

The Economist

In defence of billionaires

Cameroon's forgotten war

A hard-headed guide to diversity

Our poll of Britain's swing seats

NOVEMBER 9TH-15TH 2019

“On the edge of a precipice”

Macron’s stark warning to Europe



Contents

The world this week

- 1 Politics this week
- 4 Business this week
- 6 KAL's cartoon

Leaders

7 Macron and the future of Europe

A continent in peril

9 Squeezing the rich

In defence of billionaires

11 Cameroon's forgotten war

Words and weapons

13 Fake nudes

Sex, lies and politics

15 Genetics

A design for life

Letters

17 Letters to the editor

On the Bible, Greece, Congress, Chile, Syria, Canada, wind energy, Atlantic City, Thatcher

Briefing

24 Macron's view of the world

A president on a mission

United States

29 The policy primary

Warren care

31 Off-year elections

Knocking on Bevin's door

33 The Ukraine scandal

Impeach cobbler

35 Political advertising

Lie-posting

37 Milwaukee's north side

The silent minority

39 Russians in America

Odessa on the Intracoastal

41 Lexington

But thank you for your service

The Americas

43 Bolivia

Back to the barricades

45 Jamaica's economy

Redemption song

Asia

48 Trade deals

Haunted by Gandhi

50 Pakistan's reviving opposition

Container democracy

52 Buddhism in Thailand

The eight-fold chin

53 Cycle rickshaws in Bangladesh

Three wheels v four

55 Taiwan and China

Honey trap

57 The Fukushima nuclear accident

The wrong reaction

58 Banyan

Islands in a steam

China

60 Mainlanders in Hong Kong

Black terror

62 Data privacy

The first face-off

64 Chaguan

Dialectical materialism

Middle East and Africa

66 Cameroon's Anglophone crisis

War of words

69 Iran and the bomb

Undone deal

71 Jerusalem's new necropolis

180 feet under

72 Saudi Arabia

Thinking only positive thoughts

Europe

74 Spain's election

Fourth time lucky?

77 Siberia

The Camry in the gold mine

79 Sexualised disinformation

Naked untruth

81 Estonia

The nick of time

82 Charlemagne

The risks of forgetting

Britain

84 The election

The Tory tipping point

87 Northern Ireland

Joining forces

89 Politics and crime

Ill-gotten gains

91 Election forecasting

Stirring the tea leaves

93 The campaign in quotes

Speakers' Corner

95 Environmental policies

A warmer climate

97 The Speaker

A new order

98 Bagehot

Security questions

International

100 The splinternet

Net loss

Business

103 Letter to a chief executive

Diversity memo

106 McDonald's

Too much lovin'

107	A city on edge	135	Free exchange
	Postcard from Hong Kong		When the iron is hot
109	Californian utilities		Science and technology
	Sparks fly	137	The new genetics
111	Social media		Gee whizz
	TikTok time-bomb		Books and arts
113	Bartleby	141	Heritage and nation-building
	Take the money and run		History wars
115	Japan Inc in China	143	Forgotten histories
	Neighbourly love-in		The kindness of strangers
117	Schumpeter	145	Lives of the rich and famous
	Hard times for SoftBank		The lap of luxury
	Finance and economics	147	French literature
119	The euro area		I, me and they
	Rift in the union	149	The story of a storyteller
122	Trade war		Portrait of an artist
	Phase one, scene two		Economic and financial indicators
124	Distressed debt	150	Economic data, commodities and markets
	Vultures v zombies		Graphic detail
126	The economics of billionaires	155	Air pollution
	The lives of the 0.0001%		Festival of darkness
128	Buttonwood		Obituary
	Against the flow	158	Huang Yong Ping
130	Mexico's economy		Making art out of chaos
	Life after neoliberalism		
132	Litigation finance		
	Get the third party started		
134	Financial crime		
	Counter-Terrorists win		

The world this week

Politics this week

Politics this week

[Print](#) | The world this week Nov 7th 2019



Reuters

As the **British** general election campaign officially got under way a stream of MPs announced they would not stand again. So far over 70 have stepped down, more than twice the number who chose not to face the electorate in 2017. More than 60 of those supported Remain, and most represented constituencies that voted for Brexit. The Conservatives' campaign got off to a bad start, with the resignation of a cabinet minister. Polls still give them a double-digit lead over Labour. See [article](#).

John Bercow stood down as **Speaker** of Britain's House of Commons after ten years in the chair. Mr Bercow was known for crying "orderrrr!" and breaking parliamentary conventions. His replacement, Sir Lindsay Hoyle, has hinted at a return to convention and decorum, promising that he will wear the Speaker's wig "on traditional days". See [article](#).

In an attempt to show voters that the government is prepared to toughen up immigration policy, **France's** prime minister, Édouard Philippe, announced plans to clear out some migrant tent-camps, as well as to impose quotas for migrant workers and limit migrant access to non-urgent health care.

Over a barrel

A much-hyped **Brazilian** auction of rights to drill for offshore oil was a disappointment. Two of the four deepwater deposits got no bids at all. Observers blamed the high fees set by the government, and uncertainty about the future of both Brazil's policies and global oil demand.

Colombia's defence minister said he would resign amid accusations that the army has committed atrocities. One senator accused the minister of covering up the alleged bombing of a guerrilla camp in which children were killed.

A drug gang murdered nine members of a Mormon family in Sonora, a state in northern **Mexico**. Six children and three women died, perhaps because the killers mistook them for rivals. The LeBaron family broke away from the mainstream Mormon church and settled in Mexico in the early 20th century. The victims were American citizens.

Not co-operating

Iran took another step away from the nuclear deal it signed in 2015 by injecting gas into centrifuges at its Fordow facility. The devices could produce enriched uranium to be used for nuclear energy or, if highly enriched, a bomb. Iran said it would reverse the move if the deal's other signatories—Britain, China, France, Germany and Russia—provide economic relief. See [article](#).

Anti-government protests continued in **Iraq** and **Lebanon**. Demonstrators in both countries are seeking big changes to political systems dominated by an old elite and riddled with corruption. In Iraq the authorities have responded with violence. More than 260 people have been killed since the unrest began last month. Adel Abdul-Mahdi, the prime minister, has said he is willing to resign if a replacement is found.

The government of **Yemen** reached a power-sharing deal with southern separatists. The two are meant to be on the same side in a civil war that pits the Saudi-backed government against Houthi rebels, but they have been fighting each other recently. Saudi Arabia, which hosted the talks, said it hoped the deal would lead to a broader agreement ending the war.

America's Justice Department charged two former employees of Twitter with supplying personal information on dissidents to **Saudi Arabia**.

Jihadists linked to Islamic State killed more than 50 soldiers in **Mali** in an attack on an army base, a month after a similar assault in which more than 40 soldiers were killed. The two attacks are among the worst since 2013, when French forces pushed jihadists out of the towns in the north of Mali.

The International Criminal Court sentenced a former rebel chief in the **Democratic Republic of Congo** to 30 years in prison for war crimes. Bosco Ntaganda was known as "The Terminator". His army forcibly recruited children and committed mass rape. His sentence was the longest yet imposed by the court.

Follow the leader



In the 22nd consecutive weekend of unrest in **Hong Kong**, protesters attacked the office building of Xinhua, a news agency owned by the Chinese government. A Chinese newspaper, *Global Times*, accused them of deliberately provoking the mainland's authorities. Xi Jinping met Hong Kong's embattled chief executive, Carrie Lam, in Shanghai and reiterated his support for her. See article .

Deadly smog engulfed much of northern **India**, thanks in part to farmers burning stubble and to revellers letting off fire-crackers to celebrate Diwali, a Hindu holiday. The government of Delhi closed all the city's schools and instituted sweeping measures to limit traffic, to little avail.

An attack on a checkpoint in southern **Thailand** killed 15 people; it was the worst in the region for years. The attackers were militants fighting what they see as the oppression of ethnic Malays in Thailand.

Rodrigo Duterte, the president of the **Philippines**, put the vice-president, Leni Robredo, in charge of his campaign against drug dealers, during which thousands of suspects have been summarily shot dead. The president and vice-president are elected separately in the Philippines, and Ms Robredo is a staunch critic of Mr Duterte.

Classic Don

America formally notified the UN of its intention to withdraw from the Paris agreement to combat **climate change**, through which countries have pledged (with varying degrees of sincerity) to cut greenhouse-gas emissions. The Trump administration argues that the accord would hurt American businesses. The decision can be undone if a Democrat wins the presidential election.

Elizabeth Warren, one of the leading candidates to be the Democratic presidential candidate, unveiled details of her ambitious health-care plan. Ms Warren wants to spend \$20.5trn over a decade to transform America's private market for health

insurance into a government-run programme. To raise this extraordinary sum, she would hike taxes, especially on companies and the rich. See [article](#).

Beto O'Rourke dropped out of the Democratic race. Once the darling of the left, Mr O'Rourke struggled to make an impact in a crowded field.

The Democrats did well in a smattering of elections, winning the governor's race in **Kentucky** and taking control of the state legislature in **Virginia** for the first time in 20 years. The Republicans held on to the governor's mansion in deep-red **Mississippi**. See [article](#).

Business this week

Print | The world this week Nov 7th 2019



Masayoshi Son, the chief executive of **SoftBank**, acknowledged that he made a mistake by betting on WeWork, as his group revealed a \$4.6bn write-down of its investment in the office-rental startup. Overall, SoftBank reported a quarterly net loss of ¥700bn (\$6.4bn)—“red ink of the deepest red”, said an unusually contrite Mr Son. The Japanese conglomerate had to rescue WeWork after it abandoned an IPO amid questions about its valuation and a shortage of cash. Mr Son is now taking steps to beef up oversight of SoftBank’s many interests, such as demanding at least one seat on the board of any firm it sinks money into. See [article](#).

Part of SoftBank’s loss was also connected to its investment in **Uber**. The ride-hailing company reported another quarterly loss, of \$1.2bn, and said it did not expect to turn an annual profit until 2021. Its share price tumbled to another record low, in part because of expectations that Uber’s shares will flood the market now that investors who were locked in to holding them after the company’s IPO in May are free to sell.

The Federal Communications Commission formally approved the long-delayed merger of **Sprint**, which is owned by SoftBank, and **T-Mobile**, Deutsche Telekom’s American subsidiary. A lawsuit brought by a coalition of states attempting to block the deal on antitrust grounds is due to be heard in court next month.

HP, one of the world’s biggest makers of personal computers and printers, confirmed that it had received a “proposal” from **Xerox**, a smaller company focused on office photocopiers, to combine their businesses. A deal would reportedly be valued at around \$30bn.

America and China were making progress in **trade negotiations**, with each considering a reduction in tariffs. The conclusion of “phase one” of a trade truce is uncertain because of civil unrest in Chile, which has cancelled the APEC meeting where the deal was to be signed. Meanwhile, the World Trade Organisation gave China official approval for the first time to impose tariffs on America, in a dispute over steel pre-dating their current spat. See [article](#).

Not lovin’ it

Steve Easterbrook was sacked by **McDonald’s** as its chief executive for having a romance with an employee. Although the relationship was consensual, McDonald’s said it “violated company policy and demonstrated poor judgment”. Mr Easterbrook has been credited with revitalising the fast-food chain by spicing up its menu. Its share price has doubled since March 2015, when he became CEO. See [article](#).

International Airlines Group, the parent company of several carriers, including British Airways and Iberia, agreed to buy **Air Europa**, a smaller Spanish rival to Iberia. The deal will increase IAG’s share of the Europe-to-Latin America market from roughly a fifth to a quarter. Michael O’Leary, the boss of Ryanair, Europe’s biggest low-cost airline, was not happy. He claims the takeover will hurt competition and wants regulators to force IAG to sell off some assets.

Concerns about data privacy were raised following the announcement that **Google** is to buy **Fitbit**, a wearable device that tracks a user's exercise and healthy habits. Google and Fitbit stressed that the \$2.1bn deal would not compromise their commitment to transparency on data use and that information would not be sold on to third parties. As well as recording a person's heart rate, running pace, calorie burn and so on, Fitbit also retains personal information and location details.

Saudi Aramco at last confirmed that it is to launch an IPO, the details of which will be provided in a prospectus scheduled to be published on November 9th. The state-owned Saudi oil firm will sell shares on the Tadawul stock exchange in Riyadh. In an effort to widen its appeal domestically, small investors will receive bonus shares if they keep the stock until at least 180 days after the flotation.

Malaysia's prime minister, Mahathir Mohamad, said he was prepared to take **Goldman Sachs** to court if it did not increase its offer of compensation for its role in the sprawling 1MDB-fund scandal. Mr Mahathir said recently that he had rejected an offer of \$2bn from the bank.

Boom and bust

One of the pioneers of America's shale-gas revolution, **Chesapeake Energy**, warned in a filing that it was in danger of failing as a "going concern" if cheap gas prices persist. The company has amassed almost \$10bn in debt, five times its market value, amid a glut in American oil and gas output, which has driven prices down.

The British government banned **fracking** in England, after an official report found that it was not possible to predict when and where earth tremors caused by the process for extracting shale gas might occur. Environmentalists were delighted. Others accused the government of pulling a pre-election stunt. See [article](#).

KAL's cartoon

Print | The world this week Nov 7th 2019



Economist.com

Kal

Macron and the future of Europe

A continent in peril

Europe alone

Assessing Emmanuel Macron's apocalyptic vision

Europe is “on the edge of a precipice”, says France’s president. Is he right?

[Print](#) | [Leaders](#) Nov 7th 2019



Ed Alcock

TODAY'S EUROPE owes its existence to the United States. America fought two world wars on European soil; American diplomacy was midwife to what became the European Union; American arms protected western Europe from Soviet invasion; and American statesmen oversaw German unification. Now, in a dramatic plea to all Europeans, France's president, Emmanuel Macron, has warned that America is cutting Europe loose. The old continent is “on the edge of a precipice”, he warns. Unless it wakes up, “we will no longer be in control of our destiny”.

In his Elysée Palace office, Mr Macron spoke to *The Economist* in apocalyptic terms (see [article](#)). NATO, the transatlantic alliance, is suffering from “brain-death”, he says; Europe needs to develop a military force of its own. The EU thinks of itself as just a market, but it needs to act as a political bloc, with policies on technology, data and climate change to match. Past French presidents have argued that Europe cannot rely on America, and should look to France instead. Mr Macron is not just rehashing this view. He believes that America and Europe have shared interests and has worked tirelessly to keep good relations with President Donald Trump. But he argues that for the first time America has a president who “does not share our idea of the European project”. And even if Mr Trump is not re-elected, historical forces are pulling the old allies apart.

American priorities are changing. When President Barack Obama, who was intent on pivoting towards Asia, chose not to punish the use of chemical weapons in Syria it signalled that America was losing interest in the Middle East. Mr Trump's recent abandonment of America's Kurdish allies in Syria not only reinforced this, but also undermined NATO. America did not inform its allies, and Turkey, a NATO member, promptly invaded Syria. “Strategically and politically,” Mr Macron says, “we need to recognise that we have a problem.”

Asked whether he is confident that an attack on one NATO member would today be seen as an attack on all—the idea that underpins the alliance's credibility—Mr Macron says that he does not know. He acknowledges that NATO thrives operationally, but he calls for Europe “to reassess the reality of what NATO is in the light of the commitment of the United States.”

Europe, he says, has yet to grasp the immensity of the challenge ahead. It still treats the world as if commerce and trade alone were able to ensure peace. But America, the guarantor of world trade, is becoming protectionist. Authoritarian powers are on the rise—including Russia and Turkey on Europe's borders. While America and China spend vast sums on artificial intelligence, which they see as an essential component of their hard power, the EU devolves too much say to industry. Mr Macron warns that slow-moving, head-in-the-clouds Europe must open its eyes and prepare itself for a tougher, less forgiving world.

It is an astonishingly bleak picture for a centrist European politician and an avowed internationalist. But it is also unusually thought-through and, as far as Mr Macron is concerned, a spur to action. It is hard to overstate the scale of the change he is asking from his fellow Europeans.

Take defence. Mr Macron thinks that his new European Intervention Initiative and the EU's Permanent Structured Cooperation, underpinned by the European Defence Fund, can integrate military operations and boost Europe's capabilities, by implication providing a foundation for Europe's post-NATO defence. But these building-blocks are rudimentary. America's departure would leave vast holes in areas like air and missile defence, intelligence and surveillance, and aerial refuelling. Its military budget is twice as large as the rest of NATO's combined. European governments will be reluctant to plug the gap, since they have other priorities. It may be easier to adapt NATO, so that it both protects Europe and is also more useful to the United States.

And then there is diplomacy. Mr Macron thinks Europe can best establish its global influence as a power that mediates between the gorillas of China and the United States. Its role will be “to stop the whole world from catching fire”, he says. A first step would be to get a grip on its own region by rebuilding relations with Russia—a task that he accepts could well take a decade.

Again, however, that ambition assumes a unity of purpose that the EU seldom achieves. Many of its members tend to shun hard power for a foreign policy focused on human rights and commerce. As Mr Macron's Russian proposal illustrates, power politics requires you to deal with people whose actions you deplore. For him, realpolitik is necessary for European values to prevail. It is not clear his fellow European leaders would agree.

Last is industrial policy. Mr Macron wants the state to take strategic decisions over key technologies, and favours a policy to foster European champions. This tends to channel funds and contracts to politically connected incumbents. A better way to create a thriving technology ecosystem would be to encourage more competition. If Mr Macron will not embrace that, why should others?

The EU's formula is unique: an arrangement between states, without any hegemon, that keeps the peace. But how do you get 27 countries—plus Britain, a big power now in the EU's departure lounge—to agree to build fully functional armed forces, let alone convince Europe's foes that they would ever be used? Mr Macron's critics scoff that he is “drunk on power”. Some countries, including Poland and the Baltic states, would be alarmed at the idea of parting with America and pursuing detente with Russia. Others, including Germany, Italy and Spain, are too embroiled in domestic woes to entertain a grand global vision.

Plenty of times in the past, pious calls for Europe to make its weight felt in the world have turned out to be empty. This time, Mr Macron argues, must be different. He is asking his fellow leaders to imagine how Europe will thrive in a dangerous world without a cast-iron American alliance. How should they deal with Russia, with the conflict and religious fundamentalism roiling the Middle East and north Africa, and with the authoritarian challenge of China? He deserves an answer. ■

Dig deeper

[https://www.economist.com/briefing/2019/11/07/emmanuel-macron-on-europe-s-fragile-place-in-a-hostile-worldTranscript: Emmanuel Macron in his own words Briefing \(November 7th\):](https://www.economist.com/briefing/2019/11/07/emmanuel-macron-on-europe-s-fragile-place-in-a-hostile-worldTranscript: Emmanuel Macron in his own words Briefing (November 7th):)

Transcript: Emmanuel Macron in his own words

The Intelligence podcast: “He talked about Europe in almost apocalyptic terms”—Macron’s interview

Squeezing the rich
Billionaires are only rarely policy failures

Indiscriminate attacks on the super-rich will do more harm than good

Print | Leaders Nov 9th 2019



Getty Images

BASHING BILLIONAIRES is gaining popularity—especially among candidates to be America's president. Elizabeth Warren wants to take up to 6% of their wealth in tax every year. Bernie Sanders says they "should not exist". "Every billionaire is a policy failure," goes a common left-wing slogan. In Britain's election, too, the super-rich are under fire. Jeremy Corbyn, the leader of the Labour Party, says that a fair society would contain none. On October 31st he vowed to "go after" Britain's plutocrats, singling out five individuals and bemoaning a "corrupt system".

Left-wingers blasting inequality is nothing new. But the idea that vast personal fortunes are made possible only when government goes wrong is a more novel and serious idea. It is also misguided. Personal wealth is at best an unreliable signal of bad behaviour or failing policies. Often the reverse is true.

The left's charge is based on a kernel of truth. When competition is fierce and fair, persistently high profits should be difficult to sustain. Yet on both sides of the Atlantic too many companies crank out bumper profits in concentrated markets. Some billionaires have thrived where competition has failed. Facebook and Google dominate online advertising; Warren Buffett likes firms with "moats" that keep rivals out. Meanwhile America's political system is riddled with lobbyists cheerleading for incumbents. About a fifth of America's billionaires made their money in industries in which government capture or market failure is commonplace (see article).

Yet many others operate in competitive markets. The retailers owned by Mike Ashley, one of Mr Corbyn's targets, are known for low prices and ruthless competition (as well as questionable working conditions), not rent-seeking. For every Mark Zuckerberg, the boss of Facebook, there are several technology entrepreneurs with lots of rivals. Think of Anthony Wood, who created Roku, a video-streaming platform; or Tim Sweeney, co-founder of the firm behind "Fortnite", a video game. Nobody can seriously accuse these innovators of having sewn up their markets or of depending on state favours. The same goes for sportsmen such as Michael Jordan or musicians like Jay-Z, billionaires both. Even hedge funds face ferocious competition for investors' funds, which is why so many are throwing in the towel.

When capitalism functions well, competition whittles profits away for some but also produces them for others as entrepreneurs seize markets from sleepy incumbents. Their success will eventually set off another cycle of disruption, but in the meantime fortunes can be made. The founders of MySpace, a social-media website, got rich when they sold it to News Corp; Facebook subsequently ate its lunch. Blockbuster, a video-rental store, helped make Wayne Huizenga a billionaire; then Netflix arrived. This process creates vast benefits for society. According to estimates by William Nordhaus, an economist,

between 1948 and 2001 innovators captured only 2% of the value they created. Perhaps that is why billionaires are tolerated even by countries with impeccable social-democratic credentials: Sweden and Norway have more billionaires per person than America does.



The Economist

Taxes should be levied progressively. But that does not justify limitless redistribution or punitive levies. Ms Warren's proposed wealth tax has already doubled once during her campaign. Thomas Piketty, an economist behind many of the most-cited inequality statistics, wants a wealth tax of up to 90% on the richest billionaires. Such expropriation would surely chill incentives to innovate and to allocate capital efficiently. An economy with fewer entrepreneurs might have fewer billionaires but would ultimately be less dynamic, leaving everyone worse off.

Wealth is worrying when it becomes entrenched or shielded from disruptive forces. Where that decay has set in, governments should tackle it directly. Whatever Mr Corbyn says, Britain is hardly corrupt by global standards—bribery is rare, for example. But it does have a problem with inherited wealth, the source of one-fifth of billionaires' fortunes. Higher inheritance taxes would be welcome there and in America, where it is too easy to pass wealth between the generations.

A broader agenda of attacking rents while maintaining dynamism would weaken excessive intellectual-property and copyright protections, which often last too long. (Selling Lucasfilm more than three decades after the first "Star Wars" film should not have netted George Lucas \$4bn.) It would shake up antitrust enforcement to promote competition in old and new industries alike. Most important, it would fix America's campaign-finance laws to rid its political system of corporate capture at both state and federal level.

Doing all this would achieve much more than an indiscriminate attack on the rich—and without the associated damage. By all means, correct policy failures. But billionaires are usually the wrong target. ■

Words and weapons

How to stop Cameroon collapsing into a full-fledged civil war

Protests by English-speakers have morphed into a bloody conflict

Print | Leaders Nov 7th 2019



Eyevine

FOR 37 YEARS one man has ruled Cameroon, a staggeringly corrupt, oil-rich state in central Africa. President Paul Biya is an old-fashioned autocrat. When democracy swept across Africa after the cold war ended, he called it a “distasteful passing fetish”. Then he realised he would attract less foreign criticism if he quietly intimidated opponents and rigged elections instead of banning them. He has done so ever since, and kept on good terms with Western powers by posing as a champion of stability in a fissile region. His troops, trained and equipped by France, Israel and America, battle the jihadists of Boko Haram and Islamic State around Lake Chad. They also regularly don blue helmets to keep peace in countries such as the Central African Republic. Yet Mr Biya cannot keep the peace at home.

Instead, a country that was once seen as an exporter of security is now being wrenched apart. A secession struggle rages in its English-speaking regions. Government forces are burning villages, shooting young men and raping women (see article). The conflict has killed thousands and forced more than 500,000 people from their homes.

The strife began as a series of peaceful protests in 2016. Anglophones were aggrieved at their marginalisation in a country dominated by French-speakers. Cameroon is too rigidly centralised to satisfy minorities: only 1% of government spending is locally controlled, compared with more than 50% in neighbouring Nigeria. Strikes and demonstrations over the erosion of English-style common law and the dominance of Francophone officials have since mutated into what looks like a civil war. It could get much worse, as chaos grows, armed separatists kill and soldiers inflict horrors on civilians.

The outside world has barely noticed this disaster unfolding. Appeals for emergency assistance have attracted less than one-fifth of their target: less than half the people who have lost their homes have been given the two pieces of plastic and rope that make up the UN's shelter kit. Cameroon's main backers have looked away, hoping Mr Biya's government would quell the rebellion and get back to fighting jihadists in the Sahel. Instead of corralling the warring parties, the African Union and UN Security Council have stood aside, rousing themselves only to “welcome” and “praise” Mr Biya's “national dialogue”, a sham to which key separatist leaders were not invited.

This is a disgrace. The conflict, although bloody, is not intractable. Most people in Cameroon's two English-speaking regions are probably moderate and would be happy with some more autonomy and an end to the fighting. They could find common ground with those on the government side who might be willing to give a bit more power to the regions.

The longer the fighting persists, the harder it will be to resolve. With the army and separatists in stalemate on the battlefield, peace can come only through talks. For those to happen, both sides need to build trust. The separatists should start by lifting

the ruinous ban they enforce on children going to government schools in the areas they control, which threatens to create a lost generation of illiterates. Rebel leaders abroad should tone down their inflammatory talk of secession. The government should release political prisoners and prosecute soldiers responsible for abuses.

Outsiders should press Mr Biya to make peace. President Donald Trump has rightly scaled back military assistance because of atrocities committed by the army. He has also kicked Cameroon out of a programme which grants duty-free access to the US market to African countries that respect human rights. European governments should also turn the screws, especially France, Mr Biya's closest ally. The ageing strongman once said that only one-party rule could hold Cameroon together. In fact, his overcentralised autocracy has created pressures that could blow it apart. Only dialogue and devolution can save it. ■

Sex, lies and politics

Women in public life are increasingly subject to sexual slander. Don't believe it*As deepfake technology spreads, expect more bogus sex tapes of female politicians*

Print | Leaders Nov 9th 2019



ADULTERER, PERVERT, traitor, murderer. In France in 1793, no woman was more relentlessly slandered than Marie Antoinette. Political pamphlets spread baseless rumours of her depravity. Some drawings showed her with multiple lovers, male and female. Others portrayed her as a harpy, a notoriously disagreeable mythical beast that was half bird-of-prey, half woman. Such mudslinging served a political purpose. The revolutionaries who had overthrown the monarchy wanted to tarnish the former queen's reputation before they cut off her head.

She was a victim of something ancient and nasty that is becoming worryingly common: sexualised disinformation to undercut women in public life (see [article](#)). People have always invented rumours about such women. But three things have changed. Digital technology makes it easy to disseminate libel widely and anonymously. "Deepfake" techniques (manipulating images and video using artificial intelligence) make it cheap and simple to create convincing visual evidence that people have done or said things which they have not. And powerful actors, including governments and ruling parties, have gleefully exploited these new opportunities. A report by researchers at Oxford this year found well-organised disinformation campaigns in 70 countries, up from 48 in 2018 and 28 in 2017.

Consider the case of Rana Ayyub, an Indian journalist who tirelessly reports on corruption, and who wrote a book about the massacre of Muslims in the state of Gujarat when Narendra Modi, now India's prime minister, was in charge there. For years, critics muttered that she was unpatriotic (because she is a Muslim who criticises the ruling party) and a prostitute (because she is a woman). In April 2018 the abuse intensified. A deepfake sex video, which grafted her face over that of another woman, was published and went viral. Digital mobs threatened to rape or kill her. She was "doxxed": someone published her home address and phone number online. It is hard to prove who was behind this campaign of intimidation, but its purpose is obvious: to silence her, and any other woman thinking of criticising the mighty.

Similar tactics are used to deter women from running for public office. In the run-up to elections in Iraq last year, two female candidates were humiliated with explicit videos, which they say were faked. One pulled out of the race. The types of image used to degrade women vary from place to place. In Myanmar, where antipathy towards Muslims is widespread, detractors of Aung San Suu Kyi, the country's de facto leader, circulated a photo manipulated to show her wearing a hijab. By contrast in Iran, an Islamist theocracy, a woman was disqualified from taking the seat she had won when a photo, which she claims is doctored, leaked showing her without one.

High-tech sexual slander has not replaced the old-fashioned sort, which remains rife wherever politicians and their propagandists can get away with it. In Russia, female dissidents are dubbed sexual deviants in pro-Kremlin media. In the Philippines, President Rodrigo Duterte has joked about showing a pornographic video of a female opponent, which she says is a fake, to the pope. In China, mainland-based trolls have spread lewd quotes falsely attributed to Tsai Ing-wen, Taiwan's first female president. Beijing's state media say she is "extreme" and "emotional" as a result of being unmarried and childless.

Stamping out the problem altogether will be impossible. Anyone can make a deepfake sex video, or hire someone to do it, for a pittance, and then distribute it anonymously. Politicians will inevitably be targets. Laws against libel or invasion of privacy may deter some abuses, but they are not much use when the perpetrator is unknown. Reputable tech firms will no doubt try to remove the most egregious content, but there will always be other platforms, some of them hosted by regimes that actively sow disinformation in the West.

So the best defence against sexual lies is scepticism. People should assume that videos showing female politicians naked or having sex are probably bogus. Journalists should try harder to expose the peddlers of fake footage, rather than mindlessly linking to it. Some day, one hopes, voters may even decide that it is none of their business what public figures look like under their clothes, or which consenting adults they sleep with. ■

Designer babies by the back door

A new type of genetic profiling promises cleverer, better-looking children

What could possibly go wrong?

Print | Leaders Nov 9th 2019



Lo Cole

DEBATE ABOUT using science to create “bespoke” human beings of one sort or another usually revolves around the ideas of genetic engineering and cloning. People worry about these for two reasons. One is practical. The tinkering involved could end up harming the resulting individual. The other is a more visceral dislike of interfering with the process of reproduction, perhaps best encapsulated in the phrase “playing God”.

There is, however, a third way that the genetic dice which are thrown at the beginning of human life might be loaded—and it does not involve any risky tinkering. It is a twist on the well-established procedure of *in vitro* fertilisation (IVF). The twist would be to decide, on the basis of their DNA, which of a group of available embryos should be implanted and brought to term.

