too, about the squandering of short and precious time. Intimations of mortality added to his Johnsonian bouts of sadness. He had great precursors; his successor was not obvious.

Still, another hero, Rabbi Tarphon, provided a motto. “You do not need to complete the work, but neither are you free to desist from it.” He was busy teaching at Yale on October 10th. ■