The result would be a child optimised with the best-available genetic profile for a long and healthy life. And this is not science fiction. Two American firms have been working on the idea for some time, and one of them is now implementing it (see [article](#)).

Single-nucleotide polymorphism (SNP, or “snip”) profiling, as the technique is called, promises healthier offspring—a clear good. It may also provide a way to upgrade things only tangentially associated with health, such as height and, more controversially, intelligence. Moreover, it is a technique that could be applied generation on generation, to improve grandchildren and great-grandchildren still further.

SNPs are the smallest possible differences between individuals’ DNA—single genetic letters. Individually, most have little consequence. But there are millions of them in every human genome and their combined effects can be big. SNP profiling looks for particular combinations of SNPs that research has shown are associated with the risks of developing illnesses such as cancer, diabetes and heart disease. This is important medical information for people now alive, and can be used to recommend screening programmes, changes of behaviour and prophylactic drugs.

For those willing to undergo IVF, and with the money to pay for it, it may also be possible to SNP-profile an embryo and thus foretell its future. As well as disease risk, height and intelligence, SNP-profiling might eventually be capable of predicting (albeit imperfectly, for environment also plays a role) things as diverse as television-viewing habits, likelihood of being bullied at school and probability of getting divorced.

At the moment, non-medical attributes are not on the menu offered by would-be embryo SNP-profilers. But if the technique works it is hard to believe that they will not be on someone’s menu in the future. And that does raise questions.

What all this amounts to is, in essence, a supercharged version of an existing process known as assortative mating. It is already true that intelligent, successful (and therefore probably rich) people seek each other out as partners. In doing so, they bring to the table whatever genetic variations helped make them intelligent, successful and rich, which they then pass on to their children. SNP profiling—available, at least to start with, only to those who can afford it—will enhance that by letting parents pick tall, good-looking and above all clever offspring.

For a single generation, that may not matter too much to the rest of society. It would be but one extra privilege that the rich enjoy. Piled generation on generation, however, it really might create a genetic elite. SNP-profiling is already used to enhance desired attributes in livestock, so it seems reasonable to assume it will work on people.

The gene genie is out of the bottle

Perhaps that is tomorrow's problem. For the moment there seems no reason beyond envy to oppose embryo SNP-profiling. But, from H.G. Wells's Eloi in "The Time Machine" to Aldous Huxley's Alphas in "Brave New World", science fiction is full of breeding programmes for elite humans that have gone wrong. Sci-fi always enjoys portraying dystopias, and mostly they do not come true. But it might be wise to debate the matter now, just in case this time people really are unknowingly playing God.

Letters

Letters to the editor

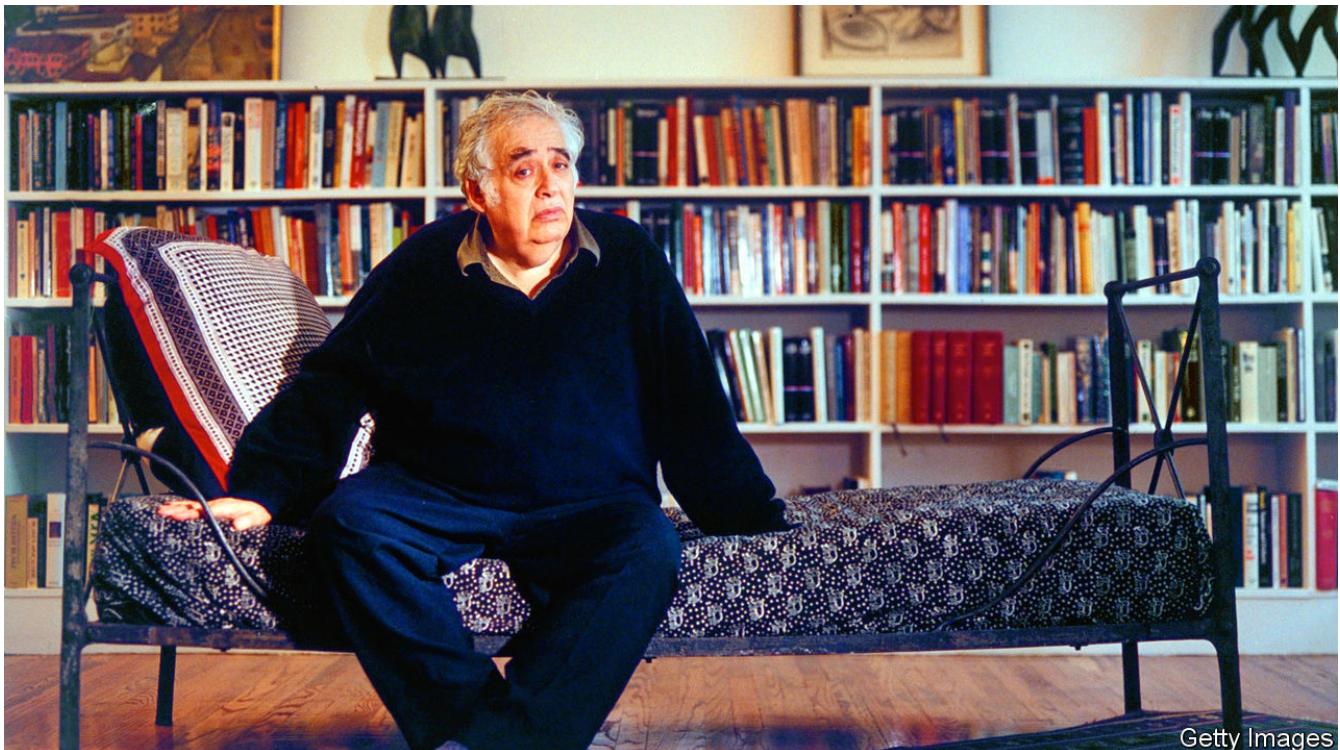
On the Bible, Greece, Congress, Chile, Syria, Canada, wind energy, Atlantic City, Thatcher

On the Bible, Greece, Congress, Chile, Syria, Canada, wind energy, Atlantic City, Thatcher

Letters to the editor

A selection of correspondence

[Print](#) | [Letters](#) Nov 9th 2019



Getty Images

Who wrote the Bible?

Your obituary for Harold Bloom noted that his list of great writers in “The Western Canon” was “almost all male” ([October 26th](#)). In that same book, Bloom also credited the earliest source of the Bible to a woman. “The Book of J”, which Bloom wrote before “The Western Canon”, embraced the documentary hypothesis, which holds that the Torah, the first five books of the Bible, were written primarily by four authors, conventionally referred to as J, E, P and D. Those works were later edited, probably by Ezra the Scribe around 444BC, into the single narrative we have today.

Bloom had argued that J, the earliest of the four authors, was a woman, possibly a daughter or granddaughter of King David in the Jerusalem courts of David’s successors, Solomon and Rehoboam. But in “The Western Canon”, he endorsed a suggestion from a “shrewd reviewer” of his earlier work identifying J as Bathsheba, who was David’s wife and Solomon’s mother.

STEPHEN SILVER

San Francisco



AFP

Greek tax reforms

It is true that tax amnesties on underreported income were once a regular feature of Greek tax administration (“To hell and back”, October 5th). However, in order to strengthen the tax-compliance culture, no tax amnesty has been put in effect for the financial years after 2009. The current scheme concerns only payments of already assessed tax obligations that are in arrears, which amount to a whopping €104bn (\$116bn). Most of this is owed by bankrupt businesses.

Greece’s tax administration improved by leaps and bounds during the country’s financial crisis. Most filing moved from paper forms to online systems. The establishment of the Independent Authority for Public Revenue modernised management and demonstrably reduced political interference in tax collection. This was apparent during the 2019 electoral cycle, which was not accompanied by a drop in tax revenue, thus breaking another regular pattern of the past.

PROF. DIOMIDIS SPINELLIS

Athens University of Economics and Business

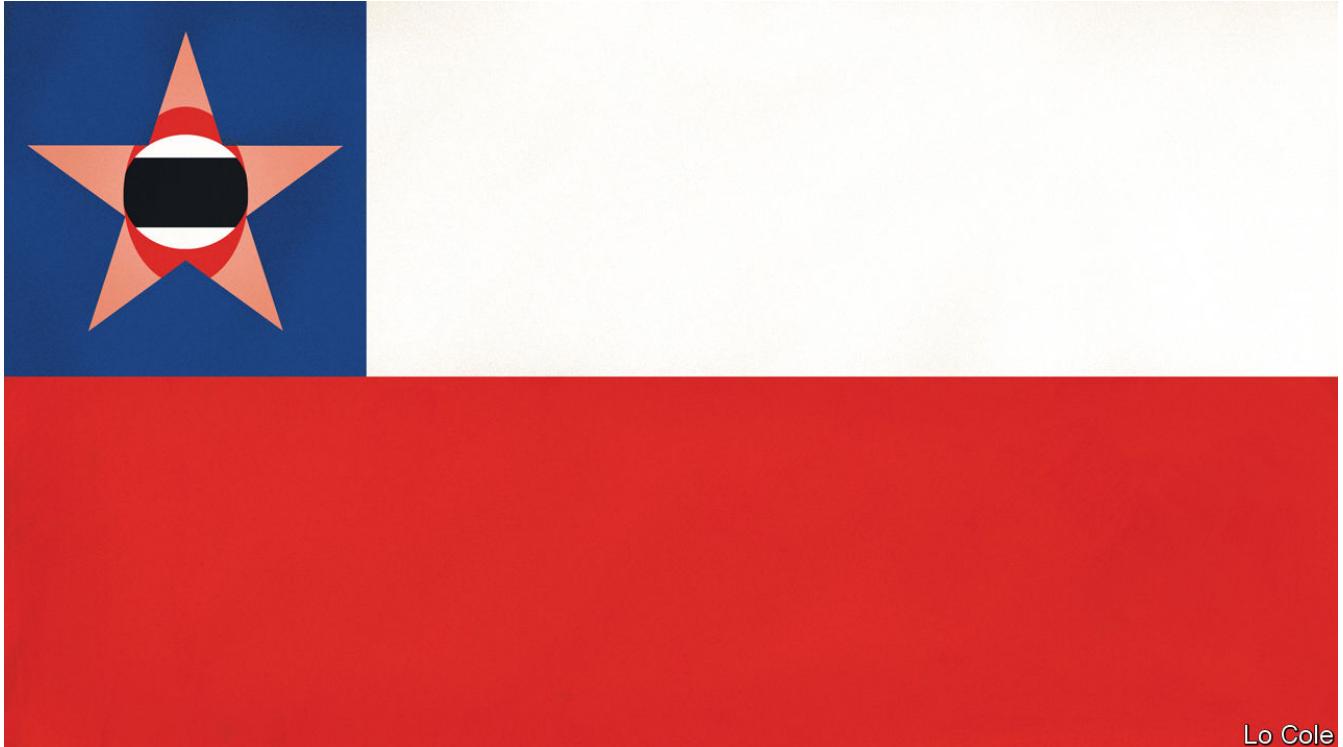


AFP

[“Wall of silence”](#) (October 12th) discussed the options for Congress when dealing with those who won’t co-operate with the inquiry into impeaching Donald Trump. You raised the possibility of fining witnesses who are held in contempt as one solution.

One concern about letting Congress fine individuals is the separation of powers and the assigned roles of the branches of government. The Supreme Court has never expressly endorsed the practice. Putting aside the thorny constitutional question, there are also practical problems. Assume that the contemnor is fined \$25,000 for each day he doesn’t co-operate. What if he refuses to pay? Congress has no obvious mechanism to force the payment. Even if Congress were found to have the constitutional authority to impose a fine, it is not clear how Congress would collect the money.

JOHN MINAN
Professor of law emeritus
University of San Diego



Fading South American model

The Chilean economy, praised time and again by *The Economist*, should “not need reinvention”, says [Bello](#) (October 26th). That is an all too predictable conclusion from someone who once attended a cocktail party in Santiago with 60 other people representing “half of Chile’s GDP”. The adage that seven families have a stranglehold on the country is no joke. The middle classes are indebted up to their ears to almost anybody: their bank, supermarket, pharmacy, dentist, educational institutions and health-care providers. They also pay European-level prices, and sometimes more, for every imaginable basic commodity and service. A corrupt and kleptocratic political class colludes with multinational predators to privatise almost everything, and ruthlessly sack Chile’s natural bounties.

The neoliberal model indeed works phenomenally well for Chile’s self-serving elitist few. But it is absolutely dysfunctional for the rest of the population and is in dire need of a general rethink.

CARL HAAS
Copenhagen



AFP

Clueless in the Middle East

I agreed with your critical assessment of Donald Trump's decision to withdraw from Syria ("No way to say goodbye", October 19th). It is worth adding that this is only the latest example of the absence of any clear Western strategy in the Middle East and wider region after the attacks of September 11th 2001. Except for a brief period in Iraq between 2007 and 2010, the American-led Western alliance has never had a coherent idea of what political order it is attempting to create in Afghanistan, Iraq, Libya and Syria.

I am no fan of his work but Sun Tzu's aphorism that "tactics without strategy is the noise before defeat" seems apt.

ANTHONY KING

Chair of war studies

University of Warwick

Coventry



Reuters

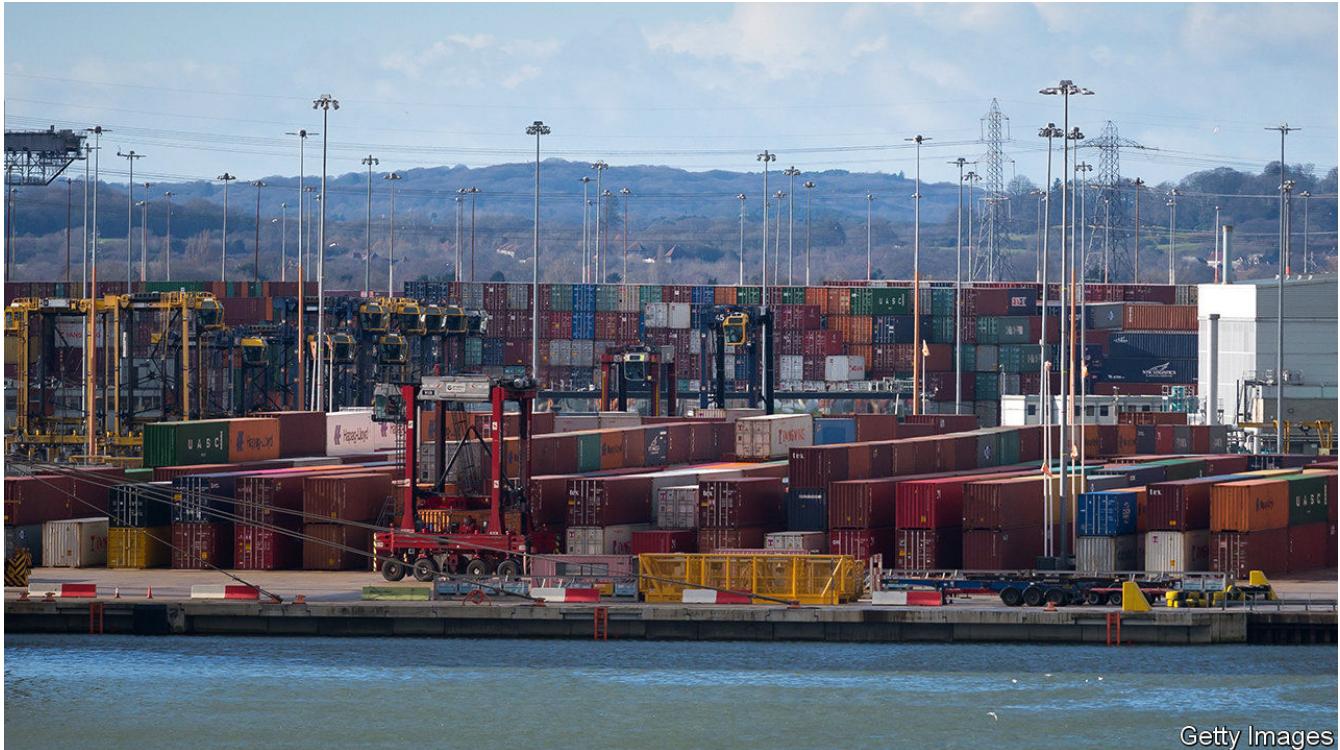
Populism, eh!

Justin Trudeau's new minority Liberal government in Canada will have to forge alliances with the New Democrats and Greens, parties that are hostile to the oil and gas industry ("The chastening of Justin Trudeau", October 26th). A coalition under a left-wing tent will further exacerbate tensions with western Canada's oil-producing provinces, which are big contributors to Canadian prosperity.

I am a Canadian engineer and worked in an oil-sand mine for four years. Western Canadians will not surrender quietly. It is naive to think that populism cannot happen in Canada. If this new government does not reach out and give alienated workers a voice they will unite against what they perceive as elitist, detached and nepotistic politicians and will eventually find a leader they can rally around.

CHRISTOPHER KISSEL

Houston



Getty Images

The true cost of wind energy

As you said, Britain's "offshore" carbon footprint is high ("Omissions", October 19th). This is particularly so in respect of Britain's enthusiastic development of offshore wind energy, which requires the development of a huge sub-sea infrastructure to support it. In use, wind energy has a small carbon footprint. However, the cradle-to-grave carbon footprint of a whole offshore wind farm is high and it is all "spent" before any of the "clean" electricity is generated. And at the end of its design life of 25 years (well before 2050) it is all derelict. Sustainable? Show me the numbers.

JIM PLATTS

Cambridge, Cambridgeshire



Eyevine

A gambling failure

Your article on the “organic” nature of corruption and fraud in Atlantic City (“Fix your hair up pretty”, October 12th) passed by the fact that America’s president was once the largest casino operator and employer in the city. When he opened his Taj Mahal casino and hotel in 1990, financed in part by \$675m in junk bonds, Donald Trump called it “the eighth wonder of the world” and boasted that it would make Atlantic City great again.

The Taj Mahal filed for bankruptcy protection the next year and sold for four cents on the dollar in 2017.

JAMES LILLIEFORS
Naples, Florida



Nate Kitch

Thatcher undecomposed

* Bagehot argues (October 12th) that Margaret Thatcher’s legacy has “decomposed”. But he then writes that the use of market mechanisms in the state “has been adopted by so many different countries and parties that people forget its origins”.

That is hardly “decomposition”, and we wonder whether Bagehot’s whole thesis relies on his simply not mentioning some big main lines of enduring change which Thatcher brought about.

Bagehot ignores a significant list of such Thatcher changes because they have “become so mainstream [as to be] no longer distinctive”. Only by excluding some of these pretty large legacies, can Bagehot question whether the Thatcher “faith-survives as anything more than empty incantations”.

No mention, for instance, of the cathartic change in trade-union legislation which, after several years of traumatic street battles, brought about an explosion in job creation plus drastically reduced rates of strikes and shop floor discontent: a revolution, many businesses would say, in how UK business is practised to this day. In 1979, when Thatcher arrived in office, 29.5m working days were lost to strikes. In 1990, when she left office, 1.9m.

No mention of the fiscal transformation of the government’s accounts from national debt to surplus—admittedly much frayed in the years since Thatcher’s time when debt has been multiplied anew.

No mention of her so-called (at the time decried) “monetarist” switch to what has become today the conventional wisdom of controlling inflation through money supply and interest rates rather than fiscal policy. Nor of the ending of exchange controls in October 1979, an action which she would never have agreed to if, as Bagehot claims, she was a “nationalist”.

Bagehot rightly brings up the falling rate of home ownership among the young. But not the post-Thatcher causes of it, notably the muddying by later governments of her clear-water Right to Buy policies; and the Blair era and beyond of soaring house prices inflicted by shortage of supply, quantitative easing supercharging of all asset prices, and the unmoderated lure of Britain’s south-east. Even today, when overall home ownership has indeed fallen from its peaks for those same reasons, it is still comfortably higher than when she came into Downing Street.

Bagehot says that financial deregulation cannot be the answer to everything. Thatcher did not think it should be. As *The Economist* noted at the time, the prime cause of the 2008 meltdown (which Bagehot seems to imply was somehow her doing, 18 years after she left office), lay in deregulated lending in the United States that had been collateralised out of sight, rather than in the deregulated capital markets in London: these—more than the bank or mortgage lending which ultimately lit the fuse—were the prime focus of Thatcher’s Big Bang.

Meanwhile Thatcher’s property-owning society thrives morphed, yes, but very much undecomposed. “The proportion of people who own individual shares has halved since the early 1980s”, says Bagehot. That’s true, but for a very healthy property-owning reason: it is a measure of how sophistication has grown among private individuals since Thatcher introduced them to the notion of stock ownership. They have, very sensibly, learnt to spread their risk: switching from individual shares into pension funds, open-ended investment companies, investor funds of every stripe good and bad, insurance companies and other financial institutions—not to mention, at the higher end, nominee accounts. The numbers for each of these have rocketed.

Next, says Bagehot, Thatcher “poisoned the well of privatisation by selling off nationalised monopolies in ways that favour investors over customers”. Those of us old enough to remember regular hosepipe bans over many summers, expensive land-line telephone calls, monopoly bus services, an at times shaming government-owned national airline, and no competitive downward pressure on household electricity and gas prices, will find that sweeping, unanalysed, opinion strange.

What one looks for in Bagehot’s newspaper is analysis, rather than generalising replete with attitude. Leaving aside his protracted expression of dismay over Brexit and Euroscepticism (the “flames” of which Thatcher wickedly “fanned” with her Bruges speech), Bagehot’s overall conclusion is an odd (in your pages) mercantilist sally. His Little-Britain lunge is that Thatcher’s free-marketry has left Britain “the Wimbledon of global capitalism, more successful at hosting world-class players than producing them”.

Thatcherites should celebrate that metaphor. Wimbledon: a great global tournament in the heart of British suburbia creating lots of jobs; lots of national prestige; lots of exciting visitors to the grass courts; lots of competition. Lots, in short, of the levelling out, the subsidy-less prosperity, the excitement, enjoyment and fun of the very sort she (and the original Walter Bagehot) would have relished.

ANDREW KNIGHT

CHARLES MOORE

London

* Letters appear online only

Macron's view of the world

A president on a mission

Macron's view of the world

Emmanuel Macron on Europe's fragile place in a hostile world

In a blunt interview the French president laid out his thoughts on NATO, America and the future of the EU

[Print](#) | [Briefing](#) Nov 7th 2019



Israel G. Vargas

WHEN EMMANUEL MACRON stepped from his presidential plane onto the red carpet at the airport in Shanghai on November 4th, two flags were fluttering in the warm air: one Chinese, the other the French *tricolore*. This was only to be expected for a visiting French president, whom President Xi Jinping treated to two banquets and a private dinner, in two different cities. Yet the absence of a European Union flag was a small visual reminder of the scale of the diplomatic challenge Mr Macron has set himself. For the French president went to China this week not just to speak for France, but for Europe.

Mr Macron's message was carefully calibrated. When Germany's Chancellor Angela Merkel jetted off to China in September, she took with her a large delegation of German chief executives. Mr Macron also flew French businessmen with him to China, and pushed hard for better access to Chinese markets for French stuff. To make the point, Mr Macron and Mr Xi tasted high-end Bordeaux and morsels of French beef together at the Shanghai trade fair.

Yet the French president also went "to show that Europe has a unified face". He brought with him an Irish European commissioner and a German minister, and included a clutch of German business bosses in the French delegation. In a speech on trade, Mr Macron framed the stakes as European, and scarcely mentioned *la France*. With China ready to exploit the slightest European division, Mr Macron hoped to show that a common, strategic, pan-European policy might be possible.

Shaking hands, shaping time

Shortly before his China trip, Mr Macron laid out this vision of a more "strategic" and "sovereign" Europe in a candid interview with *The Economist*. The conversation took place late in the evening on October 21st at the Elysée Palace in the president's gilt-decorated office, the *salon doré*, where Charles de Gaulle used to work. In the interview, Mr Macron is as bleak about the perils facing the continent as he is radical about his prescriptions.

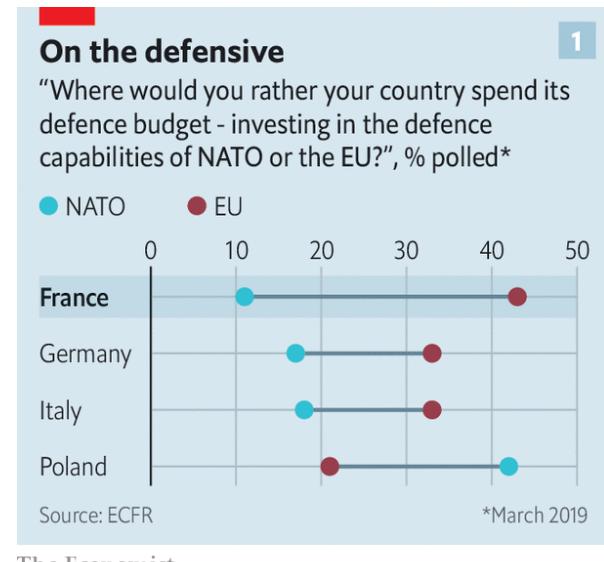
"Look at what is happening in the world. Things that were unthinkable five years ago," the French president declares. "To be wearing ourselves out over Brexit, to have Europe finding it so difficult to move forward, to have an American ally turning

its back on us so quickly on strategic issues; nobody would have believed this possible.” Europe is on “the edge of a precipice”, he says. “If we don’t wake up...there’s a considerable risk that in the long run we will disappear geopolitically, or at least that we will no longer be in control of our destiny. I believe that very deeply.”

Since the 1990s, says Mr Macron, the European Union has progressively lost its political purpose. Its focus on market expansion and regulation, underpinned by the American defence guarantee, provided an illusion of eternal stability. America’s gradual retreat from Europe and the Middle East, which he dates to before the election of President Donald Trump, combined with its new protectionism, has exposed Europe’s vulnerability.

“But we find ourselves for the first time with an American president who doesn’t share our idea of the European project,” Mr Macron notes, and whose attitude to the risk of jihadist prisoners on the loose in Syria is that they will “be escaping to Europe”. When Mr Trump tells the French president that “it’s your neighbourhood, not mine”, says Mr Macron, what he is really saying is: “Wake up!” With America turning its back, China rising, and authoritarian leaders on the EU’s doorstep, the result is “the exceptional fragility of Europe”, Mr Macron concludes, “which, if it can’t think of itself as a global power, will disappear.”

“What we are currently experiencing,” he declares, with reference to the withdrawal of troops from Syria, is “the brain-death of NATO”. Pressed to explain, he argues: “You have no co-ordination whatsoever of strategic decision-making between the United States and its NATO allies. None. You have an unco-ordinated aggressive action by another NATO ally, Turkey, in an area where our interests are at stake.” Did this mean that Article Five—the idea that if one NATO member were attacked the others would come to its aid, which underpins the alliance’s deterrence—is still functional? “I don’t know,” he replies. “But what will Article Five mean tomorrow?”



The Economist

The underlying message is brutal: Europe has to stop judging these times a historical anomaly, start asking whether NATO is fit for purpose, and get its act together. This is a view broadly shared by his countrymen (see chart 1). “Even if we don’t want to hear it,” he says, “we cannot in all responsibility fail to draw the conclusions, or at least begin to think about them.”

His business is philosophy

Mr Macron, a philosophy graduate as well as a former investment banker, is considered to be more of a thinker than most world leaders. He tries to read for an hour or two each day. In Shanghai he slipped off for a private lunch with Chinese artists to muse about freedom. Mr Macron’s deliberations have led him to conclude that what is needed is “European sovereignty”: the collective ability to defend Europe’s interests—over security, privacy, artificial intelligence, data, the environment, industry, trade and so forth—in a strategic way.

During his interview, Mr Macron roams across topics, moving from a psychological portrait of Vladimir Putin one moment to the perils of a low-interest-rate economy the next. Europe faces an almost-existential moment, he argues, as the world shifts from a global order based on rules to one determined by muscular power politics. Yet he does not seem to be daunted. He has a more engaging manner than his aloof public persona, which has led to a reputation for haughtiness, would suggest. Moments such as when Mr Macron told off a teenager for not calling him “Monsieur” in 2018, or when he said in 2017 that railway stations were places where “one crosses people who succeed, and people who are nothing”, have added to this impression that he is arrogant and removed. And, indeed, the bleakness of Mr Macron’s analysis is matched by an uncanny—and no doubt excessive—confidence in his own ability to do something about it.

But can he? French Fifth-Republic presidents are fond of laying out sweeping visions of the world that appeal to the country’s grandeur. Over the years, when French leaders have called for a *Europe puissance* (European power), this has often sounded suspiciously like code for French hegemonic ambitions. Such efforts in the past have been dismissed in London or Washington as quaint, or dangerously undermining of NATO, or both. In 2003 during the Iraq war, when France, Germany, Belgium and Luxembourg held talks on such matters, their get-together was dismissed as a second-rate “chocolate summit”.

Yet there are new reasons to try to understand the thinking in Paris. Mr Macron is an energetic diplomat, keen to shape the events he sees unfolding. For at least the next year, and possibly beyond, he will be the only ambitious leader of a liberal democracy who is also at the head of a nuclear power, with a military presence that reaches from Europe to the Pacific, a UN

Security Council seat, strong executive powers and a robust parliamentary majority. Compare this with the agonies of Brexit Britain, Germany's dysfunctional coalition and faltering economy, or the political paralysis of Italy and Spain.

The result could be that leadership in Europe could pivot to France. By default as well as inclination, says Benjamin Haddad of the Atlantic Council in Washington, DC, Mr Macron is well placed to become Europe's new diplomatic leader.

For sure, Mr Macron cannot compete with Mrs Merkel on experience. But, midway through his term, the 41-year-old French president has built up ties to many world leaders. Since taking office, Mr Macron has made 101 trips to over 50 different countries, including places (from Nigeria to India) outside France's traditional sphere. His China trip was his second there as president. On his watch, Mr Trump has been four times to France. Even Mr Macron's domestic standing has started to recover, having taken a bruising soon after coming into office. After the searing social unrest led by the *gilets jaunes* (yellow jackets) a year ago, his approval rating—still very low, at 34%—is at least back up to where it was before the protests began. (Mr Trump's is at 41% and over the past three years has not slipped below 36%).

Moreover, despite some clumsy footwork, Mr Macron has manoeuvred a number of France-friendly appointees into top EU jobs. They include Ursula von der Leyen, the new head of the European Commission; Charles Michel, the incoming European Council president; and Christine Lagarde, who now runs the ECB. And France has secured a hefty new commission portfolio spanning the single market, industrial policy, digital, defence and space—although he failed to secure Sylvie Goulard for the job, after she became the first French candidate to be rejected by MEPs in Brussels for being unfit to take office.

Some of the language in Europe has started to shift in Mr Macron's direction, at least. Mrs von der Leyen says she wants to run a “geopolitical” commission. Mark Rutte, the Dutch prime minister, has argued that “the EU needs a reality check; power is not a dirty word.” Mrs Merkel has told Europeans that, when it comes to their collective security, “the times when we could rely on others are over.”

Flown east of the sun

By the third day of his trip, French officials were pleased that a deal to protect regional European food labels—such as Roquefort blue cheese—in China, and vice versa, had been signed and that China seemed supportive on climate change. But they were also candid about how difficult it all is.

China is a good test of whether Mr Macron can get Europe to speak as one voice, and whether Europe wants that voice to be Mr Macron's. He has been outspoken about “China's real diplomatic genius for playing on our divisions and weakening us”. He says he wants fellow Europeans to be less naive; he has argued it was “stupid” to sell essential infrastructure in southern Europe to the Chinese. He also wants the EU to insist on reciprocity in trade and market access, and to guard against technology transfer. To back this up with a show of limited muscle, France sails at least twice a year through the South China Sea.

The need for a credible common policy sounds sensible. Trying to forge one is a lot more difficult. Take the construction in Europe of 5G telecoms networks. “You have to grasp the sensitivity of what we're talking about,” Mr Macron argues, the pitch of his voice rising. Europe, he laments, has focused its technology policy almost exclusively on market issues, such as roaming or competition, at the expense of strategic thinking. He thinks Europeans should be worried that they cannot guarantee that sensitive technology will be neither Chinese nor American. France is taking a cautious approach to screening investment in its 5G network roll-out. Despite a warning from the head of its own foreign-intelligence service, Germany has taken a less restrictive approach.

In some matters, the EU may become more willing to act in what Mr Macron considers to be a strategic fashion. The new European Commission could be more sympathetic to French desires to apply a global measure of market power to evaluate industrial mergers, which would enable pan-European champions to emerge. The idea of a sales tax on tech firms, which France introduced in July, prompting Mr Trump to tweet angrily about “Macron's foolishness”, is gaining ground in other countries. France has persuaded Germany to consider the idea of a European carbon border tax.

We live in an unsettled time

The really tough part of Mr Macron's vision, however, would involve a step change for Europe that is extremely difficult to see happening in a hurry. It would mean converting a bloc that uses the heft of its market to apply rules and standards—and deploys its defence capability primarily for the purposes of crisis management—into one that can project power and act collectively as a military force. “It is very tough,” Mr Macron concedes, acknowledging that “Europe hasn't demonstrated its credibility yet.” But, he insists, “we're making progress” and that “attitudes are changing.”

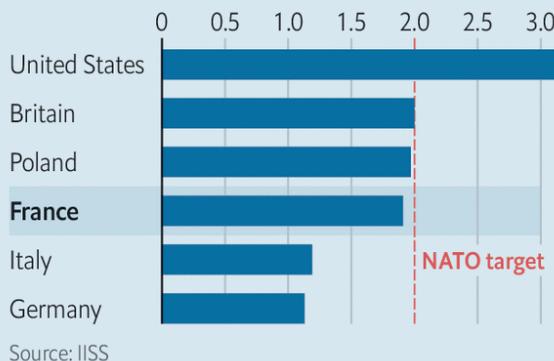
The French president cites his pet project, the European Intervention Initiative, a coalition of countries (including Britain), ready to act together in crises, as well as the German-favoured EU defence co-operation agreement, known as PESCO. He also points to the hefty new €13bn (\$14bn) European Defence Fund to finance research and equipment, and a Franco-German agreement for a joint future-generation tank and fighter plane. All of these, Mr Macron insists, are “designed to be complementary to NATO”. France knows full well from its counter-terrorism operations in the Sahel the depth of its reliance on America.

But is Europe really ready to undertake such a transformation? “I've been hearing about European strategic autonomy for so long,” sighs Philip Gordon of the Council on Foreign Relations, and formerly an adviser to Barack Obama. Part of the problem is defence spending (see chart 2). If Europe's NATO members are to meet their commitment to spend 2% of GDP on defence by 2024, this would mean spending an extra \$102bn—some 40% more than they currently do.

Nearly there

Defence spending, 2018, % of GDP

2



Source: IISS

The Economist

Tougher still is the need for a change of mindset. Germany remains a defender of the status quo. This is the case on budgetary orthodoxy, which Mr Macron has failed to influence, as well as the post-cold-war order, where he detects some change. Germany is “very unambitious on the world scene, and so a very difficult partner for France,” says Claudia Major, of the German Institute for International and Security Affairs, a think-tank. “We constantly feel that [the French] want something from us, and that this is so annoying.”

Germany is not alone. In other European capitals there is unease at the prospect of French leadership, and a feeling that Mr Macron is all for co-operation, as long as it is on French terms. Such misgivings were exposed by his recent veto over the start of accession talks with North Macedonia and Albania. Fellow Europeans roundly condemned this as exactly the sort of failure of geostrategic thinking that Mr Macron accuses others of.

This view infuriates the president. Enlargement without reform of the EU and of its accession rules, he says, is “absurd”. It prevents Europe from acting as a more integrated bloc. “Half” of the other EU countries agree with him on Albania, he claims, but hide behind France. And he rejects the idea that his veto leaves them vulnerable to rival powers, pointing to growing Russian and Chinese influence in Serbia, which is an accession candidate. If Europe reformed first, says Mr Macron, he would be “ready to open negotiations”.



Or consider Mr Macron’s Russia policy. He has long argued that rogue powers are more dangerous when isolated. To this end, he has hosted Vladimir Putin at both Versailles, near Paris, and Brégançon, on the Mediterranean. But his call for a “rapprochement” with Russia, in order to keep it out of China’s arms, has alarmed Poland and the Baltics. “My idea is not in the least naive,” argues Mr Macron. He insists that any movement would be conditional on respect for the Minsk peace accords in

Ukraine. He has not called for sanctions to be lifted. And he sees this as a long-term strategy, that “might take ten years”. Mr Macron’s belief is that, eventually, Europe will need to try to find common ground with its near neighbour. Not doing so would be “a huge mistake”.

History holds her breath

The rest of the world is still not quite sure what to make of the French president. There is a dizzying amount of diplomatic activity now coming out of Paris. This has already led to false hopes, such as the prospect of a Macron-brokered meeting between the Iranians and Americans. Promises of four-way talks between Russia, Ukraine, France and Germany this autumn have yet to materialise. Not unlike Mr Macron’s global showmanship and his theatrical handshakes with other world leaders, his foreign policy is generating both interest and disquiet in almost equal measure.

It may be that despite all this energetic effort, Mr Macron’s ambitions for “European sovereignty” are frustrated from within by a combination of European divisions, Brexit, German inertia and lingering suspicions of the French. Or that his imperious behaviour curtails his influence. “Macron has everything in place to build a French-focused Europe,” says Ulrich Speck, of the German Marshall Fund. “Strategically he’s right about so much, but operationally he doesn’t work enough with other partners.” Nor is it even clear that Europe needs to fill its leadership gap.

Yet, as Mr Macron displayed in China this week, he will seize the mantle if he can. The French president may overpromise and underdeliver. But he is unfazed by those who accuse him of being pushy or difficult, judging this to be the inevitable result of trying to upend the rules. “I’m trying to understand the world as it is, I’m not lecturing anyone. I may be wrong,” he insists, in a tone that hints he does not believe it for a second. The leader who describes such a bleak outlook for Europe is going to try to do something about it, whether others like it or not. As one of his advisers puts it, Mr Macron “is a realist, and a pragmatist, and he exposes himself by taking risks. But that’s how he is. That’s how he became president.” ■

Dig deeper

Transcript: Emmanuel Macron in his own words [**Leader \(November 7th\): “A continent in peril”**](#)

Transcript: [**Emmanuel Macron in his own words**](#)

The Intelligence podcast: [**“He talked about Europe in almost apocalyptic terms”—Macron’s interview**](#)

The policy primary

WarrenCare

WarrenCare

How would Elizabeth Warren pay for her health policy?

Let us count the ways

[Print](#) | United States Nov 7th 2019



TO HER CREDIT, Elizabeth Warren is the kind of politician who likes to show her maths. The Massachusetts senator has climbed near the summit of the Democratic presidential primary carrying amply footnoted and thoroughly costed plans on matters both prominent and obscure. She has plans for a wealth tax on the rich, for universal child care and cancelling student debt, yes, but also plans to promote competition among farmers, improve the funding of Native American reservations and relieve Puerto Rico's debt. Yet on health care, perhaps the most consequential policy area, Ms Warren was hazy for months.

The senator had yoked herself to Medicare for All—a single-payer system free at the point of service proposed by her competitor, Bernie Sanders. Unlike Mr Sanders, though, she dodged questions on whether taxes on the middle class would rise to pay the \$3.4trn in added annual costs. On November 1st she released a detailed financing plan “without increasing middle-class taxes one penny.” Other candidates, she declared, should put forward similarly detailed plans or “concede that they think it’s more important to protect the eye-popping profits of private insurers and drug companies and the immense fortunes of the top 1% and giant corporations.”

The details explain both the initial reticence and the subsequent defensiveness. The underlying sums strain credulity, requiring heroic assumptions on cost reductions and budgetary gymnastics on revenue-raising. This mars Ms Warren’s wonkish reputation. It may placate voters for the primary, but would surely damage her in a general election against President Donald Trump, if she gets that far.

Start with the spending. Over the next ten years Americans are expected to spend \$52trn on health care. Under a generous single-payer system, spending would increase by \$7trn, according to a recent study by the Urban Institute, a left-leaning think-tank, which serves as the starting point of the campaign’s calculations. Through a number of steps, Ms Warren whittles this difference down to zero. She argues that national health spending would remain constant, even though more people would be covered (eg, the 28m citizens and undocumented migrants without insurance) and the use of medical services would increase were they free.

Among her modifications of the Urban Institute's numbers are lower administrative costs (2.3% of overall spending, compared with Urban's 6%). Ms Warren's plan assumes a slower rate of growth in health costs (3.9% versus Urban's 4.5%) and less generous payments to hospitals for services (110% of current Medicare reimbursement rates versus Urban's 115%). Added to this are targets for reducing spending on drugs—by 30% on generics and 70% on branded medicines—enforced by the threat of large excise taxes, the possibility of overriding patents and the option of having the government produce drugs itself. Given the resistance to such a plan from doctors, insurers, drug companies and hospitals, this would be hard to pull off.

Even with these steps, and the redirection of all existing public spending on health care, Ms Warren has a \$20.5trn budgetary hole. Filling it is made harder by her insistence that taxes on the middle class will not increase. Currently employers shoulder a significant portion of health-care costs. Under Ms Warren's plan, the same cheques would be redirected to the federal government. In practice this would be a tax on employment, which seems likely to hurt middle-class Americans. It would also increase the relative cost of hiring low-wage workers, hurting the people Ms Warren most wants to help.

She finds some money from the kind of conjuring promised by less rigorous campaigns, like better tax enforcement (which provides \$2.3trn), comprehensive immigration reform (providing \$400bn) and the elimination of the fund that pays for the defence department's Middle East operations (another \$800bn). After all that, she is still short by \$6.8trn.

To make up the shortfall, Ms Warren plans to add levies on large firms and rich Americans—beyond those she has already proposed. On top of the repeal of Mr Trump's tax cuts and a new 7% charge on corporate profits, she would eliminate the ability of businesses to immediately write down depreciating capital; she would also impose a minimum tax of 35% on their foreign earnings. A new financial transactions tax of 0.1% would be placed on sales of shares and bonds, wrecking the business of high-frequency traders (perhaps a plus from Ms Warren's point of view). The country's 40 biggest banks would pay an annual fee of 0.15% on "covered liabilities" (liabilities minus federally insured deposits). The wealth tax has been revised upwards too. Fortunes above \$1bn would be charged a 6% annual levy. A Warren presidency could cost Jeff Bezos, the boss of Amazon, \$26bn over a single term. Nor could he escape by shedding his American citizenship. Ms Warren has proposed an "exit tax" of 40% on the net worth of billionaires to head off that threat.

These contortions are all the result of past decisions. Despite her earlier, more pragmatic instincts on health care, Ms Warren adopted two nearly incompatible pledges: to deliver Mr Sanders' version of single-payer health care—more generous than that of Britain or Canada—but without any premiums or deductibles and without raising taxes on the vast majority of Americans. Because her evasiveness on funding was attracting criticism from her more moderate competitors, like Pete Buttigieg and Joe Biden, Ms Warren released this plan, which seems to assume that anyone outside the top 1% of earners counts as middle class. During the primary election, the strategy could work. She can credibly answer her opponents' claims by repeating her quasi-official catchphrase, "I have a plan for that". Primary voters may shrug off the entire episode.

A general-election contest with Mr Trump would be a different matter. There was reasonable speculation that Ms Warren's woolliness on health care was a tactical move, enabling her to strike a more centrist pose on securing the Democratic nomination. That option now looks closed off. The new plan opens her up to all manner of attack from Mr Trump, even though his own health plan is ill-defined, beyond a so-far unsuccessful drive to repeal Obamacare, and his record on health—2m more Americans are uninsured than when he came to office—is dreadful.

Going into an election promising to discontinue the health insurance of the 178m Americans who have private plans through their employers seems mad. "Democrats now have a 30-point advantage over Donald Trump on health care," says Jim Kessler of Third Way, a centre-left think-tank. "If that gap narrows—and it will narrow if Democrats are for Medicare for All: it could narrow to zero—he gets re-elected." According to the Kaiser Family Foundation, a health-policy think-tank, 51% of Americans support Medicare for All while 47% oppose it. But when various objections to the programme are made—such as the elimination of private health insurance, and the possibility of increased taxes and queues for treatment—support drops to below 40%. As a policy, Warrencare might be described as negligent. Politically it looks more like malpractice. ■

Knocking on Bevin's door

The off-year elections were not a rejection of Donald Trump

The Democrats' victory in Kentucky won't be repeated in 2020

[Print](#) | [United States](#) Nov 7th 2019



ON THE EVE of the election, President Donald Trump stood in a basketball stadium in Lexington, Kentucky, trying to salvage the candidacy of Matt Bevin, the incumbent Republican governor who has one of the lowest approval ratings in the country. “He’s such a pain in the ass, but that’s what you want,” said Mr Trump, who in 2016 carried the state by 30 points. “If you lose,” he added, “they’re going to say, Trump suffered the greatest defeat in the history of the world.” In the end, the Bluegrass state let the president down. Though Mr Bevin refused to concede, it looks as though he narrowly lost (by 5,189 votes, or 0.36% of those cast) to Andy Beshear, the Democratic candidate.

Whether that was in fact a world-historic defeat is another matter. All the other statewide contests in Kentucky saw hefty Republican victories. The defeat at the top of the ticket was more a reflection on Mr Bevin (who insisted, for example, that a teachers’ strike had led to the sexual assault of children) than a sign that Mr Trump’s influence among Republicans is waning. Kentucky is unlikely to be a battleground state in 2020.

In another closely watched gubernatorial race in Mississippi, the Republican Tate Reeves won by a six-point margin over Jim Hood, the moderate Democrat who had been serving as attorney-general. Though this might look encouraging for Democrats, given the state’s Trumpiness, it is not. Mr Hood, who is anti-abortion and opposed to gun control, is probably the strongest candidate Democrats could find in the state and he still lost by a decent distance.

The other big victory for Democrats came from state-legislative elections in Virginia, where the party seized control of both chambers. That gives Ralph Northam, the sitting Democratic governor, unified control over legislation and a new lease on political life—having now weathered a blackface scandal earlier this year that nearly ended his tenure (rejoice, Justin Trudeau). Though Mr Trump campaigned in Kentucky, he studiously avoided the contests in Virginia, where he is unpopular. Even there, the results look less like a rebuke to Mr Trump than the inevitable consequence of a steadily changing state, which Hillary Clinton won by five points.

Off-year elections provide more than mere tasseography for subsequent big contests. They also have ramifications for policy. In Kentucky, Mr Beshear has pledged to bolster education funding, though the Republican supermajority in the state legislature may handicap these aspirations. But his election would stop Mr Bevin’s efforts to scale back the expansion of Medicaid, the government health-insurance programme for the poorest. Hopes for an expansion of Medicaid in Mississippi, one of least healthy states in the country, however, are probably dashed.

In Virginia, Mr Northam will be able to advance gun-control and voter-registration legislation that had previously been stymied. He also has plans for a clean-energy bill, adding some substance to his pledge to ensure carbon-free electricity by 2050. All these elections will also affect the redrawing of congressional district boundaries after the 2020 census.

If there is any lesson, it is that the bifurcation in political views between rural and urban America continues apace. Mr Beshear was able to win by squeezing 110,000 more votes out of Louisville and Lexington than the previous Democratic candidate. Population growth in Northern Virginia, in the suburbs of Washington, DC, has made the state tough terrain for Republicans. ■

Impeach cobbler

Gordon Sondland's testimony forces Republicans to shift arguments

The evolution of the defence, from “no quid pro quo” to “quid pro so?”

Print | United States Nov 7th 2019



STEVE SCALISE, the House Minority Whip, brought a visual aid to the House floor in the run-up to a vote formalising the impeachment inquiry. It depicted the Red Square's onion domes, and blasted the Democrats' "37 Days of Soviet-Style Impeachment Proceedings". Though the Soviet Union lacked a constitutional mechanism whereby freely elected legislators could censure and remove the country's executive, following months of open hearings and a public trial, Mr Scalise's point was that the impeachment process—which has so-far operated behind closed doors—is some kind of show trial.

That is one of two main defences of President Donald Trump offered by congressional Republicans. The other is that there was no quid pro quo in withholding military aid to Ukraine, as Mr Trump himself has repeatedly asserted. This implies that asking for foreign help in an American election is perfectly fine; the impeachable conduct would be offering something in return. Both these lines are starting to fray.

The first was always rather weak. Just as a criminal trial involves a grand jury gathering information to determine whether to indict, an impeachment inquiry involves the House doing the same. Closed-door hearings have long been a feature of congressional oversight. Nancy Pelosi, the House speaker, has given Republicans the full House vote that they long demanded. And next week public hearings begin.

The second defence has grown difficult to sustain as witness after witness has testified, under oath, that there was in fact a quid pro quo. Gordon Sondland, America's ambassador to the EU, is the newest member of this chorus line. Mr Sondland had previously testified that he never talked to Ukrainian officials about opening an investigation, that he never thought there was any precondition attached to the military aid, and that he "didn't know why" it was delayed.

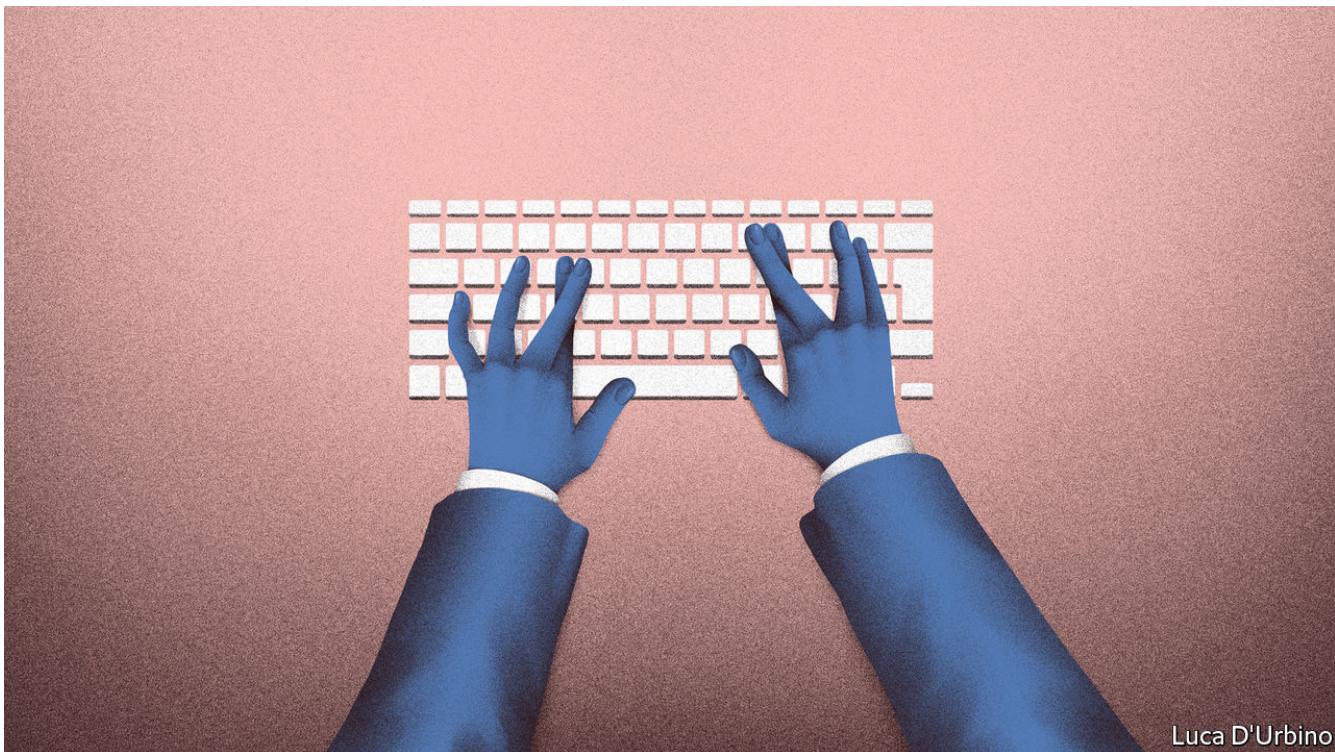
In a revision released on November 5th, Mr Sondland wrote that testimony from William Taylor, America's top diplomat in Ukraine, and Tim Morrison, until recently the National Security Council's top adviser on Russia and Europe, had "refreshed my recollection". Mr Sondland said he now recalls a conversation with Andriy Yermak, an adviser to Ukraine's president, Volodymyr Zelensky, "where I said that resumption of US aid [to Ukraine] would likely not occur until" Mr Zelensky made the "public anti-corruption statement" demanded by Mr Trump. He said he had "no reason to question the substance" of Mr Morrison's recollection that aid "might be conditioned on a public statement reopening" an investigation into the firm that employed Joe Biden's son.

Mr Trump's defenders have consequently shifted, arguing that foreign policy routinely involves quid pro quos, and that even if Mr Trump engaged in one, it is not impeachable conduct. "Get over it," as Mr Trump's chief of staff, Mick Mulvaney,

told reporters in October. That appears to be the argument that Republicans are carrying into the next, public phase of the impeachment process. Lindsey Graham, who chairs the Senate judiciary committee and therefore could play an important role in the trial of the president in the Senate, offered another approach—less a defence than a shrug. “I’ve written the whole process off,” he told CBS, a news network. “I think this is a bunch of BS.” ■

Lie-posting**Should Facebook run political adverts containing lies?***Neither the social network nor its critics are thinking clearly*

Print | United States Nov 9th 2019



ACCORDING TO ONE of the great myths of American politics, George Washington could not tell a lie. No politician since has felt such compunction. Slandering opponents has been part of the political playbook since at least the 1800 election, when John Adams' campaign accused Thomas Jefferson of being "the son of a half-breed Indian squaw, sired by a Virginia mulatto father." Given this, last month's controversy over Facebook's refusal to take down a Donald Trump ad slandering Joe Biden might seem strange. In response, Elizabeth Warren published an (untrue) ad on Facebook suggesting that Mr Zuckerberg, Facebook's CEO, had endorsed Mr Trump. Alexandria Ocasio-Cortez, a Democratic representative from New York, joined in the trolling, asking Mr Zuckerberg whether she would be permitted to run ads saying that Republican candidates had voted for the Green New Deal. Mr Zuckerberg went on the defensive, presenting Facebook as a champion of freedom of expression.

Both sides have engaged in overblown rhetoric and muddled thinking. This is a problem, given the importance of digital advertising in modern politics. Advertising Analytics, a political advertising research firm, says that digital ads account for 57.5% of tracked ads by presidential candidates so far this cycle, with over half of that going to Facebook.

No advertising platform is required to assess the truthfulness of political ads. Some, including local TV, are even required to run campaign ads uncensored by the Federal Communications Act of 1934. Politifact, an independent fact-checking website, deemed Ms Warren's claim that "most networks" would refuse to air an ad by Mr Trump that contained a lie "mostly false". Rather than acting exceptionally, Facebook is in step with current practice.

Lying in ordinary speech is not criminal. In commercial advertising it is. It is fine to claim that one's beans are magical, but using such claims to sell them will attract the ire of the Federal Trade Commission (FTC). Political adverts are exempt from such truth-in-advertising requirements. The FTC does not regulate political adverts because the current understanding of the first amendment protects political speech even when it is manifestly false. Some states do have laws banning falsehoods in political advertising, but several of these have been struck down by the courts.

Due to these first-amendment concerns an FTC-like entity could not be given the power to censor political ads that contain lies. It could potentially act as a fact checker, labelling ads "false" and highlighting claims that are dubious or hard to assess. This suggestion is not without problems. "I worry what happens when that government institution is captured by an administration that doesn't care very much about the truth", says Richard Hasen of the University of California, Irvine School of Law.

Facebook's commitment to freedom of expression is also far from absolute—it has censored speech on behalf of foreign governments. And removing problematic content unless it comes from a politician is also not in keeping with the American

tradition of freedom of expression, as it grants certain speakers a licence to lie but not others. The company's position probably has more to do with the difficulty of regulating political ads than anything else, says Michael Franz, co-director of the Wesleyan Media Project, which tracks political ads.

Facebook hosts an enormous number of ads, especially given the tendency to test variations to see which provokes the most engagement. Establishing whether an ad contain falsehoods is difficult; at scale the task is monumental. Even Twitter's new policy of banning all political adverts does not make for easy regulation, as it is hard to determine what qualifies as "political".

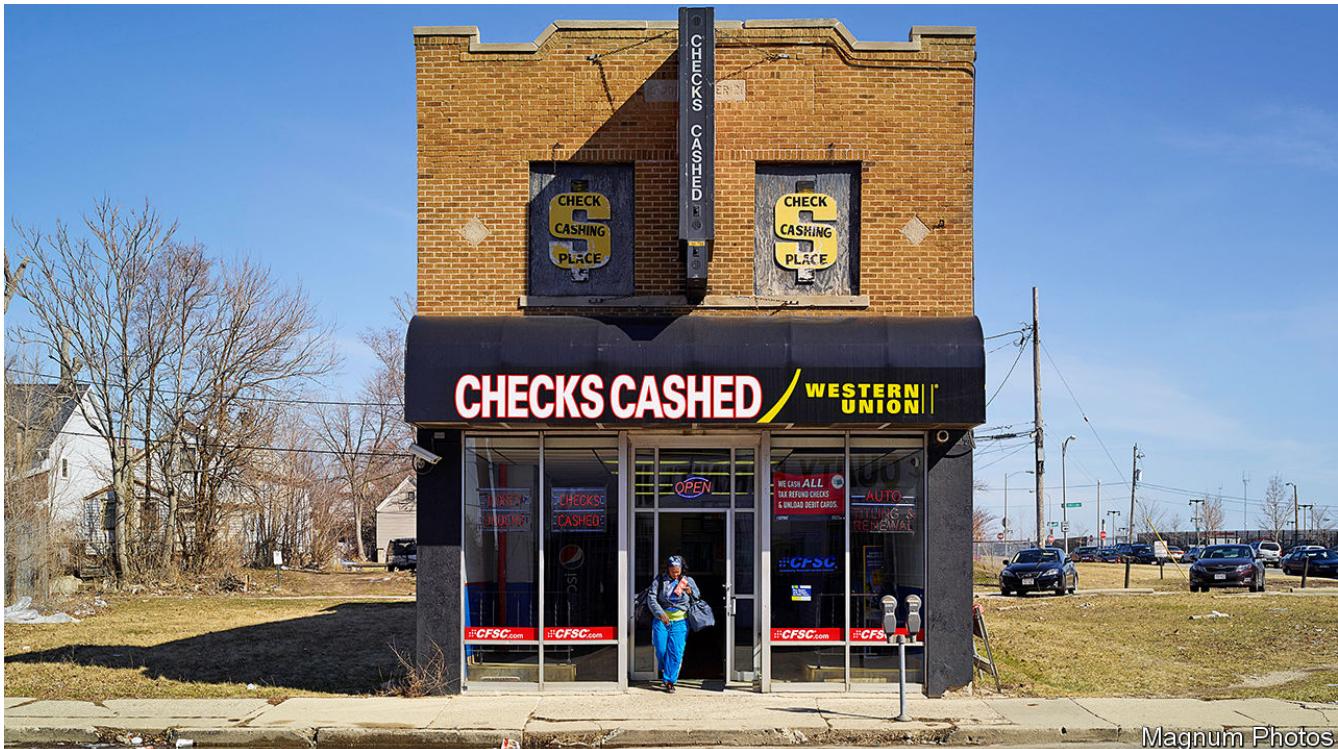
Facebook also allows campaigns to micro-target receptive groups with ads that opponents are unlikely to see and therefore cannot dispute, disarming the traditional defence against falsehood. When it comes to political advertising, legislation has failed to keep up with technology. The Honest Ads Act is a good first step. Sponsored by Ms Warren's Democratic rival Amy Klobuchar, it would force digital political ads to reveal how they were funded, as ads on TV must. But it would not quell worries about lies in political advertising. ■

The silent minority

Milwaukee's north side remains deeply troubled

The Midwesterners who have really been left behind dwell in cities

[Print](#) | United States Nov 7th 2019



Magnum Photos

MILWAUKEE IS RESILIENT, like this building,” says Mandela Barnes, a 32-year-old from Wisconsin’s largest city. He chats over ginger tea in Shindig Coffee, a lively spot inside the Sherman Phoenix, a complex of dozens of small shops, hair salons, yoga studios and galleries. It opened a year ago, renovated after arsonists attacked the building, a former bank, during anti-police riots in 2016. Its rise and the success of its black-owned businesses are symbols of optimism in a place that is short on it.

Mr Barnes recalls how, last century, his grandfather moved into the area from Louisiana as big factories drew floods of migrants north. He worked for A.O. Smith, a firm that supplied frames to car producers for decades and at one point employed over 10,000 north-siders. But as its fortunes slid and it quit the car-supply business in 1997, those of its African-American workers, living near its giant industrial site, tumbled too. After a four-year spell as a state lawmaker, Mr Barnes was elected last year as Wisconsin’s lieutenant governor, the first African-American to hold the post. But he knows many of his generation are left behind. Problems linger for the 40% of Milwaukeeans who are black. “There is 50% black joblessness, very high rates of incarceration,” he says. “One in 19 students is homeless,” with black pupils most affected. Over half the children in one north-side area count as officially poor.

Most black residents remained in areas like Sherman Park even after the jobs went. The Brookings Institution, a think-tank, rates Milwaukee as the most racially segregated of America’s 51 large metro areas. To become fully integrated, Brookings reckons 80% of the city’s black residents would have to move to largely white districts. And though the downtown and lakeside areas boast new tall buildings, growing tourism and more white-collar jobs for the well-educated, the poorer neighbourhoods have gained little.

Another study in March by the University of Wisconsin looked at one especially blighted zip code—53206—that abuts Sherman Park. It listed “cumulative disadvantages” and barely any improvement since recession struck just over a decade ago. The poverty rate, at 42% of households, is six-times higher than in the suburbs. Three-in-four high-school dropouts have no job. One-in-four housing units has been abandoned. Household incomes, adjusted for inflation, are down by a quarter between 2000 and 2017. Public schools, meanwhile, are especially dire and are losing students fast. In many, not even one-tenth of pupils reach levels of reading or maths expected for their age.

Mr Barnes says the underlying problem is economic. Residents who rely on patchy public transport struggle to get to jobs. Absent fathers (some in prison) and gun violence also take a toll. On a walk in one neighbourhood, a teacher says bullets have struck both his home and a part of his school building nearby.

Lena Taylor, a state senator who has lived in the same north-side block for 53 years, laments an ongoing “epidemic” of foreclosures and other housing woes. She also refers to a confrontational culture whereby residents “go from zero to a thousand, shooting people with no warning.” She hopes to become the first African-American elected as city mayor, next April, saying “it’s overdue. It’s not all peaches and cream, we need big changes.”

Tom Barrett, the current mayor, is trying to lure investors to the north side. He hopes a new meatpacking plant there will create hundreds of jobs. A Spanish firm that refurbishes trains is to expand operations. He grumbles about narrowly missing out on a “positive atom bomb”, when Amazon recently shelved plans for a distribution centre, and 2,000 jobs, to be put on the old A.O. Smith factory site.

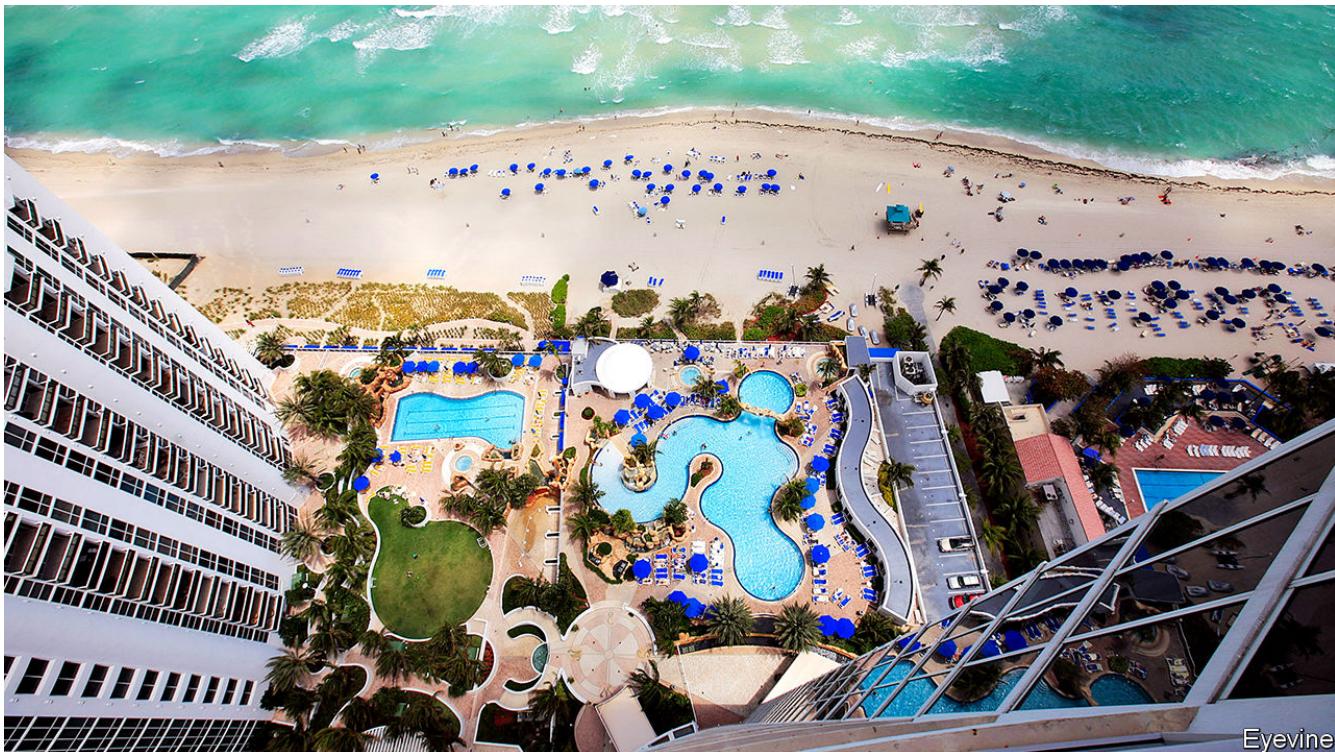
The mayor has another card. The city last year opened a swanky arena for the Bucks basketball team that can attract grand non-sporting events, too. The biggest so far will be next July, when 50,000 people—including 15,000 media workers from around the world—will descend for the Democratic national convention. They will mostly be downtown. “A giant opportunity” exists to promote the city, says Mr Barnes. The challenge is to get as many Milwaukeeans as possible to benefit. ■

Odessa on the Intracoastal

Russians have flocked to Donald Trump's Florida

Our correspondent lounges on the beach in Sunny Isles

[Print](#) | [United States](#) Nov 7th 2019



Eyevine

AROUND a century ago, a furniture magnate from Rochester, New York named Harvey Baker Graves spent a day boating through the estuarine wilds of upper Biscayne Bay, along the southern Atlantic coast of Florida. What today is beach-front property was then a verdant, claustrophobic jungle; in photographs the dinosaurs seem to be lurking just outside the frame. Graves was so enamoured of this landscape and its potential that he bought a large swathe of mangrove forest and tortuous waterways dotted with uninhabitable little islands.

That swamp is now Sunny Isles Beach, a town on a barrier island, just across the Intracoastal Waterway from North Miami Beach. For much of the 20th century it was a modest redoubt far from Miami's glamour and hustle, with larger hotels on the ocean and longer, lower ones on the inland blocks. Rundown by the 1980s, developers began snapping up properties. In 2001 the city's first new hotel in more than 30 years opened. Today hotels and condominiums line Sunny Isles' two-mile beach-front, including three Trump-branded high-rises. And while the previous incarnation of Sunny Isles attracted American snowbirds and the odd ageing celebrity, in its current form it is a magnet for Russians.

They began arriving—according to Larisa Svechin, the town's vice-mayor, who was born in Gomel, Belarus—in the late 1980s. Most of them were Jewish, and had left the Soviet Union in the mid-1970s. “Russians,” explains Ms Svechin, “especially Russian Jews, like to congregate by the water.” Some came directly from Russia, while others—like so many other retirees—moved south from New York (perhaps the only neighbourhood on the East Coast as deeply Russian as Sunny Isles Beach is Brighton Beach, on Brooklyn's southern coast). Florida has no income tax, which makes it popular among seniors—including Mr Trump himself, who has recently changed his official residency from New York to Florida.

Another wave came after the Soviet Union disintegrated; it included Russians, Moldovans, Ukrainians, Belarusians, Kazakhs, Tajiks, Azeris—and another wave of Ukrainians after protests ousted their pro-Russian president in 2014. Now many of the people coming are Russian second- (or third-, or fourth-) home owners rather than immigrants intending to settle.

Birth tourism is also popular. A company called Miami Mama in Hallandale Beach charged expectant Russian women thousands of dollars for south Florida birth packages, though it was raided by the FBI a couple of years ago. These days, says Ms Svechin, “birth tourism is not as open, [but] you'll see a lot of young ladies with strollers...they think this is prestige” to have a child with an American passport.

Today, Ms Svechin estimates that more than 20% of Sunny Isles Beach's population of roughly 20,000 is Russian or Russian-speaking. The nearby towns of Aventura, Bal Harbour, Hallandale Beach and Hollywood—all between Miami and Fort Lauderdale—

also have sizeable Russian communities, though none of those is as prestigious as Sunny Isles. Igor Fruman, one of two associates of Rudy Giuliani's recently arrested on campaign-finance charges, owns two units in a Sunny Isles high-rise. Lev Parnas, with whom he was arrested, is a longtime Florida resident.

"Russians love brand names," explains Ms Svechin. And Sunny Isles offers plenty: not just multiple Trump properties but also, just down the beach, the 60-storey Porsche Design Tower, with its car elevator that lets residents park outside their upper-floor units. There are Armani-branded apartments and a Karl Lagerfeld-designed lobby at the Acqualina. The town's reputation is so well-known in Russia that many arrive knowing precisely which unit in which building they want to buy.

Across from Mr Trump's three towers sits the most Russian strip-mall in south Florida. Among its shops are a Russian café, a grocery store with an attached restaurant offering reassuringly and authentically mediocre cuisine, a bookstore, an insurance firm, a couple of beauty salons, a few cafés, a Russian restaurant/nightclub, a Kosher Azeri restaurant/nightclub, an Argentine steakhouse with a trellised awning that looks like something directly transplanted from Odessa, and a travel agent.

Residents boast about their schools (florists know to stock up in late August, because so many students follow the Russian tradition of presenting flowers to the teacher on the first day). The streets are reasonably safe, though domestic violence remains a persistent problem. Russia has no domestic-violence law, and in 2017 decriminalised domestic violence that does not result in a hospital visit.

Ms Svechin sighs that "a lot of people here, the older Americans especially, feel this has been a place for Russians to wash money. I don't know how true that is." A Reuters investigation in 2017 found that 63 people with Russian passports or addresses spent more than \$98m buying apartments in Trump-branded properties in south Florida, and around one-third of all the owners of properties in Mr Trump's branded towers were limited-liability companies that can conceal the owner's identity (Reuters found no wrongdoing by Mr Trump or his organisation).

Sanctions against Russia have slowed the high-end market. Many of the Ukrainians who arrived after the Maidan demonstrations in early 2014 have more modest means; they have flocked to more affordable inland cities such as Hallandale Beach. But south Florida generally—and Trump-branded properties specifically—remain popular with Russians. Your correspondent stayed at one of Mr Trump's Sunny Isles properties for three days, and heard just one guest speaking any language other than Russian. ■

Lexington**The wars in Iraq and Afghanistan have cost most Americans nothing***That is why they continue*

Print | United States Nov 9th 2019



WHEN SERGEANT LIAM DWYER of Connecticut trod on a booby-trapped bomb in southern Afghanistan the explosion could be heard 13 miles away. It blew off his left leg, much of his right one, left his left arm "hanging by threads" and smashed his right arm. "I'm bleeding out and about to die," he recalls thinking before he blacked out. His field-medic turned away to work on lesser casualties. But another marine sergeant clapped tourniquets on what remained of Mr Dwyer and hauled him to a helicopter. A week later, after round-the-clock treatment by American and British medics in Afghanistan, Germany and on many aircraft, he awoke at Walter Reed National Military Medical Centre. His parents were by his bed. Thinking he was still on the battlefield, Mr Dwyer lunged forwards to try to protect them.

Eight years later he was back at Walter Reed in Bethesda, Maryland—and life was great, he told your columnist. He had some gripes, to be sure: including incessant operations (he has had "well over 60"), the impossibility of holding down a regular job because of his treatment and a terror of undoing years of painful therapy by slipping in the shower. On the other hand he was a big fan of his new prosthetic leg, which had been embedded in his femur: he would "recommend osseointegration to anyone," he said. Indeed he was "looking forward to getting his right leg amputated" too, maybe a decade from now.

He was reluctant to get it done sooner only because he still needed the painfully damaged limb for his work as a racing-car driver with Mazda, for which he also gave thanks. And he loved his wife, an occupational therapist he had met at Walter Reed. "I had this positive outlook from the get-go," he said. "If there's something out there that you want to do, you can either be a pioneer or else find someone who can help you out with it. When you have a negative attitude, no one wants to be around you, which starts screwing with your mind. A lot of guys have issues with that."

Media coverage of the participants in America's interminable 9/11 wars tends to focus on the health and social problems many face. Of the 2.7m who have served in Iraq or Afghanistan, 35% are said by the Department of Veterans Affairs to have a disability. That includes many with post-traumatic stress, which makes sense: patrolling built-up areas of Iraq at the height of its violence was especially horrific. And the concussive effects of blast injuries are liable to be long-term. Yet such figures may be misleading.

Many disability claims on the VA are alleged to be exaggerated or distantly related to military service. And other indicators of veterans' well-being are more reassuring. Only 3.8% of post-9/11 veterans are unemployed, scarcely more than the general populace. Moreover, the number of soldiers officially counted as wounded-in-action in Iraq and Afghanistan is only 53,000 (2% of the total who served). And around half, having minor injuries, returned to the fray within 72 hours. Almost two decades

of war by America's million-odd troops, waged against an enemy heavily reliant on roadside bombs, has produced around 2,000 amputees. And that surprisingly low number is despite a revolution in the survival rate of badly wounded soldiers. The Department of Defence estimates the improved tourniquet that saved Mr Dwyer was alone responsible for saving 3,000 lives—roughly half the total American death toll in Iraq and Afghanistan.

Other breakthroughs at every stage of the military medical process, from use of psychotherapy to computerised prosthetics, have meanwhile improved the long-term outlook for severely wounded vets like Mr Dwyer. Notwithstanding the well-advertised problems at the VA, they cannot doubt the government has their back—or that society does, given the thousands of veterans' groups that have mushroomed. "I hate to see any veteran struggling, but I have to ask, have you asked for help? Because it's out there," said another Walter Reed outpatient, Captain Ferris Butler, who lost his feet to an improvised bomb south of Baghdad in 2006. Unlike Mr Dwyer he admits to having been haunted by demons after his injury. But like him he met his wife at Walter Reed, has proceeded from one success to the next—in business, philanthropy and sport—and exudes positivity and derring-do.

As Americans approach what may be the last Veterans Day of the war in Afghanistan, their longest ever, they may console themselves with this thought. Contrary to the reported inundation of damaged post-9/11 veterans, their country has been remarkably unscathed by two decades at war. Iraq and Afghanistan vets represent much less than 1% of the population. America lost eight times as many soldiers in Vietnam, in less than half the time, when its population was two-thirds the current size. The number of recent wounded is correspondingly modest and most have been looked after with immense skill and no expense spared, as is right. Otherwise, few Americans have been touched by the conflicts at all.

Who pays the piper?

Future generations will pay for them: the wars have been funded by debt. Most Americans have had little reason to think their country is even at war. And lucky them because war is hell. But this disconnect helps explain why the country's civil-military relations are as distant as they are. It also helps explain how America came to be locked in such long and largely unproductive conflicts in the first place. Its voters started to reckon with the rights and wrongs of the Vietnam war—then demand accountability for it—only after they felt its sting. By contrast Donald Trump, who almost alone among national politicians decries the latest conflicts, has struggled to interest voters in them—or indeed end them.

Though mostly wrong on the details, the president raises an important question of the long wars. What have they achieved? After thanking Mr Butler and Mr Dwyer for their service on Veterans Day (a ritual neither wounded man greatly enjoys, incidentally), their well-wishers might want to ponder that. ■

Bolivia

Back to the barricades

Bolivian battle Evo Morales faces a long insurrection

Protesters against the president's flawed re-election are digging in

[Print](#) | [The Americas](#) Nov 7th 2019



AFP

AT 11.40PM ON October 22nd, two days after Bolivia's presidential and congressional elections, Paul Handal met a dozen neighbours on the street in Villa Fraterna, an upper-middle-class neighbourhood of Santa Cruz, the country's biggest city. Suspicions were mounting that the president, Evo Morales, was trying to avoid a run-off vote by fraudulent means. Opposition leaders had called a general strike to demand one. Mr Handal and his neighbours dragged trees and tyres to an intersection to build a barricade.

"We thought it would last a day or two," says Mr Handal, who owns a motorsports consultancy. Then the tribunal declared Mr Morales the winner and more evidence of irregularities surfaced. Over the following fortnight more than 100 people signed up to man the intersection in Villa Fraterna. "This is the second time Evo robbed us of our vote," says Mr Handal, who is at the barricade from 7am to 7pm every day. The first was when Mr Morales decided to run for a fourth term, in defiance of a referendum vote in 2016. "My vote counts," the protesters daubed in white on the walls of a dried-out canal. In the evenings families bring tables and chairs to play cards and listen to the radio. Vendors from a nearby favela bring food carts. Catholic and evangelical groups take turns leading prayers.

Such scenes are occurring across Santa Cruz, a city of 1.5m people that is laid out like a bicycle wheel: 27 avenues project like spokes from the centre, which is encircled by *anillos*, or rings. Barriers made of branches, bricks, refrigerators, trash bins, scrap metal, wire and caution tape block hundreds of intersections and thousands of smaller streets. The *paro cívico* (civic strike) has brought normal life to a halt. Supermarkets are allowed to open until noon, but most other business has shut down. Schools are closed. Ambulances, police cars, garbage trucks and lorries delivering food are the only vehicles allowed through the barriers. The shutdown is slowing commerce in the surrounding department of Santa Cruz, which provides 70% of Bolivia's food and 30% of its GDP.

Orders for the strike come from Luis Fernando Camacho, the head of the Comité pro Santa Cruz, a group with roots in the department's elite that now claims to represent everyone. Dressed in a polo shirt and flanked by bodyguards twice his size, the

lawyer spends his days coaxing power brokers to support the strike and his nights visiting barricades. Although the strike costs Santa Cruz \$30m a day in lost output, most *cruceños*, including business owners, support it.

Their rebellion is the most radical response to the flawed election. Mr Morales avoided a second round by just 35,000 of the 5.9m valid votes cast after a mysterious interruption of the vote count. *Comités cívicos* in other departments are staging smaller strikes. Carlos Mesa, the defeated presidential candidate, at first demanded that the vote go to a second round but now backs the protesters' call for a fresh election supervised by a new electoral tribunal.

The government is trying to head that off by backing an audit of the vote count by the Organisation of American States (OAS). It is "the institutional mechanism to determine whether or not there was fraud", says Adriana Salvatierra, the president of the senate, who is from Mr Morales's Movement to Socialism (MAS) and represents Santa Cruz. The government has agreed to let the election go to a second round if the auditors find fraud.

That does not satisfy the protesters. They mistrust the OAS, whose secretary-general, Luis Almagro, on a visit to Bolivia this year affirmed Mr Morales's right to run for re-election. Positions are hardening. On November 2nd Mr Camacho, who has sought support from the armed forces, promised "radical measures" if Mr Morales did not resign within 48 hours. When the president ignored the ultimatum, Mr Camacho ordered protesters to shut government buildings and the country's borders to trade, so that Mr Morales "doesn't have a single peso to govern".

The government calls the insurrection an attempted coup. Encouraged by Mr Morales, thousands of miners and coca farmers have thronged cities to defend his election victory. In Montero, 50km (30 miles) from Santa Cruz, two protesters were killed on October 30th when government supporters tried to dismantle a barricade. At least one other person died in clashes in Cochabamba on November 6th.

Mr Mesa, a former president, is not a bystander but neither is he shaping events. He is "just interested in being president", says Mr Camacho dismissively. The candidate resists Mr Camacho's radical demand that Mr Morales resign. "It has to be the popular vote that defines" his exit, says Gustavo Pedraza, Mr Mesa's running-mate, who is from Santa Cruz.

The protesters' suspicions of electoral fraud look well founded. Investigators have found unusually high numbers of invalid votes, precincts where turnout was 100% and inexplicable revisions to vote counts, usually in favour of Mr Morales. "There are too many irregularities to be human error," says Édgar Villegas, a computer engineer at the Higher University of San Andrés in La Paz, Bolivia's capital.

This week 30 experts chosen by the OAS arrived. They will review how votes were tallied and how information was transferred from polling centres to the electoral authorities. Even if they determine that enough fraud occurred to invalidate the result, it is not clear how a second round might be held. Many Bolivians will not trust the electoral tribunal to oversee it. Several of its members have quit because of its handling of the vote. A presidential run-off would not change the makeup of congress, in which the MAS won a majority—fraudulently, the opposition claims. "We're tied up like a pretzel," says a foreign diplomat. "It's going to be hard to find a constitutional solution that society will accept."

The standoff threatens to weaken a consensus among social groups that Mr Morales, Bolivia's first indigenous-origin president, had managed to create during his 14 years in power. In Plan 3000, a working-class neighbourhood of Santa Cruz named for a project to house 3,000 people displaced by a flood in 1983, residents complain that the strike is hurting people without savings. "We're not beggars," says Marítimo Solares, the leader of a youth group affiliated with the MAS. "For us, democracy is not just voting, it's being able to put food on the table for our children." He fears the return of racial and regional antagonism.

Effigies of Mr Morales hang from stoplights above several barricades. When Mr Camacho sped past in a caravan of high-powered pickups, a few riled-up protesters yelled, "Get rid of the damn Indian!"

The Santa Cruz insurrection superficially resembles one that took place in 2008, when the largely white and mestizo elite rebelled against Mr Morales's leftist policies and centralisation of power. He suppressed it by accusing its leaders of sedition, jailing some and forcing others into exile. Other rebellious leaders made peace with the government.

This month's protests are more dangerous for the government. Rather than demanding autonomy, protesters are calling for a restoration of democracy, which resonates across the country, points out Mr Pedraza. In contrast to 2008, Mr Morales's power is waning rather than waxing. "This time, he can't just cut off the heads of leaders," says Wilfredo Rojo, the *cruceño* president of the national association of exporters. "He will have to slaughter citizens."

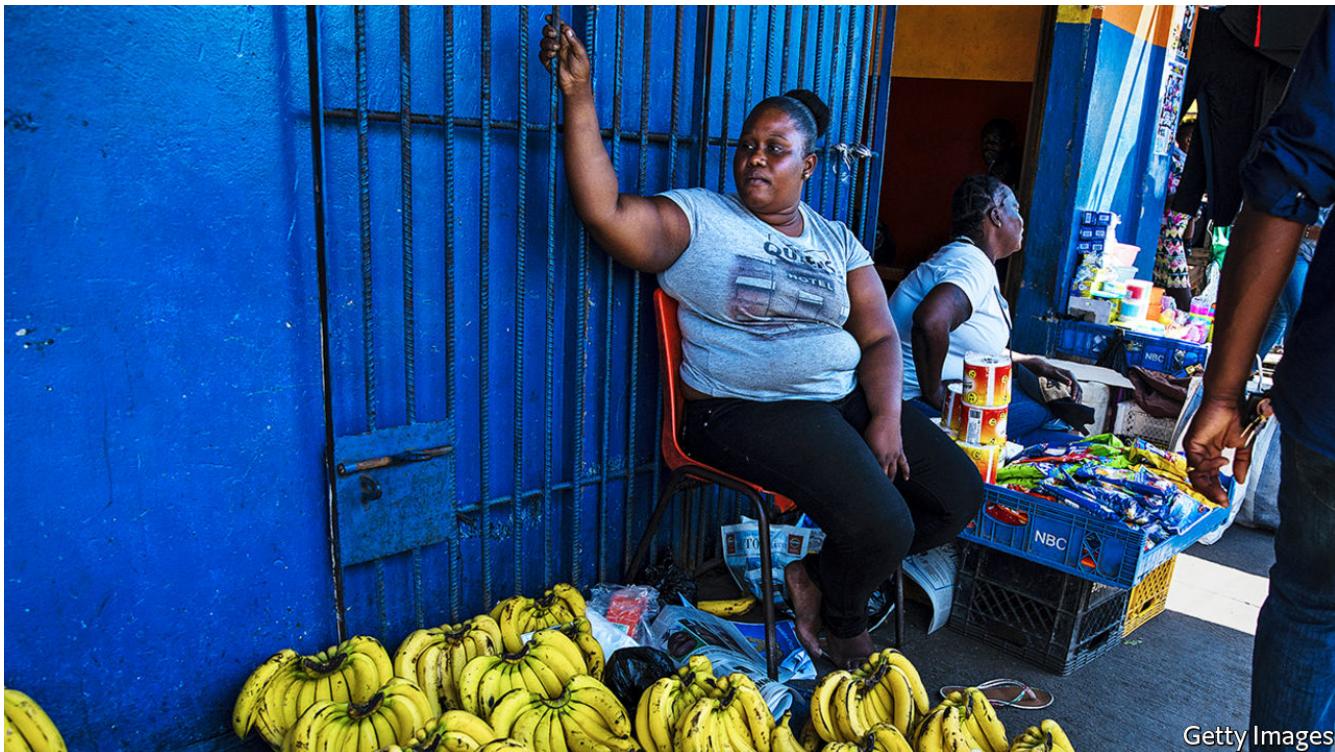
On November 4th hundreds of thousands of *cruceños* filled the city's centre to hear Mr Camacho respond to Mr Morales's refusal to resign. Beneath a famous statue of Jesus, he announced that he would go to La Paz with a Bible in his right hand and a resignation letter for Mr Morales to sign in his left. On his first attempt soldiers put him on a plane back home. He was due to try again as *The Economist* went to press. Rather than taking down their barricade in Villa Fraterna, Mr Handal and his neighbours have put up a Christmas tree. ■

Redemption song

Jamaica's tumultuous relationship with the IMF has a happy ending

How the government created a consensus for austerity

[Print](#) | **The Americas** Nov 9th 2019



Getty Images

SOME 70 PEOPLE gathered under a tent on a balmy Monday evening recently in Trench Town, a stone's throw from the housing project where Bob Marley grew up. Outside, three policemen armed with rifles patrolled in a four-wheel-drive vehicle. Trench Town is one of the roughest neighbourhoods of Kingston, Jamaica's capital. But the mood in the tent is mellow. The air smells faintly of ganja. The Trench Townspeople have gathered not to talk about violence but about economic policy.

One participant, Sarah, asks Mark Golding, an opposition MP sitting atop a bar stool, how "the man selling bag juice on the road" is benefiting from reforms mandated by the IMF. Barrington, another local, wants to know about the effects of raising sales tax. "When we go buy a pound of flour we pay tax," he notes, "but where do our taxes go?"

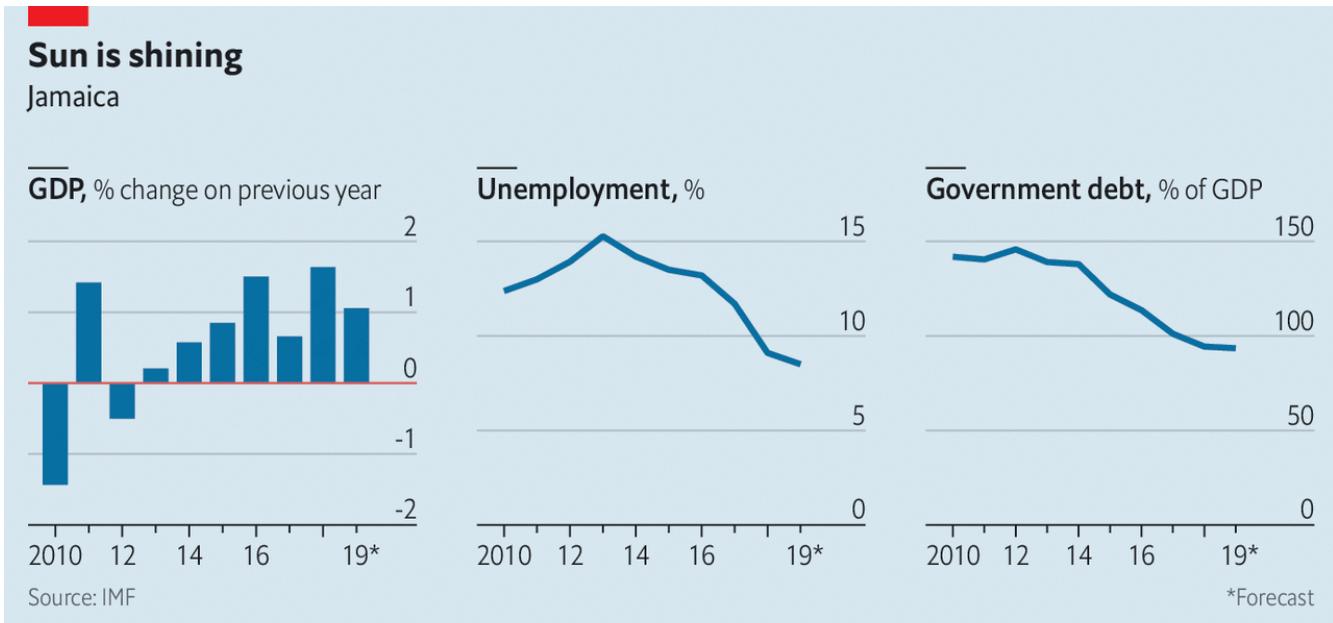
The Economic Programme Oversight Committee (EPOC), a motley group of officials, businessmen and civil-society representatives, has held such meetings across the island during the six years of Jamaica's latest IMF programmes. The fund demanded tough austerity measures: a primary surplus (ie, before interest payments) of 7.5% of GDP, the highest ever required under an IMF programme; a three-year wage freeze for public-sector workers; and new taxes. On November 10th Jamaica is due to graduate from its current programme, having met its targets. This milestone does not mean that the country of 3m people, who have an average income of just \$5,000, has solved its economic problems. Growth remains disappointing, in part because of the fiscal rigour Jamaica accepted as part of the IMF deal. But for the first time in decades its finances are stable enough that it can move beyond crisis management.

Ordinary Jamaicans largely accepted the sacrifices they had to make to adhere to the IMF agreement. That makes Jamaica different from other countries in the Americas such as Ecuador, where riots in October forced the government to restore subsidies to fuel prices. In 2016 the opposition Jamaica Labour Party narrowly won an election by accusing the ruling People's National Party of "passing the IMF's tests, not the people's test". Once in power Labour realised the IMF's tests were the people's test. Uma Ramakrishnan, who led the IMF's missions to Jamaica, says citizens' interest in and understanding of the programme "has been a source of amazement for us".

The IMF is almost as familiar to Jamaicans as Marley or Usain Bolt. The country has spent 34 of the past 57 years under its tutelage. In 1980, after protests against an IMF agreement that mandated wage freezes and cuts to welfare, the then-prime minister, Michael Manley, broke it off.

When Jamaica signed on to a new agreement in 2013 its economic reputation was in tatters. It had defaulted on its bonds four times and restructured foreign loans eight times since 1981. Public debt at the start of the programme was 147% of GDP,

making it one of the most indebted countries in the world (see chart). Income from tourism and bauxite, the main earners of foreign exchange, had plunged in the aftermath of the global financial crisis. The unemployment rate was soaring.



The Economist

The IMF had ended Jamaica's previous 27-month agreement, signed in 2010, because the government failed to meet its targets. In 2013 Jamaica was in desperate need of another. Capital was fleeing the country. In March the country's foreign-exchange reserves were not sufficient to pay for two months' worth of imports. The People's National Party government, then recently elected, sent the finance minister, Peter Phillips, to Washington to plead with the IMF for one last chance. It agreed to lend Jamaica \$958m over four years, perhaps only to avoid being accused of applying double standards. It had just extended a lifeline to similarly troubled Greece.

In addition to the ambitious primary-surplus target and the wage freeze, Jamaica was obliged to seek relief from private-sector creditors in the form of longer maturities and a lower interest rate. This hurt Jamaican banks and businesses, which had replaced foreigners as the biggest lenders. Rather than resist, they and public-sector trade unions decided to make sure that the government would keep its promises to the IMF, in the hope that this would finally end recurring economic crises.

That was the origin of EPOC, which acts as connective tissue between the government and citizens. The 11-member group has monthly meetings with top officials from the central bank and the finance ministry. It holds gatherings like the one in Trench Town, which give citizens an outlet to express their views besides protest.

It helped, too, that Portia Simpson-Miller, the prime minister until 2016, advocated the agreement. "The poorer segments of society have a great deal of respect for her," says Ralston Hyman, a trade unionist who is a member of EPOC. In 2018 the Bank of Jamaica drummed up support for inflation targeting by commissioning reggae stars to extol in song the blessing of low and stable inflation. "If it's too high, the people have a cry/And if it's too low, the country nah grow," ran one lyric.

Although it set tough targets, the IMF gave Jamaica flexibility in meeting them. It agreed to a "social-spending floor" that ring-fenced spending on such services as school meals and poverty relief. Austerity affected more the quality of services, especially health care. This summer the *Jamaica Observer*, a newspaper, reported that patients at Kingston Public Hospital had died because it lacks such equipment as MRI scanners and microscopes.

The Labour Party exited the agreement in 2016, replacing it with a standby arrangement. Although this was similar to the previous agreement, it introduced a higher income-tax threshold (to help low earners) while increasing indirect tax (which is harder to evade) on alcohol, tobacco and fuel. Like the previous agreement, Jamaica's graduation "is absolutely a bipartisan achievement", says the finance minister, Nigel Clarke.

Jamaica had good luck, too. In 2015 it offered a lump sum to repay debt to Venezuela, which it had incurred buying oil at a discount. Venezuela accepted to relieve its own economic problems, which cut Jamaica's debt ratio by ten percentage points. Prices of alumina, which is extracted from bauxite, rose until 2018, reviving the mining industry. Tourism picked up, helped by stronger global growth. China financed infrastructure projects, which created jobs.

Jamaica is leaving its IMF programme in better shape than when it entered. Its debt ratio has plunged. The country has \$3.5bn of foreign-exchange reserves, about eight months' worth of imports. Financial regulation has been strengthened. The tax base has been widened and the revenue-collection agency has been reformed.

But graduating with good marks from the IMF is not the same thing as economic success. Growth is likely to be around 1% this year. The Jamaican dollar is weakening, which is hurting businesses that import many of their inputs. Underinvestment in infrastructure holds back future growth. Despite business-friendly rules, the recovery of foreign investment has been modest and, after a recent decline in alumina prices, may now falter.

Corruption continues to sap confidence. Jamaica's murder rate, the second-highest in the world, scares away investors and tourists. Reducing it to the world average would boost the economic growth rate by 0.5 percentage points, reckons the IMF.

The economy remains vulnerable to external shocks. A global recession would reduce tourism and remittances from Jamaicans abroad, which accounted for around 16% of GDP in 2018. Good economic management cannot stave off hurricanes.

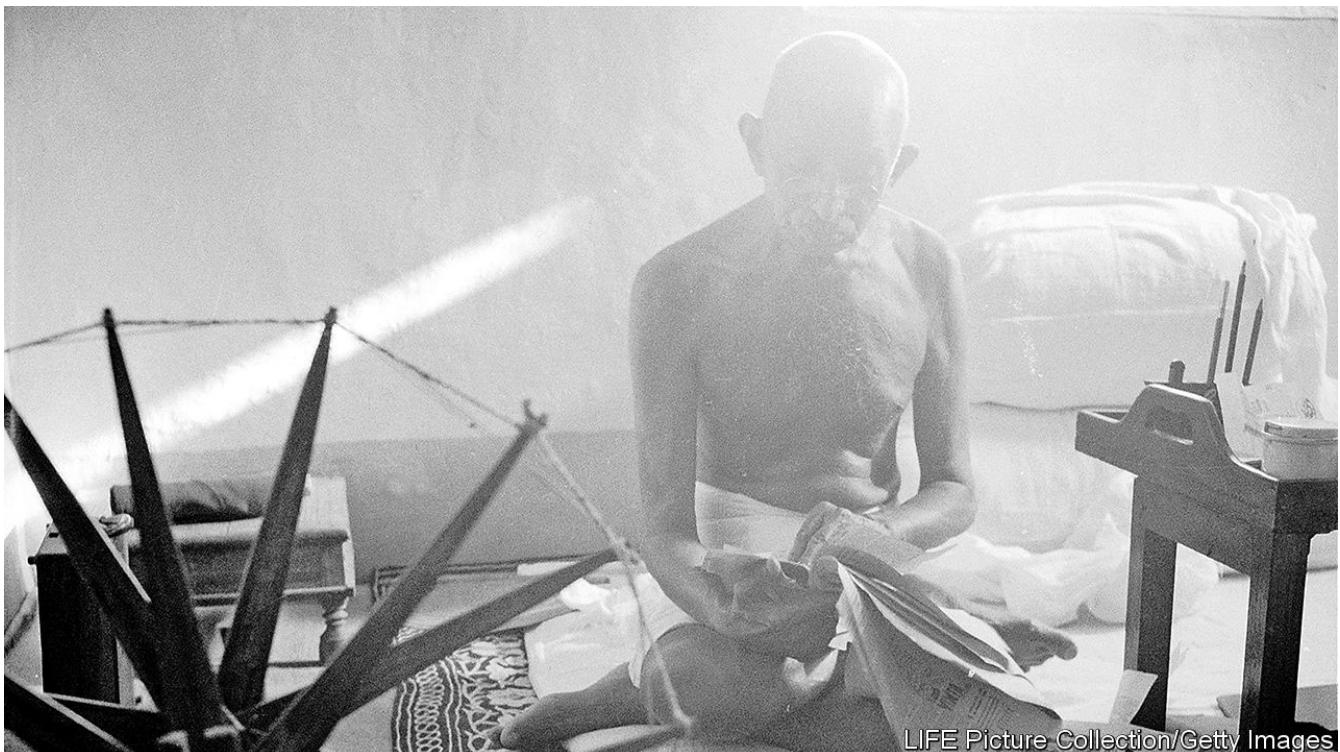
Still, Jamaica is more resilient than it was in 2013. “The first responsibility of adulthood is paying your own bills,” muses Mr Phillips. The current government plans to replace EPOC with an independent “fiscal council”, which will monitor budget discipline. More than 50 years after independence, Jamaica is coming of age. ■

Trade deals

Haunted by Gandhi

Spare wheel**Asia's trade negotiators decide they can no longer wait for India***A huge regional trade deal will go ahead without it*

Print | Asia Nov 7th 2019



LIFE Picture Collection/Getty Images

STUFF TOO many sheaves of paper into a stapler and it will struggle to fasten them together, however thin each page may be. The same is true of the Regional Comprehensive Economic Partnership (RCEP), a long-delayed trade deal involving 16 Asian countries. RCEP was intended to bind together all of the existing trade agreements between the Association of South-East Asian Nations (ASEAN) and the region's other big economies, including China, Japan, South Korea, Australia, New Zealand and India. But adding India to the pile has caused the mechanism to jam.

At a summit this week in Bangkok, the region's leaders announced that 15 of the 16 participants had concluded their talks and would be ready to sign a deal in February, after the text was given a good "legal scrubbing". But India was not yet ready to join them. "Neither the talisman of Gandhiji nor my own conscience permit me to join," said Narendra Modi, India's prime minister, invoking Mohandas Gandhi (pictured), who preached self-reliance and relished the frugality it requires.

Although India and China have free-trade pacts with ASEAN, they do not have an agreement with one another. Many in India fear that lowering tariffs on Chinese goods will only increase its yawning trade deficit with the country (see chart). They also worry that India's poor farmers will be flooded out of the market by Australian grains and milk from New Zealand.

The Himalayas are not high enough

India, trade deficit with China, \$bn



Source: IMF

The Economist

These concerns seem overblown. The agreement (which has not yet been published) is unlikely to have liberalised agriculture much, if at all. And it reportedly allows its poorer members to proceed cautiously and gradually in lowering tariffs on manufactured goods. Indian and Chinese officials had been discussing adjustment periods of up to 25 years for some items. To assuage Indian concerns, its negotiating partners were also apparently willing to let it impose some sort of “safeguard” tariffs if imports surged too sharply.

None of that was enough to overcome vitriolic domestic opposition to the deal. Trade negotiations tend to click only when the fear of foreign competition is offset by the temptations of foreign markets. For India, however, the temptations and fears are wildly mismatched. It is eager to open up new markets for its competitive IT firms. But services such as IT tend to be neglected by traditional trade deals. Only ambitious, forward-looking agreements venture deeply into these areas, and those deals usually entail a degree of openness to foreign manufacturers that would terrify India’s industrialists. Thus India typically falls between two stools, approaching trade in industrial and agricultural goods like a poor country and trade in services like a rich one.

Even without India, RCEP encompasses almost 30% of the world economy and the same proportion of its population. Its members also span every level of development. The income per person of its most prosperous member (Singapore) is 50 times higher than its poorest (Myanmar). As well as the traditional focus on cutting tariffs on goods, it includes some helpful provisions on investment and embryonic rules on intellectual property.

The agreement will also bring some logistical benefits. The rules for deciding the country of origin of manufactured goods (which typically include components made in many different places) differ from one ASEAN agreement to the next. The new partnership will help unify those rules. Imagine a firm that makes furniture in South-East Asia, says Deborah Elms of the Asian Trade Centre, an advisory firm in Singapore. As things stand, it might have to assemble tables one way to qualify for preferential access to the Chinese market and another way to qualify for low tariffs in Japan. Under RCEP it only has to conform to one set of rules for access to all 15 markets.

To maintain its geographical reach, the agreement has sacrificed some depth and breadth. On services, the members’ commitments apparently vary a lot, with some countries adopting a “negative list” (ie, anything not listed is open to trade) and others a “positive” one (anything not listed is closed). The text is also likely to include many noncommittal phrases: “members shall endeavour to”, rather than “members shall”. In these sorts of agreements, do and do not are not the only options. There is plenty of try.

The partnership also leaves out the kinds of provisions on the environment, labour and state-owned enterprises that America insisted be included in a rival agreement, the Trans-Pacific Partnership, before it lost interest in writing trade rules—or following them. Because RCEP includes China (and TPP pointedly did not), the pact is often described as a “Beijing-led” initiative to write the rules of globalisation to its liking. But ASEAN bristles at that notion. It has organised the negotiations—almost 30 rounds of them. And its agreements are the sheaves of paper that RCEP is supposed to staple together. “Even though it’s always been painted as a China-led initiative...it has always been an ASEAN-led initiative,” says Ms Elms. “Which is why it’s taken so long.” ■

Container democracy

Religious protesters have put Pakistan's government on the defensive

The army seems to be standing by the prime minister, however

Print | Asia Nov 7th 2019



RIZWAN AHMAD says he has everything he needs for the long haul. The 20-year-old has swapped his austere madrasa in Sukkur, a city in Sindh province, for a makeshift camp beside a motorway outside Islamabad, the capital, nearly 1,000km (620 miles) to the north. He has bedding, warm clothes, food and shelter. Anything else, God will provide. Tents, tarpaulins, food stalls and solar panels to charge mobile phones are laid out among rows of men bent in prayer.

Mr Ahmad is one of around 50,000 protesters who, led by a veteran Islamist called Maulana Fazlur Rehman, descended on Islamabad late last month. The orange-turbaned leader of the Jamiat Ulema-e-Islam (JUI-F) party stirred up religious students to demand the resignation of the prime minister, Imran Khan. "If the maulana says 'Go home tomorrow', we will go home tomorrow," explains Mr Ahmad. "If he says 'Stay a year', we will stay a year."

The maulana's "freedom march" is not an uprising like the mass tumults shaking Iraq and Lebanon, but a disciplined display of partisan street power. As the event reached the end of its first week, it had become the first concerted opposition challenge to Mr Khan since he won a general election in July last year. It has also become a test for the broader opposition, as bigger parties ponder how far to push Mr Khan and how strongly to back the JUI-F.

Every evening the maulana has railed against the former cricketer from the top of a shipping container, complaining that his election victory was rigged and that he was "selected" as prime minister by the army. The maulana also says Mr Khan is ruining the economy. On the night the protesters arrived in Islamabad, he told the crowd that he was giving Mr Khan 48 hours to quit. The protesters then threatened to occupy a bigger crossroads in striking distance of parliament. Mr Khan is still in office and the crowd has not closed in. But it has refused to disperse and the sit-in has been dominating the life of the capital. Thousands of police and soldiers have been drafted in to keep watch on the crowd and guard against further incursions.

Every day the maulana holds talks with both the government and the opposition. His supporters, who hail mainly from rural backwaters in the provinces of Khyber Pakhtunkhwa, Balochistan and Sindh, spend the day sightseeing before returning to hear his nightly speeches. Uniformed volunteers in khaki tunics keep order.

Mr Khan has mocked the protest, saying that the maulana is bitter because he lost his seat in the election. The cleric once supported the Afghan Taliban and called for the imposition of Islamic law, but has recently tried to look more moderate. However, he still complains that Mr Khan is too friendly with Ahmadis, a Muslim sect he considers heretical, and has not allowed women to take part in the march.

Despite belittling the protesters, Mr Khan has felt obliged to negotiate with them. He has offered an inquiry into the fairness of last year's election, and even sent officials to find ways to shelter the crowds from driving rain. He knows the pressure that "container politics" can exert. His own Pakistan Tehreek-e-Insaf conducted a four-month sit-in in 2014, calling for the prime minister of the day, Nawaz Sharif, to resign. That protest and other recent displays of street power by religious parties were widely thought to have had military backing. This week's appears not to. At any rate, the top brass have issued a statement saying they will "continue to support national institutions as and when asked, as per the constitution."

The army's support for Mr Khan seems to have deterred the bigger opposition parties from giving wholehearted backing to the JUI-F. Mr Sharif's Pakistan Muslim League and the Pakistan Peoples Party have lent moral support, but little else. Many voters, although dismayed by rising prices and a slumping economy, think Mr Khan deserves more time to put things right. But even if the maulana's protest is unlikely to bring down the government, it has invigorated the opposition. It is Mr Khan who is on the back foot these days. ■

The eight-fold chin**Heavy Thai monks seek enlightenment***They have to eat the alms they are given, even when they are fattening*

Print | Asia Nov 7th 2019



Getty Images

THIE RULES governing what and when Thailand's Buddhist monks eat are strict. They must rely solely on alms from the faithful and must consume them before noon each day. Early each morning they pour out of temples in bright orange robes, ready to collect offerings. They are not supposed to say what they most like or be picky. Eager believers often hand out rich meals or sugary snacks in an effort to please. Some monks also resort to sweet drinks during the long afternoon fast. All this has left many monks' bellies as round as their begging bowls. The National Health Commission Office reckons that about half of Thailand's 349,000-odd monks are either overweight or obese.

Almost two years ago a Health Charter appeared, encouraging monks and those who feed them to think more about diet and exercise. Prayer and meditation do not burn many calories, but monks are not supposed to become fitness freaks either. (In fact, they are supposed to find a "middle way" in all things between indulgence and self-mortification.) Working out appropriate physical activities, such as walking and cleaning the temple, has been part of the health push. For the past year the Ministry of Public Health has also been offering monks nutritional advice.

Jongjit Angkatavanich of Chulalongkorn University is trying to help monks shift weight. She has studied their cholesterol levels and the prevalence of diabetes and other maladies from which the portly suffer. One useful tool she developed was a belt monks could use to measure the growth or contraction of their bellies. She says that hospitals are being paired with temples to keep an eye on the state of health education within them. Booklets are also being distributed to those who cook for monks, steering them away from indulgent recipes and towards brown rice and vegetables.

The country as a whole would benefit from such tips. Thailand is one of the plumpest places in Asia. According to research published in 2017 by the Asian Development Bank Institute, a think-tank, 33% of men and 43% of women are obese. The problem has grown as the country has become richer. Of course, it does not help that for many foreigners and locals alike, a good Thai meal is close to nirvana. ■

Three wheels v four

Bangladesh's biggest city plans to ban cycle rickshaws

Millions of people could lose their livelihoods

Print | Asia Nov 7th 2019



Getty Images

FOR MANY Westerners, the cycle rickshaw (also known as the *cyclo* or *pedicab*) is an iconically Asian form of transport. In fact, most Asian cities have long since abandoned them (and a few European and North American cities have taken them up). But in Bangladesh the cycle rickshaw is as popular as ever. In the capital, Dhaka, rickshaws can be seen creaking down almost every street. Dhaka's administrators, however, would like to consign its rickshaws to the past, too.

In July the city banned rickshaws on three main roads. All of Dhaka will be "rickshaw-free" within two years, says Mohammed Atiquil Islam, the mayor of the northern half of the city. "Dhaka has a traffic problem," explains Dhrubo Alam of Dhaka Transport Co-ordination Authority. "It is one of the world's most densely populated cities, and most congested." According to a recent World Bank report, the average traffic speed fell from 21km per hour in 2008 to 7km per hour last year. On current trends, it will be faster to walk by 2035.

Sitting in traffic is not just annoying; it is also wasteful. The World Bank estimates that 3.2m working hours are lost each day, at a cost of billions of dollars each year.

According to Mr Alam, slow-moving but highly manoeuvrable vehicles like rickshaws are a big part of the problem. There are between 600,000 and 1m of them in Dhaka. They can change lanes or make U-turns very abruptly. "That creates chaos," he says. Another reason to get rid of them, he adds, is that most are illegal. Only around 80,000 of Dhaka's are licensed. No new licences have been granted since 1986.

For the city's rickshaw-drivers such concerns seem beside the point. "What am I supposed to do?" asks Abdul Mubin, a 32-year-old. "I have mouths to feed." He and thousands of other rickshaw-drivers went on strike in protest against the proposed ban in July. By blocking several big roads, they exacerbated the jams across the city.

The drivers are not the only ones with reason to worry. There are also hundreds of thousands of rickshaw-owners (who rent out the vehicles to drivers), makers, mechanics and spare-parts traders who rely on the business for their livelihood.

Then there are Dhaka's commuters, who rely on rickshaws more than any other form of transport. At least 40% of the 3.5m trips that take place each day on Dhaka's streets are made by rickshaw. There is little public transport. The city has only 8,000 public buses to cater to its 18m people. Worse, they do not follow any timetable and the drivers are often unlicensed. Last year students took to the streets when racing buses, competing for passengers, hit and killed two schoolchildren.

Buses will soon come under one regulatory authority, Mr Alam promises. The routes will be "rationalised" to provide "smooth service". A metro system is also under construction, though it will not initially be big or cheap enough to make much

of a dent in traffic. Meanwhile, the number of private cars is rising fast. They will soon undo all the benefits of banning rickshaws and then some, Mr Alam says, if public transport is not improved.

Mr Mubin says rickshaw-drivers are too poor to strike again. He sees no redress. But he finds the double standard galling: “Rich people are buying cars and motorbikes. A lot of them have more than one. How is banning rickshaws going to help traffic?” ■

Honey trap

China tries to deepen economic ties with Taiwan yet more

But other forces are pulling the two countries apart

Print | Asia Nov 7th 2019



EARLY THIS year China's leader, Xi Jinping, grandly repeated his country's longstanding vow to bring the democratic island of Taiwan back into the Chinese fold, if necessary by force. But force has never been China's preferred option: it has long sought to integrate the Taiwanese economy with its own, in part in the hope that independence might come to seem an impossible or even undesirable goal. At times China also tries to harm the Taiwanese economy, usually to discredit governments led by the Democratic Progressive Party (DPP), which would like to abandon the official pretence that Taiwan is part of China. But all the while, the effort to bind the island to the mainland continues.

When Tsai Ing-wen of the DPP became president in 2016, the Chinese government abruptly cut the flow of tourists from the mainland and called off all high-level contacts with Taiwanese authorities—a boycott it has maintained ever since. But on November 4th China announced 26 measures intended to strengthen economic ties, permitting Taiwanese businesses to invest in 5G mobile networks and airlines, for instance, and to issue bonds in China. There were also fillips for ordinary Taiwanese, such as allowing them to seek help from Chinese consulates when travelling—something that has happened on occasion in the past but has now been formalised. Last year the Chinese government unveiled a list of 31 measures in the same vein, intended to make life easier for the 400,000-odd Taiwanese living in China.

Taiwan's Mainland Affairs Council, which handles policy to do with China, accused the mainland of trying to influence elections on January 11th, in which Ms Tsai is seeking a second term. The Chinese authorities probably did want to present a friendlier face, having appalled many Taiwanese with their intransigent response to pro-democracy protests in Hong Kong and with their ongoing efforts to win over the few remaining countries that have diplomatic relations with Taiwan. But they are also conscious that China is not quite as alluring a destination for Taiwanese firms as it used to be.

Ties that could bind

Taiwan, investment flows to mainland China



Sources: Taiwan Ministry of Economic Affairs; Haver Analytics

*January-September

The Economist

Although Taiwanese firms still invest more in China than anywhere else, the sums involved have fallen sharply in recent years (see chart). China accounted for 84% of Taiwan's foreign investment in 2010. In the first nine months of this year, that had fallen to 34%. The rising cost of labour in China had already led Taiwanese manufacturers of mundane goods like umbrellas and shoes to move their factories to South-East Asia. Now the trade war between America and China has prompted tech firms to reconsider their investment strategy. Taiwanese officials say that 151 Taiwanese companies operating in China have returned home this year, with plans to invest \$20.5bn. Jay Chen of Academia Sinica, a state research institute in Taiwan, doubts the 26 sweeteners will reverse the trend.

The Mainland Affairs Council argues that last year's 31 measures and related follow-ups were badly implemented. For instance, although Taiwanese were theoretically granted the same access to services as mainlanders if they had lived in China for six months, many still found it difficult to obtain a local credit card. Taiwanese often remark that living in China tends to make their compatriots more patriotic. ■

Wrong reaction

Was shutting Japan's reactors deadlier than the Fukushima disaster?

High power prices caused the poor to turn off the heat, killing many of them

Print | Asia Nov 7th 2019



SNUGGLED AMID lush fields and forests, Namie was doomed by its proximity to the local power plant. In 2011 the town's 21,000 residents were ordered to evacuate after a tsunami overwhelmed the Fukushima nuclear facility 4km away. Soon after, all 54 reactors in Japan were shut down amid safety fears, wiping out nearly 50 gigawatts of generating capacity. A new paper* argues that that decision may have cost far more lives than the initial disaster.

The Fukushima accident led to a surge in imports of coal, gas and oil. In the four years after the meltdown, the share of generation from fossil fuels leapt from 62% to 88%. Nuclear power, which once produced over 30% of Japan's electricity, fell to zero. The result, say three academics, was a sharp spike in electricity prices.

Many people responded to higher prices, in turn, by switching off their electric heaters. Average electricity consumption per household fell by 8% in some areas in 2012, according to government surveys. The biggest drops were in regions such as Tokyo, where electricity prices rose by over a third. The increased exposure to the cold in winter caused an additional 1,280 deaths from 2011 to 2014, the authors claim. Given that fossil fuels are far dirtier than nuclear power, the shift almost certainly added to air pollution and thus to respiratory ailments, the authors add, although they did not try to quantify this effect.

The paper is part of a reassessment of Japan's response to the world's worst nuclear disaster since Chernobyl in 1986. At least 2,000 people died because of the Fukushima evacuation, some in the chaos immediately after the accident, and more from secondary health problems such as stress, suicide and interrupted medical care. Deaths from exposure to radiation, in contrast, are in the single digits. Most estimates assume even the long-term impact will be small. The precautionary principle—taking dramatic action to prevent a worst-case scenario—resulted in poor policymaking in this instance, concludes Matthew Neidell of Columbia University, one of the paper's authors. "Our estimated increase in mortality from higher electricity prices significantly outweighs the mortality from the accident itself."

It would have been bizarre if such a dramatic failure had not been followed by a thorough safety review. A second meltdown would have been vastly more damaging than the reactor shutdown, given that the first is estimated to have cost more than \$700bn. But whatever the merits of the decision to mothball all reactors, nuclear power remains unpopular in Japan. Most people are opposed to restarting any reactors. Just nine have come back online—and various lawsuits and pressure groups aim to turn them off again. Evacuation orders for towns like Namie have been lifted, yet 35,000 people refuse to return. Even if there is not that much radiation, Japan continues to suffer from the fallout. ■

Banyan

Why politics in the south Pacific are so precarious

Promises of corrugated iron roofs are more important than party affiliations

Print | Asia Nov 7th 2019



Till Lauer

THIS WEEK the president of the Micronesian state of Kiribati, Taneti Maamau, lost his governing majority when 13 of his MPs crossed the floor. The defectors claim they are unhappy that in September the atoll nation of 110,000 souls, spread over 3.5m km² of the south Pacific, severed diplomatic ties with Taiwan and initiated them with China instead. Something similar may be about to happen in the more populous Solomon Islands. Its government has also just switched allegiance to China. The opposition reckons that it will soon be able to peel off eight government MPs to win a vote of no-confidence over the decision. If so, it would be the fourth time Manasseh Sogavare has been unseated as prime minister. His latest stint in the job began only in April.

Why such instability? Don't overplay the China factor. Mr Maamau complains the defectors never even raised their grievances with him. In the Solomon Islands, China hardly featured in the election campaign earlier this year. That, of course, is one of the reasons pro-Taiwan MPs are crying foul. But relations with China have not destabilised two governments in the region because they are a burning issue. It just does not take much to destabilise Pacific governments.

In the Solomon Islands, only a single government has survived a full term, and that was under the auspices of RAMSI, an Australian-led international policing mission that concluded in 2017. Especially in the Melanesian states of Papua New Guinea (PNG), the Solomon Islands and Vanuatu, governments are plagued by chronic instability. Ministers show little loyalty. The business of government is driven by the exigencies of holding together fragile coalitions.

After each general election in the Solomon Islands, a "second election" takes place as MPs establish camps in the main hotels in the capital, Honiara, and wait for offers of ministerial portfolios or "refund of campaign expenditures". Parties lack discipline (and policies). Mr Sogavare's Ownership, Unity and Responsibility (OUR) Party had little force or numbers this year until the second election. At times like this "yo-yo" politicians, the most opportunist or feckless, can exert great influence, as can the logging companies who often bankroll rival factions. Nor does it take much to whip up an angry mob. One trashed the hotel in which Mr Sogavare was forming a government in 2006.

OUR Party's discipline is about to be tested. Ministers and MPs are miffed, the opposition claims, that the 2m Solomon dollars (\$242,000) they were each allegedly supposed to receive two days after the switch to China has not materialised. That will help the opposition in the no-confidence vote, although a majority that relies on yo-yos is always fragile.

In many respects, the instability is unsurprising. The Solomon Islands was never quite the failed state that Australian politicians claimed when RAMSI was set up. But it has always been a threadbare one, with weak institutions and feeble central

authority. The country is extraordinarily diverse, with 70 languages spoken across a swathe of often thickly forested islands. Many of its 50 parliamentary constituencies are rural and remote. Party affiliation is irrelevant—more important are promises of corrugated iron for roofs. When MPs move to Honiara, they take pains to conceal their mobile number from *wantoks* (“one-talks”—people who speak the same language or come from the same place) to ward off endless requests for financial assistance.

Both the Solomon Islands and PNG have adopted laws to strengthen party discipline and thus end instability. They have backfired. In PNG they encouraged a proliferation of microparties; in the Solomon Islands politicians simply adjusted by running as independents. Perhaps Westminster-style parliamentary systems simply don’t fit the region, many conclude.

Here, Kiribati is an outlier. First, it has a presidential rather than a parliamentary system. Moreover, if the president is removed from office by parliament, parliament is dissolved too. That will make MPs think twice before booting out Mr Maamau.

Yet elsewhere democracy stumbles on. It helps that judiciaries are usually independent and the press unconstrained. Would-be authoritarians, Mr Sogavare among them, struggle to retain power in the face of the threat of defection and resistance to central authority. As bad as the constant churn is for Pacific democracies, a more authoritarian system is unlikely to be any better. ■

Mainlanders in Hong Kong

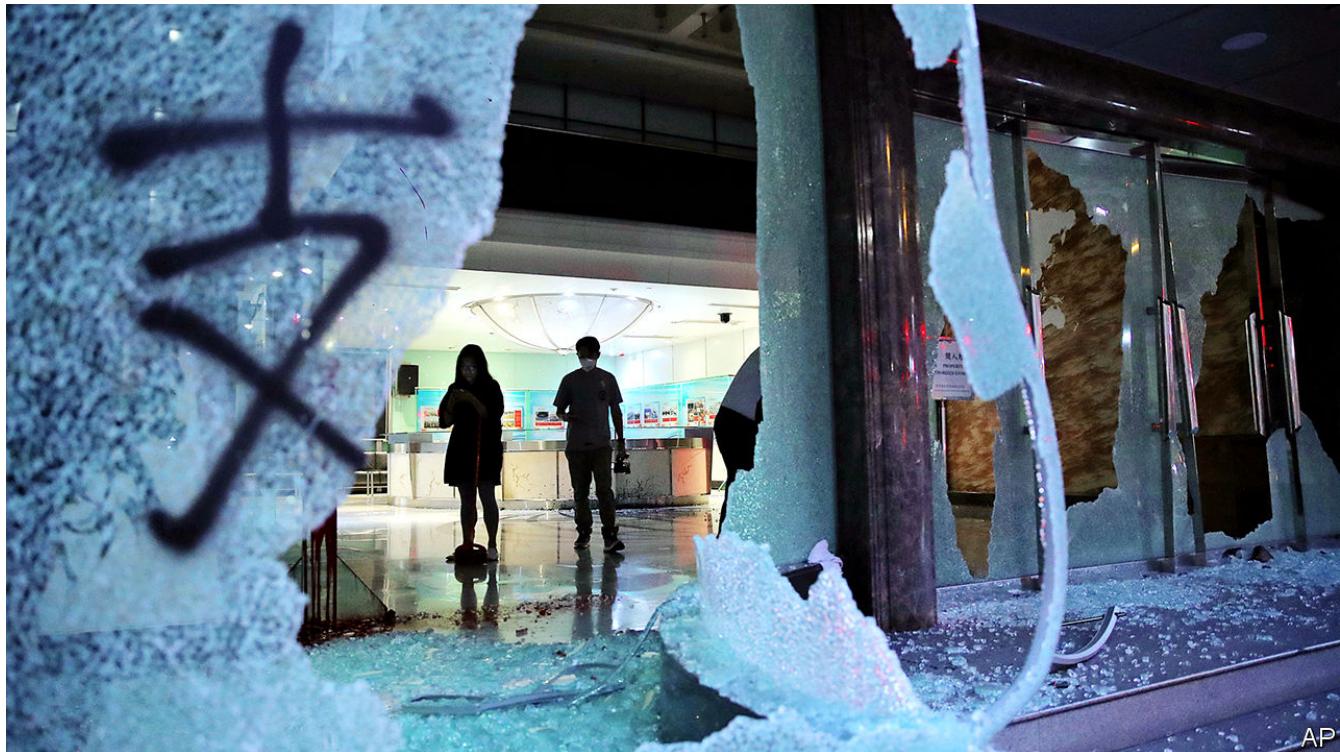
Black terror

Black terror

Mainland Chinese are being attacked in Hong Kong

To some, the city feels increasingly menacing

[Print](#) | [China](#) Nov 7th 2019



AP

A FEW DAYS ago, Huang Qixuan, a 21-year-old from mainland China who is studying accountancy in Hong Kong, was walking through his campus, talking to his father by phone. He passed a black-clad local student who was holding a placard in support of the pro-democracy unrest that has racked the city for nearly five months. “It’s chaotic,” he said to his father in Mandarin, the mainland’s common tongue. Incensed, the local shouted into Mr Huang’s face in Cantonese, the language of most Hong Kongers. “Liberate Hong Kong!” the protester kept on yelling as he followed Mr Huang. “Revolution of our times!” chanted passers-by, encouraging the pursuer.

Communist Party-controlled newspapers in Hong Kong say the city is in the grip of a “black terror”, a reference to the protesters’ adopted colour. Mr Huang agrees, and has plenty of evidence to confirm his anxiety. On WeChat, a messaging app used by many mainlanders in Hong Kong, who include around 12,000 university students, videos have gone viral of attacks on people from China’s interior. One such incident, on November 2nd, involved a woman who was accosted by protesters in a touristy part of the city after she allegedly took close-up shots of people in masks (the government recently banned the wearing of them by demonstrators). During the encounter the woman’s face was splattered with a sticky black substance. On the next day a mainlander shouted “We are all Chinese, long live China!” inside a shopping mall. He then fled to escape an angry crowd, who swore and threw objects at a fireman trying to shield him.

During the past few weeks, such assaults have become more common. The protest movement, meanwhile, has increasingly taken aim at property connected with the mainland. On November 2nd protesters vandalised the office building of Xinhua, the mainland’s state-run news agency, smashing its glass doors, spraying graffiti on it and starting a small fire in the lobby (the damage is pictured). Other mainland premises that have recently been vandalised include a branch of Tong Ren Tang, a pharmacy; an outlet of Xiaomi, an electronics company; and Chung Hwa, a bookshop, on which protesters sprayed the words “Chinazi income source”. Some mainland-related shops have erected metal barricades as shields against attacks.

Such incidents have contributed to a dramatic fall in the number of mainland tourists. In the first week of October, a national holiday, there were 56% fewer of them than a year earlier. At one tourist magnet, a large sculpture of a Bauhinia flower that was presented to Hong Kong by the central government, a mainlander who has lived in Hong Kong for two years and earns money photographing tourists says that on a recent Sunday only about ten coaches stopped to let mainlanders off nearby. Before the unrest around 100 of them would have pulled up, he says.

Students from the mainland feel particularly vulnerable because many of those at the forefront of the unrest are people with whom they share their classes: locals who have daubed the pavements of campuses with slogans and filled whole corridors with political messages. In the West, Chinese students can flaunt their nationalism with strong support from their Chinese Students and Scholars Associations and a thumbs-up from Chinese diplomats. In Hong Kong, mainland student groups keep a low profile, probably to avoid accusations by Hong Kongers that they are undermining the “high degree of autonomy” that China has promised the territory. Unlike Chinese students in the West, some of whom have demonstrated against Hong Kong’s protest movement and torn down bulletin-board messages in support of it, mainland students in Hong Kong have usually been more restrained. Some avoid speaking Mandarin in public places, fearing a hostile response.

The mainlanders rub shoulders with a local student body that is far more staunchly anti-Communist than domestic students tend to be on Western campuses. On October 1st, China’s national day, Mr Huang was among a few dozen mainland students who gathered to sing the Chinese anthem on the campus of the University of Hong Kong. The group was quickly surrounded by local students. Tensions escalated as the Hongkongers began yelling, in Cantonese, “Vindicate June 4th!” They were referring to the Tiananmen Square protests in 1989 which were bloodily crushed on that date.

Local students often regard their mainland counterparts as upholders of the Communist Party line. One of those who confronted Mr Huang and his group says locals sometimes ask mainlanders why they study in Hong Kong if they do not embrace freedom and democracy. “None of them ever answers,” he says dismissively, asking not to be named because of his involvement in the recent protests.

It is true that few mainland students show much interest in the pro-democracy cause. Many regard politics as a sideshow to the much more pressing need of landing a good job on the mainland. But Hong Kong’s liberal culture does rub off on some of them. Julie Li (not her real name), who this year gained a master’s degree from the Chinese University of Hong Kong, describes her own political transformation since she arrived in the territory in 2018. By reading Hong Kong’s media, the 23-year-old discovered that a high-school classmate who had been arrested on the mainland for supporting a campaign for workers’ rights had not, as the mainland’s media claimed, “conspired against the country”. Ms Li began paying closer attention to other human-rights abuses on the mainland and enjoying political debate with local classmates. Eventually she all but ceased to use WeChat, put off by its heavy censorship of news relating to Hong Kong’s unrest.

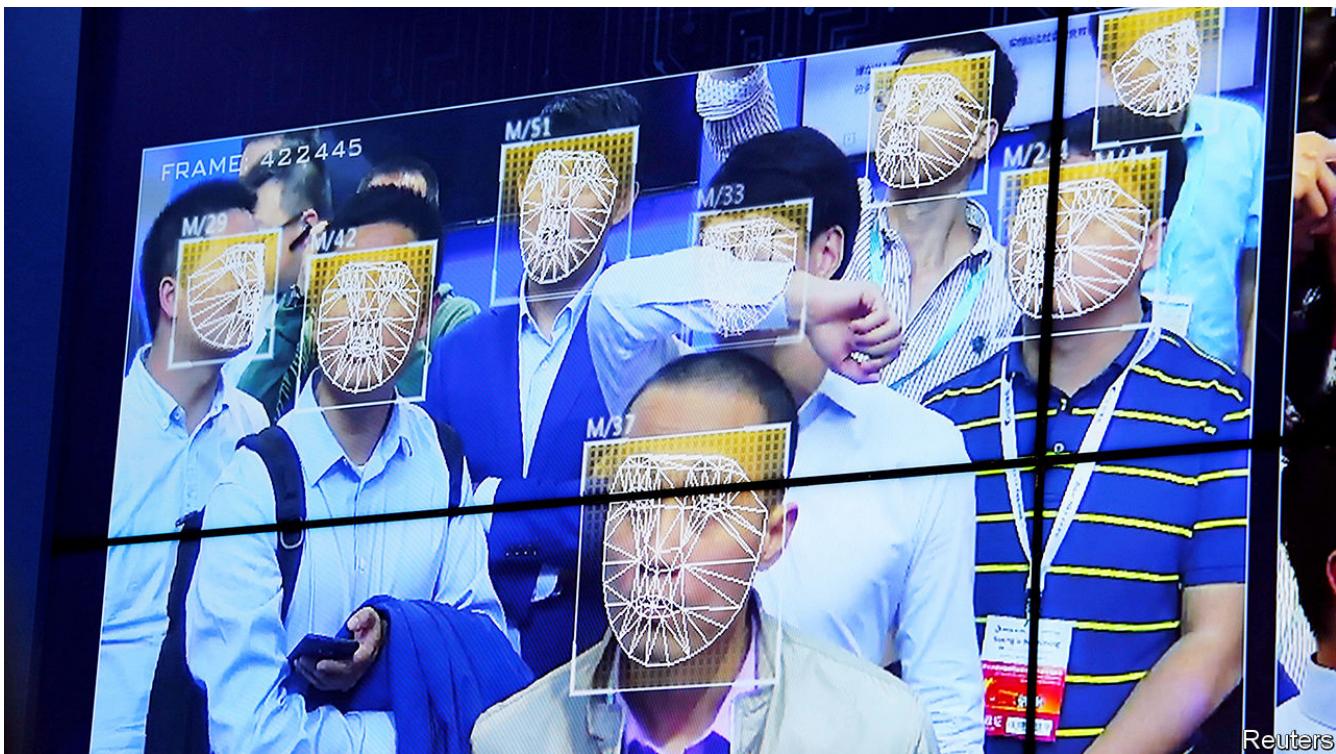
Now, however, Ms Li finds the violence and vandalism unbearable. She wants to leave and is looking for jobs across the border. “I think the protests have degenerated into something sinister now,” she says. ■

The first face-off

A lawsuit against face-scans in China could have big consequences

The target is a private company. But what about the state's constant snooping?

[Print](#) | [China](#) Nov 9th 2019



GUO BING, a legal academic in the eastern city of Hangzhou, likes to spend his leisure time at a local safari park. But when the park informed season-pass holders like him that admission would require a face-scan, Mr Guo objected. Late last month he filed a lawsuit, claiming the new rules violated his privacy. Facial-recognition technology is widely used in China. Doubtless to the relief of the government which makes extensive use of it, there has been little public debate about it. State media, however, seized on Mr Guo's case, trumpeting it as the first of its kind to be lodged in a Chinese court. Netizens have been hailing Mr Guo as a champion of consumer rights. A thread about his suit has garnered 100m views on Weibo, a social-media platform.

It is surprising that it has taken so long for the judiciary to get involved. Some 300 tourist sites in China use facial recognition to admit visitors. The safari park says doing so can shorten queues. Many office workers in Beijing's main financial district clock in and out of work by scanning their faces. Some campuses and residential buildings use facial-recognition cameras to screen people entering. WeChat, a messaging and digital-wallet app, allows users to pay with their faces at camera-equipped vendors. Facial-recognition systems are ubiquitous at traffic intersections, in railway stations and airports (visitors to a public-security expo are pictured being scanned).

But even the government recognises that the proliferation of this technology may lead to abuses. It does not want discussion of its own intrusions into privacy, such as the use of facial recognition to spy on millions of Uighurs, a mostly Muslim group, in the western region of Xinjiang. But poor protection of facial and other personal data by Chinese firms could impede the country's rise as a global tech giant. On November 4th the websites of Xinhua, a state news agency, and *People's Daily*, a Communist Party mouthpiece, republished an article in a Hangzhou newspaper describing the lawsuit as a "very good opportunity" to spur "public debate". *People's Daily* has started an online opinion poll about the "ever-increasing" number of venues using facial recognition. It is due to publish the results on November 11th.

In China's social media, many of the thousands of commentators on Mr Guo's case have expressed fears about the sale of personal information to third-party marketers. "In China there is no protection of privacy!" said one comment on Weibo that was "liked" more than 1,500 times. China's consumer-rights law requires consent from consumers before personal information can be collected and stored. If the court in Hangzhou sides with Mr Guo, other Chinese firms will need to pay heed.

By encouraging such discussion, the government may be betting that any ire will not be redirected at the state's use of the technology. But a few commentators have hinted at their disquiet about more than just the lax attitudes of businesses towards

privacy. "There's a feeling that everything you say and do is being monitored. It's terrifying," said one. Another simply wrote: "1984". Mr Guo, however, has said he is happy to submit to facial scans by the government that are in the public interest. All he wants is his money back on his season ticket. ■

Chaguan

In China, capitalism breeds new respect for dialects

Companies woo consumers who speak non-standard Chinese

[Print](#) | [China](#) Nov 7th 2019



GRWING UP in the Dabie mountains of western Anhui at the height of the Cultural Revolution, Yu Yan learned from a young age that many innocent acts could get her into trouble, starting with using her mother tongue—a dialect of the Chinese language known as Lower Yangzi Mandarin—in her school playground. Fully 70m Chinese speak some form of Lower Yangzi Mandarin, a language that is unintelligible to Chinese raised in northern cities such as Beijing. But back in those dark days of thought control, a little girl chattering in mountain dialect risked a scolding—at least—for not using *putonghua*, the state-standardised form of Mandarin that was the language of Maoist orthodoxy.

Nearly half a century later, officials still promote *putonghua* as a tool of national unity. Yet the value of local dialects is on the rise, as Ms Yu, who now manages an old people's home in the coastal province of Zhejiang, knows well.

Her private facility, called Riyuexing, is perched in a steep, terraced valley above the county town of Wencheng. Its 160 residents are mostly men in their late 70s or older. Rural families seem keener on keeping grandmothers at home, Ms Yu observes delicately. Old men have bad tempers, do not listen and can smell bad, she says. Only about a third of her charges speak *putonghua*. That obliges Ms Yu to hunt for care workers who can, between them, speak the four or five local dialects heard in the home's plain but airy corridors. Interrupting an intense game of mahjong, Chaguan asks an 89-year-old resident whether it is possible to make friends with others at the home who speak different dialects. "You can't," he growls, turning back to the tiles.

There are practical reasons to hire dialect-speakers, notably when caring for residents with dementia, who need constant guidance in a world turned foggy and frightening. There are commercial reasons, too. The home opened in 2015, and though fees are low, at about 2,000 yuan (\$285) a month, rural families break with tradition by placing the elderly in care. They need to know that the residents will be treated kindly and that being put into the home is not akin to a death sentence, as Ms Yu puts it.

An official study in 2013 estimated that 400m Chinese, or almost a third of the population, are not proficient in *putonghua*. Most of them live in smaller cities, rural areas and regions with many ethnic minorities. The education ministry has pledged more effort to teach the official tongue. But in tucked-away corners of China, like Wencheng, where dialects change from valley to valley, linguistic diversity is increasingly seen as a business opportunity.

An ageing society and growing spending power in China's backwaters are bringing old people's homes to unfamiliar places. To prosper, this growing industry needs to talk in languages that its newest customers understand. More generally, China is

evolving from a manufacturing and export behemoth into an economy sustained more by domestic consumption. Businesses previously focused on large urban centres and coastal boomtowns. Now they are looking for growth in smaller, unflashy cities where lower housing costs, higher birth rates and more migrant-friendly residency laws could see annual household consumption triple between 2017 and 2030, according to Morgan Stanley, a bank.

Earlier this year Alibaba, a technology firm, announced a project to teach its Tmall Genie smart speakers to recognise dialects, starting with Sichuanese, the largest regional tongue, before moving on to Cantonese and eventually most others. Consumers in smaller cities, especially older ones, are not always “savvy with keyboards”, says an Alibaba representative, and are more likely to treat smart speakers as a companion, calling up traditional operas or health information, or audio-books for grandchildren left in their charge. Younger consumers may be more comfortable in *putonghua*, but that does not mean that dialects will disappear, because speaking a dialect feels like “home”, she adds.

The central government remains capable of cruel chauvinism towards minorities deemed a threat to national unity. Uighurs, a Muslim ethnic group in the western region of Xinjiang, have seen their language all but banned in schools and vanish from bookshops, with long spells in prison or re-education camps for those who resist. The Tibetan language is under similar pressure. But in places like Wencheng, in the Chinese heartlands, the same forces that drive commercial services to use dialects are also pushing local officials to do the same. The office in Wencheng that issues identity cards and other official paperwork recently opened a dialect-speaking service desk. The same office offers video conferencing to the legions of Wencheng natives who live in northern Italy, many as workers in clothing factories. The government wants to maintain close links with overseas Chinese, so it is pragmatic about the dialects that are commonly used in the diaspora. Language is a complex business in Wencheng, a dusty town filled with strikingly fine espresso bars, selling Italian coffee to returnees who know their Lavazza from their Illy. Luo Jianyang, a café-owner, explains how she brought her children home from Italy in 2012 because she worried about their poor *putonghua*. She now frets that she should teach them Wencheng dialect, too.

Can you hear me now?

Western politicians once confidently predicted that growing Chinese prosperity and the emergence of a middle class would trigger calls for political liberalisation in China. That proved overly optimistic. The country's rulers have chosen a very different, authoritarian path, insisting that only absolute control by the Communist Party can promote continued development. But in spheres outside politics, companies big and small are giving more thought to how to make individuals feel heeded and respected. Even in unfashionable corners of China, millions of consumers have a voice, and—unlike in the era of central planning—that voice does not always have to speak standard Mandarin. ■

Cameroon's Anglophone crisis

War of words

A war of words

English-speaking villages are burning in Cameroon

A report from a forgotten conflict

[Print](#) | Middle East and Africa Nov 7th 2019



Eyevine

ON A PLANTATION in Tiko, in south-west Cameroon, Adeline rubs the gap in her right hand where her index finger used to be. She arrived in the town in July 2018, having fled Ekona, 15 miles away. In that village soldiers terrified civilians by burning houses and shooting indiscriminately as part of a crackdown on militias that want the primarily English-speaking areas of Cameroon to secede from the predominantly Francophone country. Adeline hoped Tiko would prove a sanctuary.

It was anything but. A year ago Adeline was tending to an oil palm in the plantation when about 20 members of a separatist militia grabbed her, stuffed leaves in her mouth and tied her to the tree. They whipped her and cut off her finger. Her apparent crime: working for the Cameroon Development Corporation (CDC), a state-run company. "As I close my eyes I see the boys coming to get me," says Adeline. "The trauma is still there."

Cameroon was until recently a stable country in a fragile region. Today it is battling the jihadists of Boko Haram in the north, dealing with an influx of refugees from the Central African Republic in the east—and, most devastatingly, the "Anglophone crisis" in the west. Adeline's is one of hundreds of thousands of lives ravaged by this conflict over the past three years. Paul Biya, the authoritarian who has ruled Cameroon for 37 years, had hoped that the crisis would prove short-lived. So did foreign powers, which have been largely quiet. Yet the conflict shows no sign of ending.

The origins of the turmoil began a century ago. After the first world war Britain and France took over different parts of the German colony of Cameroon. Upon independence in 1960 and 1961 the larger French territory joined the southern part of the British one to make modern Cameroon.

It quickly became one of the most centralised countries in Africa. Today just 1% of public spending is devolved to local governments, versus more than 50% in Nigeria. The country is officially bilingual, but the roughly 20% of people (4.5m in a country of 24m) who mainly speak English claim decades of marginalisation. Promises of devolution have been broken.

In late 2016 frustrations boiled over. First lawyers went on strike against the erosion of the English-style common-law system. Teachers soon joined the protests, citing, among other things, the appointment of French-only speakers in classrooms.

Protest groups organised “ghost towns”: weekly shutdowns of towns such as Buea, the capital of the south-west region, that continue to this day.



The government hit back hard. The internet was shut off for four months. Groups organising the protests were banned and their leaders arrested. In October 2017 separatists responded by proclaiming the independent state of “Ambazonia”, named after Ambas bay in the south-west.

This led to a massive, violent escalation. International NGOs estimate that 3,000 people have been killed during the crisis. But aid workers think the true figure is several times higher. Both separatist militias and security forces have committed atrocities, but the Cameroonian army is believed to be behind most of the bloodshed.

Security forces have burned more than 220 villages in the Anglophone region, according to the Centre for Human Rights and Democracy in Africa (CHRDA) in Buea. One was Ekona. Formerly the site of a bustling market, today it is an eerie place, where the walls of charred houses are pockmarked with bullets.

“It’s like ‘Full Metal Jacket’,” says one aid worker, in reference to trigger-happy soldiers in a film about the Vietnam war. Ayuk, who lived in Ekona for four years before fleeing in April, says he can recall hundreds of incidents where soldiers fired at villagers. In one case his neighbour and two others were shot in their car on their way back from sowing plantain. “We had to bury him quickly,” Ayuk recalls, in case the army shot them as well.

Tah Mai, a journalist, lost two brothers in separate incidents involving the army. In November last year his brother and his wife were shot outside their house in Buea. A few months later his other brother was shot in the back in his home village in the north-west. “Mine is just like the many stories that you haven’t heard,” says Mr Tah.

No refuge

At least 500,000 people have been forced to leave their homes. Tens of thousands have fled to Nigeria, but most are in the bush, making it hard to count them. Even in the forests displaced people can be found by the army. Frida, who was also forced to flee Ekona, describes how she watched soldiers enter her bush camp. They shot two women accused of cooking for separatist fighters. Then they killed the informer who brought them.

Mass displacement is having grave effects on public health. There are outbreaks of monkey pox and measles, partly because of plummeting vaccination rates. Before the crisis about 70% of women gave birth with medical help in the north-west region. Today 3% do so. The result is more women and babies dying in the course of childbirth. Cecilia Mah, the matron at Mount Mary Hospital in Buea, says that it is hard to run a hospital when soldiers threaten ambulance drivers and seize suspected separatists convalescing in the wards.

The state is, however, not solely responsible for the chaos; separatists share some of the blame. Most of the separatist political groups, such as the Interim Government of the Federal Republic of Ambazonia, and the Ambazonia Governing Council, are based abroad. Their leaders and donors are in America, Germany, Norway and other rich countries. In Cameroon their armed wings control swathes of rural territory. This can lead to surreal moments for aid workers. They may, for example, have to negotiate access to villages not with commanders on the ground but with middle-aged men sitting in living rooms in Washington, Oslo or Dortmund.

Many separatist attacks are aimed at the security forces. But some target Anglophone civilians. “If you disagree with them, they kill you,” says Cardinal Christian Tumi, the archbishop of Douala, Cameroon’s commercial capital. He says that a traditional chief from his home village was “slaughtered like a goat” for allegedly collaborating with the authorities. Like Adeline, many people employed by CDC have been maimed.

Brutality by separatists is likely to increase as armed groups in the country seek their own sources of funding to break away from the patronage of leaders in the diaspora. So-called Amba boys are turning to kidnapping and extortion for funds; other groups are increasingly criminal entities, not political ones. In March the football team of the University of Buea was taken hostage; many parents paid ransoms. Most of the aid groups working on the ground have had workers kidnapped. “I fear we are creating a generation of warlords,” says Felix Agbor Balla, the president of CHRDA.

While bandits raise cash by extorting, the economy is collapsing. The Anglophone regions contribute about 20% of the country’s GDP. CDC was the second-largest employer in Cameroon, after the state. But most of its rubber and palm-oil plantations, and all of its banana ones, have shut because of attacks. Most workers have lost their jobs. Revenue is 90% lower than before the crisis; CDC has not sold a banana since August 2018. Its leaders get death threats from separatists. Asked how he copes, Franklin Ngoni Njie, CDC’s general manager, says he follows a simple rule: “I pray more. I go out less.”

And yet an even bigger social and economic crisis is looming. Almost 90% of children in the Anglophone regions have not gone to school for three years, a result of forced displacements and the enforcement of a boycott called by separatists who see schools as arms of the state. (According to this twisted logic a six-year-old keen to learn subtraction is a collaborator.) At home-schools set up by brave educators children arrive with homework hidden in their trouser legs, in case they are spotted by Amba boys.

The sabotage of education is one reason why many Anglophones are growing angry at the separatists. Ernest Molua notes that people used to refer to them as “our boys”; now they say “those boys”. The professor at the University of Buea believes that most Anglophones want more autonomy, ideally within a federal Cameroon, not independence. “There remains a strong sense of ‘Cameroonianess’,” he says, emphasising that Anglophones’ grievances are with the government, not their French-speaking compatriots. But Mr Molua worries that “the space for moderates is shrinking”.

Loaded language

Signs of compromise are scant. Separatist groups do not even have a common position among themselves, despite efforts by the Centre for Humanitarian Dialogue, a Swiss NGO, to help them find one. For his part, President Biya in September raised hopes by announcing a “National Dialogue”. Yet it was a sham. The meeting was not just about the crisis; it gave Cameroonian leaders from all regions a chance to air complaints (and collect per-diems). Many important Anglophones were either not invited or left in prison. “It was not a sincere effort,” says Alice Nkom, a lawyer.

Mr Biya has been aided by a muted international response. Donors have provided just 18% of the funding requested by the UN for humanitarian operations in Cameroon’s Anglophone regions for 2019. (The only countries for which the UN receives lower shares of support are Venezuela and North Korea.) Diplomatic pressure has been meagre, too. Nigeria wants Mr Biya’s help with Boko Haram and does not want to encourage the hopes of Biafran separatists in its own south-east. China is focused on its economic interests. British diplomats have offered gentle criticism in private but do not want to slam Mr Biya in public. Most importantly of all, France has done little but urge cosmetic concessions.

The only influential country willing to speak out is America. On October 31st it removed Cameroon from a list of African countries that get preferential trade terms, citing “gross violations” of human rights by the government. American diplomats hope the move will send a signal to Mr Biya that he needs to find a political solution.

For now there is only a bloody equilibrium. Separatist militias cannot take the towns; the army cannot take the bush. In the middle are people like Adeline. She says that she feels trapped between the two warring parties. And without a job any more she has no means to escape. So she waits, too weary to talk much about politics. “I just need my peace,” she says. ■

Undone deal**Iran's nuclear programme takes a dangerous step***Its breakout time for a bomb is getting shorter*

Print | Middle East and Africa Nov 7th 2019



AFP

THE FORDOW nuclear plant in northern Iran would make an ideal lair for a Bond villain. Russian-made surface-to-air missiles guard the skies around it. The facility itself is buried under a mountain. Several hundred feet down, in two cavernous halls, neat rows of centrifuges spin uranium gas to produce fissile isotopes, which could be used for nuclear energy—or, if concentrated enough, a nuclear bomb.

Such activity is prohibited under the deal that Iran signed with six world powers in 2015. Iran agreed to cease enrichment at Fordow for 15 years, keeping only 1,044 centrifuges spinning for scientific purposes. But on November 6th it began injecting uranium gas into those centrifuges for the first time in four years. The move heralds a new, more dangerous phase in the crisis over Iran's nuclear programme.

The trouble started last year, when President Donald Trump removed America from the nuclear deal and reimposed sanctions on Iran. For a year Iran continued to abide by the agreement, hoping the other signatories—Britain, China, France, Germany and Russia—would provide economic relief. But it lost patience in April, when America ended waivers that allowed some countries to import Iranian oil.

Since then Iran has been taking steps away from the nuclear deal. In June its stockpile of low-enriched uranium exceeded the limit set under the agreement. In July Iran breached a cap on the purity of that uranium, enriching it to levels slightly closer to weapons-grade. Last month Iran began using quicker-spinning centrifuges. (It has also cancelled the accreditation of an inspector with the International Atomic Energy Agency, which monitors Iranian compliance with the nuclear deal.) The idea is to put pressure on America to end its campaign of “maximum pressure”, which has crippled the Iranian economy. GDP is expected to drop by 9.5% this year.

Each of Iran's steps shortens its “breakout time”: how long it would take to produce a bomb's worth of highly enriched uranium. They also make it increasingly hard to resuscitate the nuclear deal. The decision to restart work at Fordow is Iran's most defiant gesture yet. “I think that for the first time, Iran has decided in an explicit and blunt manner to leave the [nuclear deal], which marks a profound shift,” said President Emmanuel Macron of France.

The move is also rich in symbolism. Fordow was built to withstand Israeli and American air strikes. Referring to the deal's signatories, President Hassan Rouhani of Iran said: “I understand their sensitivities toward Fordow and its centrifuges. But whenever they meet their promises, we will cut back gas injection.”

Iran is raising hackles elsewhere for other reasons. Massive protests in Iraq and Lebanon have been directed at corrupt politicians and their foreign backers, above all Iran, which sponsors powerful militias in both countries. “Iran out, out!” chant protesters in Baghdad. In the holy city of Karbala they attacked the Iranian consulate. Qassem Soleimani, Iran’s most prominent commander, was dispatched to Baghdad to help quell the unrest. Iranian-backed militias have been accused of killing protesters.

Iran’s nuclear and regional problems are connected. “Its way of countering the maximum-pressure campaign has been twofold: dial down compliance with the nuclear deal and dial up pressure on the regional front,” says Ariane Tabatabai of the RAND Corporation, a think-tank. She points to recent attacks, allegedly by Iran or its proxies, on commercial shipping, Saudi oil facilities and the area around America’s embassy in Baghdad. Such incidents will seem even more troubling the further Iran moves away from the nuclear deal. ■

180 feet under

How Jerusalem is dealing with a grave shortage

A new city of the dead has opened far below ground

[Print](#) | Middle East and Africa Nov 7th 2019



AFP

WALKING THROUGH the Minharot Olam (Perpetual Tunnels) project in Jerusalem is like navigating a massive honeycomb. The developers have cut a mile (1.6km) of tunnels through the earth that are over 50ft (16 metres) high. Some are 18 storeys below ground. Within each, giant drills have burrowed thousands of holes into the walls and ground. Soon they will be filled not with honey, but bodies: 23,000 of them, to be exact.

This subterranean city of the dead, inaugurated on October 30th, lies beneath Har HaMenuchot, Jerusalem's largest cemetery, which is nearly full. Other local graveyards are already out of space; hence this novel solution. In some parts of Har HaMenuchot the dead are in high-rise structures. But these are costly and still take up a lot of space. Building down leaves more land for the living.

That is crucial for Jerusalem, where a growing population competes for scarce land—even the parts not imbued with religious meaning. A Jewish preference for burial (rather than cremation) sharpens the problem. Thousands of graves must be dug every year. “We’ve dreamed of going underground for 30 years,” says Hananya Shachor of the Jerusalem Community Burial Society, a non-profit outfit that commissioned Minharot Olam. “But we had to wait until the engineers could come up with a plan to do it at a manageable price.”

Mr Shachor says it will cost around \$70m. Special equipment drilled the rows of graves into the rock at a specific angle to avoid seepage of decomposing bodies. Smells are a worry, so filters will refresh the underground air four times an hour. Three large-capacity lifts will ferry funeral parties down. The tunnels are designed to let the elderly trundle through on their mobility scooters.

Israel’s pension scheme covers the basic costs of funerals, and burial societies must provide free plots. But many Jews want to be buried in specific places—next to a spouse, perhaps, or with a view of the holy city. They are usually willing to pay extra: 40% of those buried in Jerusalem have bought their plots in advance. Official prices range up to \$6,000. The rights to prime spots can change hands for much more.

Minharot Olam’s administrators believe that a cemetery sheltered from the weather, with fixed temperatures and round-the-clock lighting, will appeal to customers. But no one has bought a plot there yet. Still, Mr Shachor is confident he will soon be digging deeper down. “This is the only way we can ensure that the dead’s final resting place doesn’t come at the expense of the living.” ■

Thinking only positive thoughts

Saudi Arabia should listen to critics of its reform programme*Instead it locks them up*

Print | Middle East and Africa Nov 7th 2019



PA

INSIDE AN ORNATE conference hall the boss of a \$100bn tech fund spoke to rows of empty chairs. Then he briefly fell asleep. Outside the hall Anthony Scaramucci, the colourful financier who lasted ten days as Donald Trump's communications director, dispensed questionable political analysis. An American company hawked jetpacks. A robot urged passers-by to tickle her head. "It will make you feel better," she said.

This was the third Future Investment Initiative (FII), Saudi Arabia's flagship business conference. The event, which wrapped up in Riyadh on October 31st, attracted some 6,000 guests. That made Saudi officials feel better. The first FII, in 2017, was a coming-out party for the economic-reform programme of Muhammad bin Salman, the crown prince (pictured). But the second, last year, was overshadowed by the murder of Jamal Khashoggi, a journalist, by Saudi agents. Top executives stayed away.

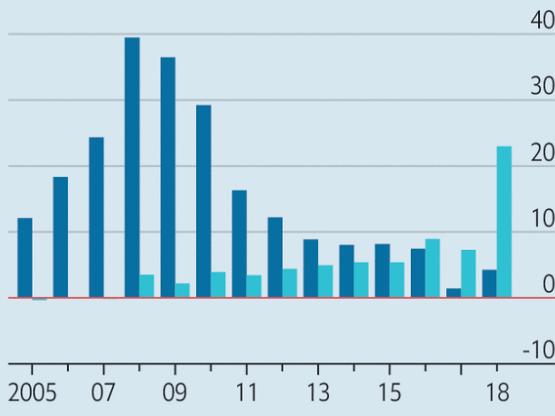
They had no qualms about attending this year's event, where officials pushed a narrative of progress. Many guests argued that the kingdom had learned a lesson from the furore over Khashoggi. It is true that Saudi agents have not dismembered any journalists in the past 12 months. But this reflects conquest, not contrition: critics have been cowed into silence. On November 6th two employees of Twitter were charged in America with using their access to help Saudi Arabia spy on dissidents. Determined to stifle dissent at home and whitewash its image abroad, the kingdom has deprived itself of valuable input on a bold but flawed reform agenda.

To be sure, there are positive signs. Non-oil growth has ticked up and unemployment down. Officials at the FII were eager to talk about the kingdom's jump in the World Bank's Ease of Doing Business Index (it rose 30 places, to 62nd). Riyadh, the dour capital, has loosened up in ways unthinkable five years ago. A cultural festival hosted performances of the "Wizard of Oz", a remarkable sight in a place that long prosecuted people for "witchcraft". In September Saudi Arabia began issuing tourist visas to citizens of dozens of countries.

Down and out

Saudi Arabia, foreign direct investment, \$bn

■ Inflows ■ Outflows



Source: OECD

The Economist

Saudi Arabia signed \$20bn of deals at the FII. More than half of that, though, came from a single \$11.5bn joint venture to build power plants and other infrastructure in the western city of Jizan. Such projects tend to create few jobs for Saudi nationals. Though inward foreign direct investment (FDI) more than doubled last year, to \$3.2bn, it is still far below the levels of a decade ago (see chart). Many of the attendees at the FII were keen not to invest but to win state contracts.

After a contraction in 2017, the Saudi economy is growing, with non-oil GDP up by 2.9% in the second quarter of this year (though weak oil revenue left overall growth at 0.5%). So the finance ministry says it will stop priming the pump and reduce spending by 3% in 2020. But it is hard to say what is “non-oil” growth in a country where even sectors such as construction rely on oil-funded government spending.

On the kingdom’s most important priority, creating jobs for citizens, progress is both visible and slow. Young Saudis welcome guests to hotels and brew lattes in cafés, unimaginable sights in most Gulf countries. But unemployment among nationals remains above 12%. Executives grumble about ever-higher fees for employing foreign labour. In September the cabinet waived such fees for five years in the manufacturing sector, which employs 645,000 migrants, 10% of the total foreign workforce. The concession was a sign that many Saudi firms cannot turn a profit with costlier local labour.

While inward FDI was modest, more than \$21bn flowed out of Saudi Arabia last year, much of it through the Public Investment Fund (PIF), a sovereign-wealth vehicle controlled by an ally of Prince Muhammad. The PIF hopes to earn big returns abroad and use them to bankroll diversification at home. But it has made some bad bets, particularly its \$45bn investment in SoftBank’s Vision Fund. On November 6th the firm announced an \$8.9bn quarterly loss for the fund, much of it due to the troubles of WeWork, an office-rental startup.

The PIF may soon receive a fresh infusion of capital from the initial public offering (IPO) of Aramco, the state oil giant. On November 3rd the Saudi market regulator approved the offering. Saudi Arabia is keen for local investors to buy a piece. It has encouraged banks to finance such purchases, despite concerns this will tie up liquidity and deter other lending.

Many Saudis are eager to buy shares, seeing it as both a lucrative opportunity and a patriotic duty. Yet this could turn Aramco into a political problem for Prince Muhammad. He believes it should be valued at \$2trn. Banks working on the IPO think it is worth much less. There could be a backlash if locals pile into an overpriced offering and get burned. But few Saudis dare raise such concerns in public. An economist who questioned the IPO was jailed last year. “You can’t do business here if you’re not seen as loyal,” says a businessman. “You can’t question the narrative.” ■

Spain's election
Fourth time lucky?

Fourth time lucky?

Spain goes to the polls for the fourth time in four years

An election that offers no obvious path out of political deadlock

Print | Europe Nov 7th 2019



THE CAPITAL of Visigothic Spain and later of Castile, famous for its *mudéjar* churches and El Greco paintings, the medieval city of Toledo has succumbed to mass tourism. But the surrounding province is a representative slice of modern Spain, from dormitory exurbs of Madrid to struggling industrial towns along the Tagus valley and rolling hills of vineyards and olive groves. It is also the kind of place where Spain's general election on November 10th—the fourth in as many years—will be decided.

A week before the vote, amid the housing estates of Toledo's bland new town there was palpable frustration at the country's politicians. "Are we going to vote so that they can't agree again?" asked Lidia Ribeiro, a student who says she won't vote this time. "They are grown-ups. They should come to an agreement on a government." Since votes are now split among five national parties and several regional ones, that is not going to be easy.

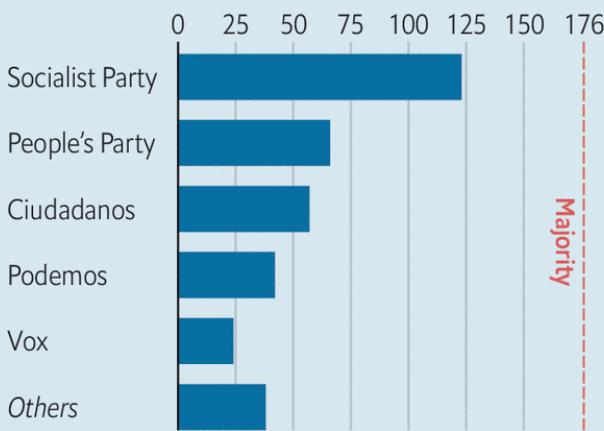
The previous election, in April, was won by the Socialists of Pedro Sánchez, the acting prime minister, but with only 123 of the 350 seats in congress. The Socialists did even better in local and European elections a month later. But Mr Sánchez proceeded to fritter away such advantage as he had. It did not help that Albert Rivera, the leader of Ciudadanos, a centre-right party with 57 seats, refused even to discuss an alliance. During the summer Mr Sánchez offered, and then withdrew, a coalition to Podemos, a radical-left party, which rejected his terms anyway. His advisers were confident that a fresh election would see the Socialists bag an extra 20 seats or so. Yet events and voter fatigue have turned the election into a desperately uncertain affair. Mr Sánchez may end up with a Pyrrhic victory.

All shook up

Spain

Seats in Congress of Deputies

After April 2019 election, total=350



Sources: Spanish Central Electoral Administration; Politico; *The Economist*

General election polling*

Selected parties, 2019, %



*Poll of polls

The Economist

In April he managed to make the vote about his chosen issues of creating a fairer society in the wake of Spain's economic slump of 2008-13 and stopping Vox, a new far-right nationalist party. That prompted a high turnout of 76%, which tends to favour the left. This time is different. The main issue has become Catalonia, after the Supreme Court last month imposed harsh prison sentences on nine Catalan separatist leaders for sedition over their role in the illegal referendum and declaration of independence in October 2017.

That prompted several days of big and sometimes violent protests in Barcelona with nightly images of burning barricades. Some 600 people were injured, many of them police, and €10m (\$11.1m) of damage was done. The government is braced for attempts to disrupt voting in Catalonia.

Such disorder, and the threat of secession in Catalonia, benefits the right elsewhere in Spain. Polls now suggest the Socialists might get slightly fewer seats than in April. The conservative People's Party (PP), which governed from 2011 until Mr Sánchez ousted it in a censure motion in 2018, is set to improve on its poor result in April. Its leader, Pablo Casado, having veered right in the spring, has grown a beard and moved back towards the centre.

But the PP's recovery is threatened by rising support for Vox. While Vox's leader, Santiago Abascal, criticises illegal immigration, his main pitch is to recentralise government, ban separatist parties and crack down on the Catalan regional administration. His presence in a televised election debate on November 4th gave him unprecedented visibility. At the other extreme, Mr Sánchez "thought we would sink and he could govern alone," says Pablo Iglesias, Podemos's leader. The polls suggest Mr Iglesias's support is resilient.

Mr Sánchez defines the Catalan problem as one of restoring peaceful coexistence between supporters of independence and the majority in the region who oppose it. To uphold law and order, the government is doing "everything that's necessary, but only what's necessary", according to José Manuel Albares, an adviser to the prime minister. Mr Sánchez refuses to talk to Quim Torra, the separatist president of the Catalan government, until he condemns violence and drops his threat to repeat a unilateral referendum. But the prime minister has also ignored calls from the right to impose direct rule. In the debate he promised to loosen the separatists' control over Catalan public television and radio. The Socialists insist that sooner or later the Catalan conflict requires a political solution.

The election is unusually open and the polls hard to read. Turnout is likely to fall. Three parties—Podemos, Ciudadanos and Vox—are clustered between 9% and 14%. In many less populated provinces the electoral system punishes smaller parties. Take Toledo. Long monopolised by the PP and the Socialists, since 2015, Toledo has been a four- and this year a five-way fight. On November 10th Ciudadanos looks set to lose the seat it won in April, though to whom is not clear.

Voters seem, rightly, to heap most of the blame for the lack of a government on Mr Rivera. The best chance of the strong reformist government that Spain needs to tackle slowing growth, a dysfunctional labour market, plunging consumer confidence and the Catalan conflict was a coalition between the Socialists and Ciudadanos. It looks too late for that. Instead a Socialist minority government is the most likely outcome, although victory for the right is not impossible. In another way, too, Spanish politics is more fraught than in April. "Vox is now something structural in Spain, and that means we can't have a conservative government without the far right," says Mr Albares.

The deadlock is the result not just of fragmentation but also of other trends. "Novelty has been a big advantage in Spanish politics in the past few years," notes Kiko Llaneras, a psephologist. That benefited Podemos, then Ciudadanos and now, perhaps, Vox and a tiny new left-wing party, Más País. It has also thrust politics into the hands of a cohort of young and inexperienced

leaders. If Mr Sánchez does a lot better than he did in April, it will be a personal triumph. If he doesn't, he will have only himself to blame. ■

The Camry in the gold mine**The sudden popularity of a Russian mayor who lives modestly***Sardana Avksentieva of Yakutsk even drives a cheap car*

Print | Europe Nov 7th 2019



Yuri Kozyrev/NOOR

THE TYPICAL Russian big-city mayor exhibits several traits. He is male and middle-aged. He lives more opulently than his neighbours. He represents the ruling United Russia party. And he won his post not at the ballot box, but by appointment.

Sardana Avksentieva, the mayor of Yakutsk, the regional capital of Russia's far eastern republic of Sakha, cuts a different image. She defeated a United Russia candidate in an insurgent campaign during regional elections last autumn. When billboard owners refused to run her campaign ads, she hired a fleet of trucks, plastered them with her likeness, and parked them across town. She pitched herself as "The People's Mayor", and voters rewarded her. Ms Avksentieva's popularity hints at the kind of leadership voters might prefer, if they had a real choice. "I'm a harbinger," she sighs, "though I don't want to be."

Her message has focused on providing services and on greater transparency—an oddity in a country where fewer than a tenth of all regional capitals elect their mayors directly. "People should understand and feel that their opinion means something, and that their demands can be fulfilled," she says. "Nothing should be decided behind closed doors, no decisions should be adopted by a small cabal of people." She live-streams city planning meetings. She argues that the capital of a region with vast mineral wealth—Yakutia is Russia's gold-mining centre—ought to be able to provide good roads and sufficient housing for its people.

Ms Avksentieva is not a complete outsider. Before taking office, she had served in local and national government, including as deputy mayor. Her rise would have been impossible without the backing of Vladimir Fyodorov, a powerful local businessman whose own attempt to run for mayor was foiled.

Yet her populist posturing goes down well with voters. She opposed the government's raising of the pension age earlier this year, calling for a referendum on the plan, even though she has no say over federal policy. She has auctioned off several luxurious SUVs that belonged to the mayor's office; she also cut down on the international travel and lavish receptions that had become commonplace. She denounced immigration from Central Asia earlier this year amid protests following the rape of a Yakut woman by a Kyrgyz labourer. In contrast to regional bosses who often flaunt their bling, she boasts about her modest lifestyle. "I drive a simple Toyota Camry," she says.

Her most effective communication has come on social media, where the mayor has become an unlikely star. She has some 123,000 followers on Instagram, more than any Russian mayor except Sergei Sobyanin, Moscow's boss. The account features Ms Avksentieva in a range of poses: clad in traditional Yakut garb for a local festival; striding confidently in a hard hat while inspecting a local power station; and smiling beside a local pensioner who taught the mayor how to fry up *pirozhki* (buns stuffed

with tasty things). The comments on her photos are adulatory. “Every time I read Sardana Vladimirovna’s posts, I want to cry: there are actually conscientious officials out there,” reads one typical entry. “How I envy you, citizens of Yakutsk.” ■

Naked untruth**How women are singled out for vile abuse for political ends***Far more than men*

Print | Europe Nov 7th 2019



Laura Pohjavirta/Yle

After JESSIKKA ARO, a 38-year-old Finnish journalist, exposed pro-Kremlin trolls, they started trolling her. They released her medical history and her home address. They created a music video mocking her as a “Bond girl”. They claimed, without basis, that she was a prostitute soliciting male bigwigs from the CIA and NATO, who fed her lies about Russia. Some Finns read and believed the bogus stories online, then threatened to rape or kill her.

Sexual slander of the sort Ms Aro endured is a hallmark of disinformation campaigns. For the Kremlin, spreading such lies advances two related aims, says Jakub Janda, of the European Values think-tank in Prague. It can help discredit individual women who criticise the regime, and it can aggravate political divides in societies it wants to weaken.

Russian propaganda regularly dismisses female critics in sexist ways. “Women are targeted in cyberwars the same way they are in kinetic wars,” says Ms Aro. After Russian operatives carried out a nerve-agent attack in 2018 in the British city of Salisbury, pro-Kremlin sites concocted a story that Yulia Skripal, a victim of the poisoning, had been raped and impregnated. Russian state TV has claimed that Ukrainian protesters are plagued with sexual “psychosis”, and that Ukrainian politicians are closeted lesbians. When Svitlana Zalishchuk, a female former parliamentarian in Ukraine, publicly criticised Russia, doctored nude images of her appeared online. Nina Jankowicz of the Wilson Centre in Washington has dubbed such tactical smearing “sexualised disinformation”.

Sex-themed lies pervade pro-Kremlin fake news. If they are to be believed, ridiculous things are true: that the United Nations mandates sex education which fosters impotence and homosexuality among the young, or that British government funding has turned the whole of the Belarusian opposition gay. Another common narrative is of migrants sexually assaulting European women. These stories are usually exaggerated or fabricated—how victims are forced to apologise to their rapists, how law enforcement and politicians turn a blind eye to migrant crimes for fear of being labelled racist, how “semi-feminised” Western men are too enfeebled to protect women from such assaults.

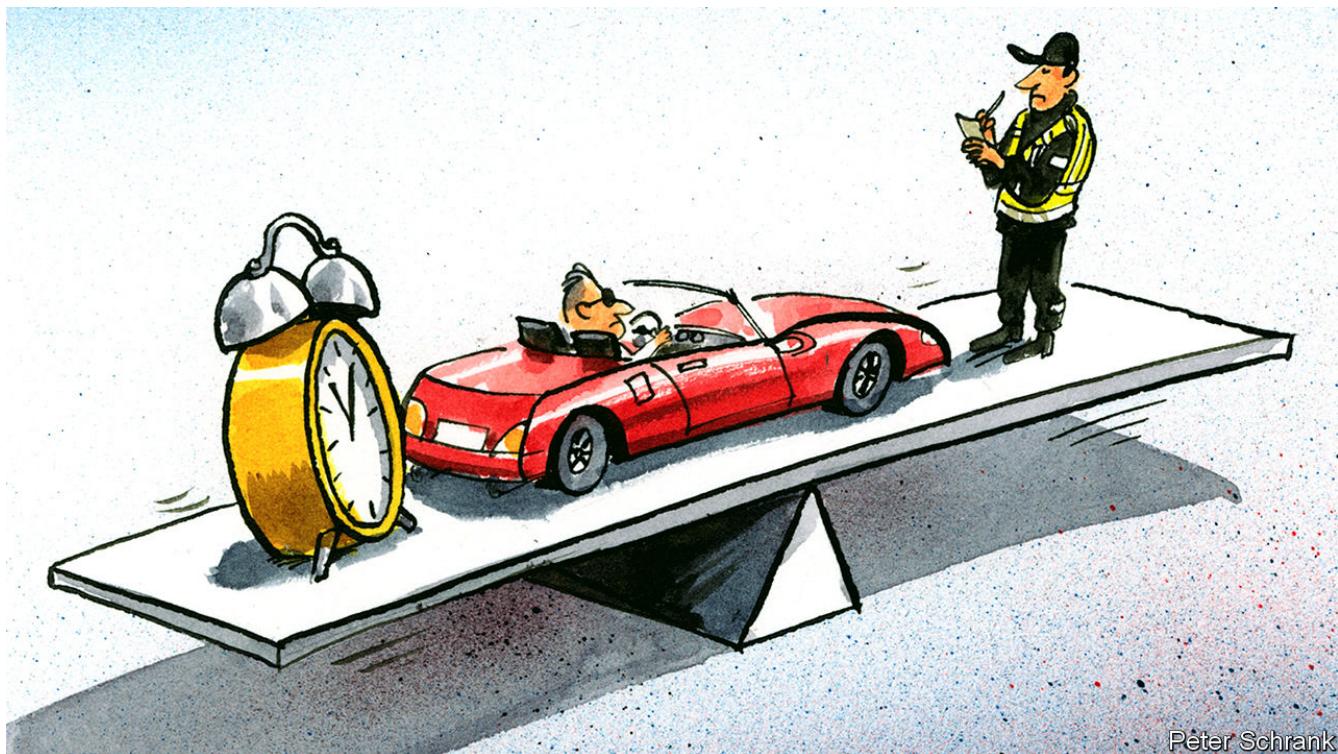
Far-right political groups across Europe emulate Russia’s disinformation tactics and its themes. In Spain the populist Vox Party has shared false statistics about sexual assaults committed by migrants via its official Twitter account. Ironically Vox—which has made anti-feminism part of its platform—frames hard-line stances against migration as good for women. It is not always so easy to determine the source of fakery, though. Ms Jankowicz notes that often the most convincing co-ordinated disinformation blurs its origins. Luckily suspicious patterns offer clues.

One red flag is when lots of pages publish the same inflammatory messages, with the same captions, at roughly the same time. This is, in part, how Avaaz, an advocacy group, identified networks of fake accounts spreading far-right messages in Poland, Britain, Spain, Germany, France and Italy ahead of this year's European Parliament elections. In April, within 11 minutes, more than two dozen Facebook pages, many since removed, "independently" posted a Polish-language story with warnings that migrant taxi drivers are sexual assailants, accompanied by an image of a woman lying limp by the roadside—a screenshot that was lifted from a fictional Polish film. And during campaigns for Spain's election, a blitz of disinformation on WhatsApp reached 9.6m people, more than a quarter of potential voters. According to one of the erroneous stories, Manuela Carmena, then the left-leaning mayor of Madrid, planned to set up zones where gay people could have sex in public. What she had actually said was that the city should welcome gay people. ■

The nick of time

Estonia has a new way to stop speeding motorists*Make them stand by the road for an hour*

Print | Europe Nov 7th 2019



Peter Schrank

ON THE DESK of a government building, a diorama is laid out. Little vehicles sit by the side of a road, watched over by little policemen. On two recent mornings, this scene was recreated in real life. Drivers caught speeding along the road between Tallinn and the town of Rapla were stopped and given a choice. They could pay a fine, as normal, or take a “timeout” instead, waiting for 45 minutes or an hour, depending on how fast they were going when stopped.

The aim of the experiment is to see how drivers perceive speeding, and whether lost time may be a stronger deterrent than lost money. The project is a collaboration between Estonia’s Home Office and the police force, and is part of a programme designed to encourage innovation in public services. Government teams propose a problem they would like to solve—such as traffic accidents caused by irresponsible driving—and work under the guidance of an “innovation unit”. Teams are expected to do all fieldwork and interviews themselves.

“At first it was kind of a joke,” says Laura Aaben, an innovation adviser for the interior ministry, referring to the idea of timeouts. “But we kept coming back to it.” Elari Kasemets, Ms Aaben’s counterpart in the police, explained that, in interviews, drivers frequently said that having to spend time dealing with the police and being given a speeding ticket was more annoying than the cost of the ticket itself. “People pay the fines, like bills, and forget about it,” he said. (In Estonia, speeding fines generated by automatic cameras are not kept on record and have no cumulative effect, meaning that drivers don’t have their licences revoked if they get too many.)

Making drivers wait requires manpower. The team acknowledges that the experiment is not currently scalable, but hopes that technology could make it so in the future. Public reaction, though, was not what they expected. “It’s been very positive, surprisingly,” says Heelyn Tammsaar, who manages projects for the innovation unit. Estonians have praised the idea for being more egalitarian—monetary fines are not adjusted according to income, as in neighbouring Finland, but everyone has the same number of hours in the day—and because they perceive the punishment as being directly related to the offence, rather than an excuse to fill state coffers. ■

Charlemagne

How genocide denial warps Turkish politics

American lawmakers infuriate Ankara by stating the obvious

[Print](#) | [Europe](#) Nov 7th 2019



Peter Schrank

MIXING POLITICS and history is perilous. David Rieff, the author of “In Praise of Forgetting”, argues that the commemoration of past wrongs can become a moral cudgel, cynically weaponised over and over again for political ends. That is certainly how Turkey’s government sees it when foreigners refer to the deaths of over a million Armenians at the hands of Ottoman forces in 1915 as genocide. On October 29th America’s House of Representatives voted to do just that. Turkey’s president, Recep Tayyip Erdogan, was furious. “Countries whose history is stained by genocide, slavery and exploitation have no right to give lessons to Turkey,” he fumed. He suggested he might call off a trip to Washington planned for November 13th, but as *The Economist* went to press the trip appeared to be back on.

The vast majority of scholars, as well as nearly 30 countries, agree that the massacres and forced deportations of the Armenians did amount to genocide. But the House resolution seemed to be motivated less by a commitment to historical truth than by the desire to reprimand Mr Erdogan. For decades American lawmakers had stopped short of recognising the genocide to avoid damaging relations with Turkey, a crucial NATO ally. This time relations are already at rock bottom. Earlier this year Turkey bought a Russian missile-defence system, which could allow Moscow to spy on American warplanes. Last month its army invaded northern Syria to attack Kurdish fighters there who have been close American allies in the battle against Islamic State. Small wonder American attitudes to Turkey have hardened. Less than an hour after the genocide bill passed, the House voted in favour of economic sanctions against Turkey. (To become law, these would have to clear the Senate and Donald Trump’s desk, which is unlikely.) Politics was the main reason why America did not recognise the genocide in the past, and why it has done so today.

Turkey has always denied the genocide, insisting that the number of Armenians who perished is much lower than most records suggest, and that far more Ottoman Muslims were killed during the war. Mr Erdogan’s government has occasionally referred to 1915 as a tragedy, but has never cared to distinguish between perpetrators and victims. Turkey today is home to about 50,000 Armenians, practically all of whom live in Istanbul, which was mostly exempted from the mass deportations. Few of them dispute the basic facts of the genocide. But many have been reluctant to enlist in the global recognition campaign.

Starting in the early 2000s, a series of seminars in America and Europe brought together diaspora Armenians and Turkish Armenian intellectuals. The former tended to focus entirely on the past and on the genocide. The latter preferred to discuss the present, and the challenges facing Turkey and its minorities. One of the Turkish Armenian participants, a journalist named Hrant Dink, argued that genocide resolutions by third countries have done more harm than good, provoking a nationalist

backlash and hindering Turkey's democratisation. "We must separate history from politics," he wrote at the time. "Let us not try to resolve our historical disputes before resolving our political ones." A few years later, Mr Dink was gunned down outside his office in Istanbul by a teenage Turkish nationalist.

Remembrance may be fraught with risks; but the dangers of forgetting are higher. Taner Akcam, a Turkish historian, once wrote that the genocide has become his country's "collective secret". Schoolbooks in Turkey continue to teach that the death marches were a necessary and proportionate response to attacks on Turkish villages by Armenian rebels. Those Armenians who died during the war, one claims, died as a result of "transportation difficulties, adverse weather conditions and epidemic diseases".

Turkey's rejection of the genocide label is only part of the problem. A bigger worry is its refusal to accept any responsibility for what happened. For successive governments, condemnation of the events of 1915, whether as genocide, a war crime or ethnic cleansing, has been out of the question. The past has been sanitised. "There have been no massacres and no slaughters in our history," Mr Erdogan said a few years ago.

The notion that the Turkish state can do no wrong has also left a mark on the present. No major Turkish news outlet can report on the dozens of civilians killed during the country's Syrian offensive. Turks who openly oppose the invasion risk prosecution. This is largely because Mr Erdogan seeks to stifle most forms of dissent, but also because the legacy of 1915 has made some topics especially taboo. The Turkish state and army are beyond reproach; suggestions to the contrary border on treason. Mr Dink believed Turkey needed to become a fully-fledged democracy before it could face up to the genocide. But perhaps Turkey needs to own up to the genocide before it can become a democracy.

Reversion to type

Ironically, it was Mr Erdogan who once offered the best chance of progress. Turkey and Armenia launched talks to renew diplomatic relations and reopen their borders in 2009. Five years later Mr Erdogan made history by offering condolences to the victims of 1915 and their descendants. But the talks have since collapsed, and the government is now as snarlingly nationalist as any of its predecessors. Two years ago parliament passed a law to punish lawmakers who mention the genocide. Last month the authorities banned a conference on Armenian culture in Anatolia. Since a coup attempt in 2016, many of the liberals who encouraged Turkey to come to terms with the genocide have been silenced or forced into exile. Exposing or dwelling on another country's past wrongs is bound to create friction, and might even be counter-productive. But covering them up is an offence to the dead and a disservice to the living. As Turkey may realise one day, the genocide is not the only stain on its history. So, too, is the century of denial that has followed. ■

The election

The Tory tipping point

Swing seats: the Tory tipping point

The Conservatives are struggling to win a crucial Midlands marginal

The first in our five-part series of constituency polls finds the Tories behind in Gedling

Print | Britain Nov 7th 2019



The Economist/J.B.

VERNON COAKER, the Labour MP for Gedling, in the suburbs of Nottingham, proudly brandishes a leaflet put out by the Conservatives. On it, a grinning Mr Coaker is surrounded by the stars of the European Union's flag, above a caption: "Last week, your Labour Member of Parliament voted *against* Brexit." The leaflet seems to have backfired. "I get a lot of people coming up and saying thank you," says Mr Coaker. "They think it's me, rather than a Tory attack-leaflet."

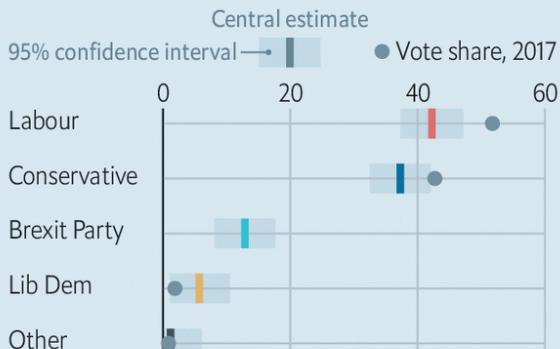
There is a danger for the Conservatives that their broader campaign in Gedling, and places like it, could backfire in the same way. The seat—a marginal, Brexit-backing constituency in the Midlands—has been held by Mr Coaker for 22 years, during which it has been a perennial target for the Tories. It is the sort of place that the Conservatives ought to win in December if they are to get a comfortable majority in Parliament. Yet polling by Survation for *The Economist* suggests that they have some catching up to do. Discounting don't-knows, Labour leads the Tories by 42% to 37% (see chart 1).

Gedling is the first of five constituencies we plan to poll during the campaign. National surveys have become less useful since the Brexit vote, which has caused different parts of the country to swing in wildly different directions. At the last election, in 2017, the Tories gained ground in Leave-backing places, while slipping in Remainer areas. The old technique of applying a national poll to each seat no longer works. Our constituency surveys have a higher margin of error than national ones. But in this most unpredictable of contests they provide a guide to how different types of seat might play out.

Playing catch-up

Britain, Gedling constituency

2019 general election voting intention*, %



Sources: Survation;
The Economist

*Telephone poll of 409 adults
surveyed on November 4th.
"Don't know" and refused removed

The Economist

Gedling is a Tory tipping point. The Conservatives are expected to lose most of their 13 seats in Scotland, and could lose a dozen or more to the Liberal Democrats in England. That would leave them needing to win 40 or so from Labour in order to get a healthy Commons majority. That is roughly where Gedling lies (see chart 2). If it proves out of reach, it suggests the Tories may end up with only a small majority, or none at all.

Seats to beat

England and Wales, seats won by Labour in 2017 where Conservatives were second-placed

Swing required % points



Sources: Electoral Commission; *The Economist*

The Economist

What kind of voters does that mean winning over? Gedling is "white, middle-class, middle-aged," says one Labour canvasser, shoving one of 43,000 leaflets through doors around the constituency. Pick any metric and Gedling appears roughly in the middle. The benefit-claimant rate is a little lower than average, at 3.4%. The typical worker takes home about the same as in England as a whole.

For the Conservatives, there is a more important statistic. About 56% of Gedling's voters backed Leave. Brexit is the spine of the Tory pitch, says Tom Randall, the party's candidate, who campaigned for Leave. By contrast, Mr Coaker supports a second referendum. Mr Randall reasons that those who voted Leave still want out, and that even those who backed Remain are receptive to Mr Johnson's plea to just "get Brexit done". Beyond that, Mr Randall's message to voters is limited. Crime and the green belt are mentioned in his literature, but these play second fiddle. "TOM RANDALL WILL RESPECT GEDLING'S VOTE TO LEAVE," booms one leaflet.

Yet Leave voters are not in the bag for Mr Randall yet. About half intend to vote Conservative, according to our poll. The bulk of the rest go for the Brexit Party. In seats with only a narrowish majority for Brexit, the Conservatives will need the support of almost every Leave voter. In nearby Labour-held constituencies such as Ashfield, a former mining community where 70% backed Brexit, the Tories could afford to lose more Leave voters to other parties. But there are many more Gedlings than Ashfields. There are 46 Labour-held seats that the Conservatives could win with a 5% swing. Of those, 11 voted Remain. Another 21—including Gedling—had a Leave vote of between 50% and 60%. Only 14 backed Brexit by more than 60%.

There is a reason Mr Coaker is happy to pose with propaganda painting him as a fan of the EU. About 70% of those who voted Labour in 2017 backed Remain in the referendum. Labour's strategy in Gedling, and across the country, is to bank on Britain's relationship with the EU sinking to its natural place in the political debate: a second-order issue for most voters. It believes that more workaday issues, such as schools, crime and hospitals, will win out. If "Labour Leavers" go anywhere, it will be to the Brexit Party, argues Mr Coaker. Straight Labour-to-Tory switchers will be few.



The Economist/J.B.

If Brexit is not the main issue, other problems may hit Labour. Infighting is one. On November 6th the party's deputy leader, Tom Watson, announced he was stepping down, after years of clashing with Jeremy Corbyn, his boss. The bigger problem is Mr Corbyn himself, the least popular opposition leader in history. In Gedling, only four out of ten Labour voters think he would make the best prime minister. By contrast, nearly all Tory voters there back Mr Johnson. A serious-looking prime minister finds his way onto Tory leaflets, whereas Mr Corbyn is nowhere to be seen on Labour's, which feature large pictures of Mr Coaker. Mr Corbyn's ratings improved dramatically in the 2017 election, but that particular soufflé may not rise twice.

Still, the message from the Midlands is a warning to the government. And it comes in a week when the Conservatives' national campaign got off to a dreadful start. Alun Cairns, the secretary of state for Wales, resigned from the cabinet following claims that he knew of a former aide's role in the "sabotage" of a rape trial. The previous day Jacob Rees-Mogg, the leader of the House of Commons, had to apologise for implying that those who died in the Grenfell Tower fire lacked the "common sense" to run to safety. The Brexit Party's announcement that it will run candidates in every seat will not help the Conservatives.

Above all, it will take more than Brexit to win seats like Gedling when they are split down the middle on the topic. Until the Tories put together the rest of a programme, Labour will be bullish. "We're always supposed to lose," says Mr Coaker of his prospects. "But we never do." ■

Dig deeper:
Our latest coverage of Britain's election

Joining forces

Northern Irish parties form new pacts to unseat their enemies

Brexit is shaking up some previously predictable races

Print | Britain Nov 9th 2019

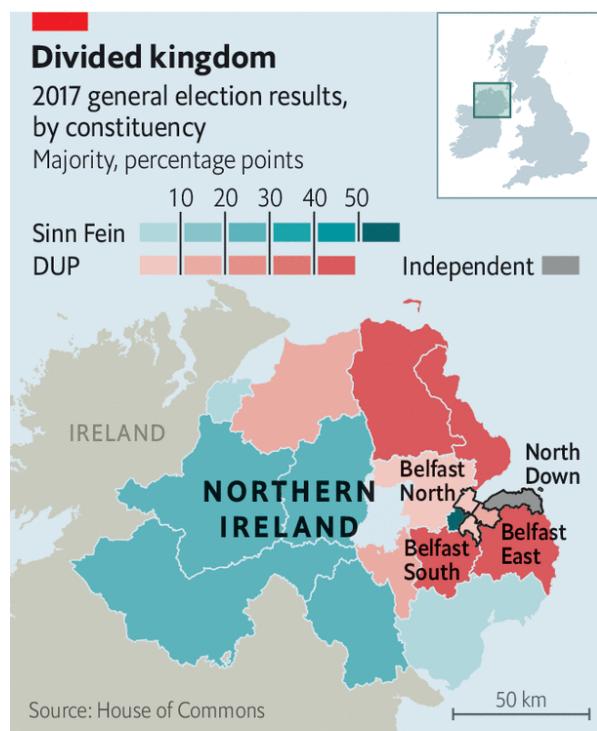


PA

IN NORTHERN IRELAND Brexit has served mainly to harden already uncompromising attitudes. But in the election campaign there are surprising signs that it has inspired a new—though probably temporary—form of pragmatism.

The most remarkable example came on November 4th when Sinn Fein, the largest and most hardline republican party, urged its supporters to vote for a unionist MP. “It sits very comfortably with me,” said Sinn Fein’s leader, Mary Lou McDonald, as she endorsed Lady Sylvia Hermon, the independent MP for North Down, whose late husband was head of Northern Ireland’s police. The Social Democratic and Labour Party (SDLP), a more moderate nationalist party, also said it would stand aside.

Their tactical support for Lady Sylvia was due to her opposition to Brexit. Sinn Fein and the SDLP both backed Remain, whereas the Democratic Unionist Party (DUP), which until recently propped up Boris Johnson’s government, supported Leave. A vote for Lady Sylvia, Ms McDonald declared, was the best way to keep out the DUP. Two days later Lady Sylvia, who is 64, said she would not run, citing family reasons. The DUP is now expected to win the seat. But North Down is not the only constituency seeing such pacts—even if the parties prefer not to use that word.



The Economist

Sinn Fein and the SDLP are standing down in Belfast East, to help Naomi Long of the non-sectarian (and pro-Remain) Alliance party. She hopes to unseat Gavin Robinson, the low-profile DUP incumbent. Though she once held the seat and is a spirited campaigner, Ms Long faces an uphill struggle to overturn an 8,474 majority. Sinn Fein and the SDLP's deal ought to help her, but not by much: in 2017 they won barely 1,000 votes between them.

Pacts could have a bigger impact in two other seats. In Belfast South, Sinn Fein is sitting out the race to allow the SDLP a clear run. The local MP is the DUP's Emma Little-Pengelly, another lacklustre presence in Westminster. Her majority is just 1,996. The SDLP's candidate is Claire Hanna, a more dynamic politician and better TV performer. She also has the backing of the pro-Remain Greens, making her the narrow favourite to take the seat.

In the sectarian cockpit of Belfast North, the SDLP is returning the favour, standing aside to give Sinn Fein a better chance of unseating the DUP's leader in Westminster, Nigel Dodds. His majority has been eroded to 2,081 by a growing local Catholic population. Things looked especially dicey for the DUP when a smaller party, the Ulster Unionists (UUP), said it would break with tradition and contest all seats. Seething local Protestants objected that this would split the unionist vote, letting in Sinn Fein. After receiving calls "of a threatening nature" from loyalist paramilitaries, the UUP hastily pulled out.

The campaign is likely to grow still more heated. In one example, the DUP claims that a convicted Irish Republican Army bomber, whose device killed nine Protestants 25 years ago, has been seen canvassing for Sinn Fein. ■

Dig deeper:

[Our latest coverage of Britain's election](#)

Ill-gotten gains

Tories promise more police—having earlier cut their number

Boris Johnson banks on voters having short memories

Print | Britain Nov 7th 2019



Getty Images

L ORRAINE BLISS is ready for the onslaught. “They’ll all be down here in the next few weeks,” she says, with a hint of resignation. The charity she runs, St Edmunds Society, which gives training to disadvantaged youngsters, sits just outside Norwich North, among the most marginal of Britain’s 650 constituencies. Chloe Smith, the incumbent Tory MP, won only 507 more votes than her Labour rival at the last election. Both parties are flooding the seat with activists. High on the agenda is crime, which has leapt in salience nationally since 2017, not least in Norwich. Ms Bliss, who spends much of her time weaning teenagers off the apparently easy money to be made from running drugs, expects plenty of warm words to come her way.

Norwich sells itself as “a fine city”, and in many ways it is. Autumn leaves settle on cobbled streets with names like Ten Bell Lane and Pottergate. But it also has pockets of real deprivation, mainly clustered on estates in the north. As in any city, drugs are in demand. In recent years, though, kingpins from London have begun to displace small-fry local dealers, sometimes violently, in a phenomenon called county lines (a reference to the mobile numbers used by distant clients to place orders). Stabbings are growing more common. Knife crime in the county of Norfolk has tripled since 2013, albeit from a low base. Karen Davis, Labour’s candidate, blames cuts by successive Conservative governments.

Crime was once solid ground for Tories, who mocked liberal opponents for their soft treatment of hoodlums. In 1993 Michael Howard, then home secretary, insisted simply: “Prison works.” But the Conservatives began to lose their edge on crime in 2010, by not sparing the Home Office from austerity. In the next eight years the number of police officers fell by 15%. As home secretary, Theresa May marked cops by lecturing them in public and cutting back on their powers to stop and search passers-by.

This might not have troubled voters much had crime rates continued a long decline that began in the mid-1990s. Yet, whereas overall rates have stayed stable, violent crime has jumped. Newspapers talk excitedly of “Wild West Britain”. There are many explanations for the surge, including the emergence of the county-lines model. But police and opposition MPs have blamed the budget cuts. And voters have clocked that overstretched cops are falling behind. Only 8% of offences led to a charge in the year to March, down from a recent peak of 17% five years ago. After a terrorist attack during the 2017 election, Labour claimed the law-and-order mantle.

Boris Johnson is trying to change that. Launching the Conservatives’ campaign in Birmingham on November 6th, the prime minister trumpeted his plans to hire 20,000 new police officers and beef up their powers. He first announced that plan in the summer in front of a phalanx of bobbies, one of whom fainted in the heat. Norfolk will get 67 of these new cops, a fact Ms Smith intends to make much of.

Mr Johnson chose as his warm-up act Priti Patel, the home secretary, whose speeches sometimes read like tabloid editorials. Activists cheered as she pledged the Tories would take their “rightful place” as the party of law and order. Harvey Redgrave of Crest Advisory, a criminal-justice consultancy, says Mr Johnson has spotted that police cuts were one of the least popular aspects of austerity. “It makes a whole lot of sense politically.”

As recently as early 2016, only 8% of those polled by Ipsos MORI said that crime was a hot topic, the lowest score since 1991. Now 22% say so, making it the third-most important theme, behind Brexit and health care. In talking so much about it, Mr Johnson is gambling that voters will credit him for his tough stance while forgiving or forgetting the cuts made by his predecessors.

That might prove a stretch. Headlines focus on stabbings and murders in London, which has by far the highest number of such crimes. But some of the biggest recent rises have been in leafy places like Warwickshire, Hampshire and Norfolk. Norfolk is still one of the safest corners of England, but violence has risen steeply under the watch of Tory governments and the county’s mainly Tory MPS.

Ms Davis says relatively harmless local weed-dealers have been replaced by county-lines operations flogging £10 (\$13) bags of crack cocaine, with free samples of heroin thrown in. Adjusted for population, heroin now kills more people in Norwich than in London or Manchester. One secondary-school teacher regrets that most of his 13-year-old pupils know all about drugs paraphernalia and slang for weapons.

Sleepless in Surrey

Nor is crime a worry only in seats affected by county lines. As with immigration, voters hold strong opinions on crime even in places that experience little of it. Take Farnham, a Georgian market town in well-heeled Surrey, which has among the lowest incidence of knife crime in the country. Even here, headlines about stabbings have had an impact. “Here, touch wood, it’s not too bad,” says a shopper in pearls and a silk scarf. “But my son lives in London and every day I pray he gets home.” She, too, is miffed about police cuts. “We never see them. You miss the bobby on the beat.”

Farnham’s police station closed seven years ago. Only 21 people a week used to visit it, but whenever there is a crime in town, locals mention the closure. Here, as in much of Britain, Mr Johnson’s focus on crime has touched a nerve. But if Labour manages to link the issue to austerity, it could end—like his speech in front of those coppers—in an embarrassing flop. ■

Dig deeper:

[Our latest coverage of Britain’s election](#)

Stirring the tea leaves

How Britain's pollsters have changed their methods

They were wrong in 2015 and 2017, and about the Brexit vote. Will new techniques help in 2019?

Print | Britain Nov 9th 2019



BRITAIN'S FIRST pollster, Henry Durant, quipped that his was the "stupidest of professions". For who would make a claim one day only to be contradicted on election night? Undeterred, beginning with their accurate forecast that Clement Attlee would beat Winston Churchill in 1945, polling firms gained a hard-won respectability.

Lately that reputation has been eroded. In 2015 pollsters suggested Labour and the Conservatives were neck-and-neck. In the end the Tories finished six percentage points ahead. A year later none of the final polls predicted the Brexit vote. Methods were duly tweaked ahead of the 2017 election, in which the Tories were expected to win a commanding victory. Instead they lost their majority. These misses prompted talk of a crisis. Now, December's election promises to be especially tricky.

Errors may creep in from three main places. The first is sampling. Just as a chef who fails to stir the soup cannot judge its taste, pollsters who lack a representative sample of the electorate cannot read the national mood. A review after the 2015 flop concluded that the polls had been biased towards Labour. The shift to online, opt-in surveys undercounts the elderly and politically disengaged.

More mistakes can arise as pollsters try to adjust for sample bias by weighting people's responses according to the composition of the population. Yet there is no agreed method for doing this. Brexit has made occupational class redundant as a predictor of voting intention, as white-collar Remainers have fled the Tories and blue-collar Leavers ditched Labour. Pollsters now weight their samples by a combination of factors including age, education, newspaper readership and past voting.

Lastly, pollsters must make heroic guesses about turnout. In 2017 most of them made assumptions based on 2015 voting patterns. In the event, turnout among young people was higher, meaning the polls underestimated Labour's support. This year most pollsters will return to their old method of going by people's self-reported likelihood to vote, something respondents tend to fib about.

The adoption of different methods has resulted in widely diverging results. Last month one poll put the Tories four points ahead of Labour, as another gave them a 17-point lead. Even if pollsters correctly gauge the national vote, it is difficult to translate this into seats won at Westminster. Historically, "uniform national swing"—applying changes in national vote share to each constituency—has been a decent predictor of the final seat tally. Most doubt it will work this year, because of shifting voting patterns and the possibility of widespread tactical voting.

To better predict seats, political scientists are borrowing from data science. The tongue-twisting “multi-level regression and post-stratification” (MRP) method combines polling results with demographic and past-voting data to estimate constituency-level results. In 2017 YouGov forecast a week before the election that the Conservatives would win 274–345 seats. Many thought this a big underestimate. But sure enough, the Tories got only 317.

Doug Rivers of Stanford University, who developed YouGov’s MRP model, predicts that the precise election forecasting omnipresent in America will soon be common in Britain. Justin Ibbett of FocalData, which recently produced an MRP model for Best for Britain, a pro-Remain group, envisages a time when the technique can be used to estimate local attitudes towards fortnightly dustbin collection, or any other policy, using national-level surveys.

Others are more cautious. Most pollsters now make clearer disclaimers about the uncertainty of their findings, and emphasise that they represent a snapshot of opinion at that moment rather than a forecast of the final result. The “stupid” polling profession can hardly afford another dent to its reputation, after all. Martin Baxter, a seasoned prognosticator, makes only one prediction he can be sure of: if on election night the Tories still have a ten-point lead, there will be a Conservative government.

Dig deeper:

[Our latest coverage of Britain’s election](#)

Speakers' Corner

The best quotes from the second week of Britain's election campaign

Key lines from the campaign trail

[Print](#) | [Britain](#) Nov 9th 2019



The Economist/Getty Images

Tower of compassion

"I think if either of us were in a fire, whatever the fire brigade said, we would leave the burning building. It just seems the common-sense thing to do, and it is such a tragedy that that didn't happen."

Jacob Rees-Mogg, the Conservative leader of the House of Commons, on how he would have survived the Grenfell Tower fire. LBC

With friends like these

"We want very clever people running the country...that's a by-product of what Jacob is. And that's why he is in a position of authority...Jacob is not from that background [Grenfell Tower]. He is very, very well educated."

Fellow Tory MP Andrew Bridgen rushes to Mr Rees-Mogg's aid, and makes things worse. BBC

Recipe for success

"They'll slash food standards to match those of the United States, where what are called acceptable levels of rat hairs in paprika and maggots in orange juice are allowed, and they'll put chlorinated chicken on our supermarket shelves."

Jeremy Corbyn, Labour leader, paints a picture of a trade deal with America

Anyone but him

"I'm absolutely categorically ruling out Liberal Democrat votes putting Jeremy Corbyn into Number 10."

Jo Swinson, Lib Dem leader, promises no deal with Labour—at least under current management

Who wants to be a billionaire?

"I don't think that anyone in this country should be a billionaire."

Lloyd Russell-Moyle, a Labour MP, kicks off a heated debate (see [article](#)). BBC

Labour blues

“Jeremy Corbyn is completely unfit to lead our country, completely unfit to lead the Labour Party.”

Ian Austin, a Labour MP in 2005-19, urges “decent people” to vote Conservative. BBC

New slogan needed

“The absolute bantz of the Tories using the tag line #BritainDeservesBetter after being in Government for 9 years. You’re not wrong lads.”

Jess Phillips, a Labour MP, reacts to the Conservatives’ election slogan

Dig deeper:

Our latest coverage of Britain’s election

A warmer climate

Climate change looms larger than in any past British election

A quarter of voters consider it a top-three issue, up from a tenth in 2017

[Print](#) | [Britain](#) Nov 9th 2019



Getty Images

THIS YEAR'S electioneering already has a greener tinge than 2017's. A summer heatwave and Extinction Rebellion's activism have given environmental issues a fillip. Polls by YouGov find that around a quarter of the public list the environment among the top three problems facing Britain, up from closer to one in ten at the time of the last election. The level of interest is well below that shown in Brexit or the health service, but comparable to that in political staples such as the economy.

Leo Barasi, a pollster, says green policies play different roles for the two big parties. For Labour they are a "motivating issue", encouraging voters who might be tempted to drift to the Greens or Liberal Democrats to stick with them. For the Conservatives they have the potential to be a "toxifying" problem, pushing voters away. The parties appear to agree, with Labour making early announcements trumpeting its plans while the Tories seem more focused on shutting down lines of attack.

Within days of the election being announced, the government called a moratorium on fracking, a technique to extract shale gas. Six years ago the then Tory chancellor, George Osborne, promised "the most generous tax breaks in the world" to support the fledgling industry. But times have changed. Last month the National Audit Office, a spending watchdog, found that progress in the industry had been slow, that there was no evidence it would lower energy prices and that there was no plan to meet the clean-up costs if a firm went bust.

The case for fracking has not been helped by three tremors that rattled homes near Britain's only active extraction site in August. Most fracking licences are near Labour-held constituencies in the Midlands and north-west, which the Tories did not consider target seats in Mr Osborne's day but which they now covet. The moratorium might be aimed not so much at the "green vote" as the "anti-local-earthquakes vote".

Despite its defensive stance, the government has a decent story to tell on climate policy. Greenhouse-gas emissions have fallen by a quarter since 2010, mostly because of changes in electricity generation, with coal-fired power stations almost entirely phased out. One of the last acts of Theresa May's government, in June, was to put into law a target to reach net-zero carbon emissions by 2050.

Yet Labour has gone further, promising decarbonisation by 2030, a target so ambitious even many supporters doubt it can be hit. A "Green Industrial Revolution" links climate change, jobs and state activism in much the same way that the Green New Deal does for left-wing Democrats in America. Labour's approach to climate change is now much more radical than that of the Lib Dems and almost indistinguishable from that of the Greens.

This week Labour announced a plan to insulate, double-glaze and environmentally retrofit almost all of Britain's 27m homes by 2030. It says doing so would create 450,000 jobs and cost £250bn (\$322bn), or 18% of GDP. The state would pay for a quarter of that and households the rest, though they would recoup the cost through savings on their energy bills, Labour argues, and would get a government-sponsored interest-free loan in the meantime.

Even spread over a decade, that is a lot of money, especially when combined with Labour's other promises. The calculations behind the 450,000 jobs—supposedly 250,000 in construction and 200,000 in the supply chain—remain somewhat opaque. Given that construction employs 2.4m workers, it would mean a big expansion of an industry that is already complaining of skills shortages.

Alongside this John McDonnell, the shadow chancellor, says he will “go after the banks and hedge funds financing climate change”. A report commissioned by the party argued that banks could be forced to hold more capital against loans made to polluters, and recommended a steeper rate of tax on trading the shares of companies deemed to be especially carbon-intensive. The plans aim to lower the cost of raising cash for environmentally friendly firms, while increasing it for others. Yet unless other countries followed suit, polluters might simply borrow abroad. No wonder some in the City are turning green. ■

Dig deeper:

Our latest coverage of Britain's election

Sign up to our new fortnightly climate-change newsletter [here](#)

A new order

Don't expect MPs to make less trouble under Lindsay Hoyle

The government's slim majority, not a biased Speaker, is the cause of its problems

[Print](#) | [Britain](#) Nov 9th 2019



Xinhua/Avalon/Red

THE MOST famous face in recent Brexit debates may have been that of the Speaker of the Commons, John Bercow. But he has now quit and MPs have picked his deputy, Sir Lindsay Hoyle, to replace him. Since he won by a large margin, including strong cross-party support, Sir Lindsay can expect to be confirmed after the election.

The Speaker's job is merely to preside and keep order. Yet as a noisy Remainer, Mr Bercow upset fellow Tories with his choices of when to allow debates and what amendments to call. Boris Johnson spoke for many when he said the tennis-loving Mr Bercow had not just been an umpire but a player in his own right. Although Sir Lindsay is a Labour MP, lots of Tories want him to rein in their colleagues.

Sir Lindsay has promised to change the Commons for the better. And unlike Mr Bercow, he refuses to say if he is pro- or anti-Brexit. Yet those wishing backbenchers to be more subservient may be disappointed. Alice Lilly of the Institute for Government, a think-tank, notes that MPs have come to enjoy the extra powers of scrutiny given to them by Mr Bercow, the longest-serving post-war Speaker. Emergency debates, urgent questions and high-profile select committees are here to stay.

This will be especially true if the election result is tight or produces another hung parliament. Many Tories blame Mr Bercow for obstructing Brexit, but the real culprit was their lack of a reliable majority. If that persists under a new Speaker, MPs will continue to cause lots of trouble—no matter who is in government. ■

Dig deeper:

[Our latest coverage of Britain's election](#)

Bagehot**Security questions for Jeremy Corbyn***A Labour government would present a radical challenge to Britain's global alliances*[Print](#) | [Britain](#) Nov 9th 2019

JEREMY CORBYN has the most radical views on national security of any leader in the Labour Party's history. He is a long-standing opponent of both NATO and nuclear weapons. He has called Hamas and Hezbollah "friends". Faced with overwhelming evidence of Russian state involvement in the poisoning of two people in Salisbury, he first obfuscated and then demanded that Russia should be involved in the investigation.

And yet the public has remained surprisingly indifferent to these brutal facts. In the election of 2017, the right-leaning press launched a fierce attack on Mr Corbyn's foreign-policy views. Readers yawned. This time the bombardment has started again, but to no obvious effect. The only national-security question that has caught fire is the government's refusal to publish a parliamentary report on alleged Russian meddling in British politics.

Mr Corbyn has been protected from proper scrutiny by three convenient assumptions: that his heart is in the right place; that he will drop his "ban the bomb" idealism when confronted with reality; and, third, that Labour moderates will be able to control him. Let's examine each of these in turn.

Mr Corbyn is, in fact, very far from the cuddly pacifist of Glastonbury lore. The core of his beliefs is not opposition to war but opposition to "Western imperialism". His hostility to "imperial powers" (most notably America and Israel) is so fierce that he is willing to make excuses for "anti-imperial powers" such as Russia and Syria, as well as terrorist organisations like Hezbollah and Hamas. His support for national liberation movements stops short of support for the people of Crimea, Georgia or Ukraine. His sympathy for victims of oppression turns cold when the countries doing the oppressing are Vladimir Putin's Russia, Nicolás Maduro's Venezuela or, in the 1990s, Slobodan Milosevic's Serbia. In a speech in 2014 celebrating the 35th anniversary of the Iranian revolution, he praised the regime's "tolerance and acceptance of other faiths, traditions and ethnic groupings".

Mr Corbyn is no more likely to drop these views than he is to join the SAS. A geopolitics obsessive, he has been banging the same drums since the late 1970s, if not before (his parents were subscribers to the propaganda sheet, *Soviet News*). If anything, his views have hardened. In 1999 and 2000 he signed a number of parliamentary motions criticising Russia's invasion of Chechnya. More recently he has bent over backwards to excuse Mr Putin's adventures in his near abroad (and indeed in Salisbury). Since taking over as Labour leader in 2015 he has surrounded himself with advisers, such as Seumas Milne and Andrew Murray, who have spent their lives on the farthest fringes of the far left.

What about the idea that all this is hot air? Labour moderates (who constitute the vast majority of the party's MPs) will step in to prevent Mr Corbyn from wreaking havoc, the argument goes. And besides, he will probably be able to form a government

only in alliance with other parties, most prominently the Scottish National Party (SNP). Mr Corbyn has abandoned his opposition to Britain's trident missile system under pressure both from his MPs and from Len McCluskey, the head of the Unite trade union, who thinks that jobs trump geopolitics. And most of the day-to-day work of defence and security is a matter of long-established routine that goes on beyond the prime minister's ken.

All that is wishful thinking. Foreign policy gives prime ministers more freedom from parliamentary scrutiny than domestic policy. Downing Street has been accumulating power over security policy for decades, even more so since the creation of the National Security Council in 2010. The SNP is sympathetic to Mr Corbyn's views on foreign policy, adopting the toe-curling slogan "bairns [babies] not bombs" and campaigning for the removal of Britain's nuclear submarines from their base in Scotland. As chancellor, John McDonnell would exercise even more control over domestic policy than Gordon Brown did. That would leave a notably vain prime minister looking for another way of making his mark. The Downing Street bully pulpit would give him the opportunity to opine to the world on things he cares about, such as Israeli foreign policy and Donald Trump's failures. The next national-security review, due in 2020, offers a chance to revisit questions of hard power, such as Britain's commitment to spend 2% of GDP on defence.

One-man army

A Corbyn-led government would quickly lead to the biggest change in Britain's defence posture since the second world war. Even if the country stayed in NATO, as is likely, it would be a passive member, reluctant to push back against Russian expansionism and hostile to the idea of a nuclear deterrent. Given that NATO depends on confidence that it means what it says, this would be a severe blow to its credibility. Britain's Middle East policy would be revolutionised, with a more hostile stance towards Israel and the Gulf states, particularly Saudi Arabia, and a friendlier one to Iran. America would almost certainly stop sharing critical intelligence with Downing Street, for fear that such secrets would find their way into Russian or Iranian hands. Given Britain's membership of the Five Eyes intelligence alliance, that would harm Europe's ability to combat hostile states and non-state actors.

Such a revolution would come at a sensitive time. Mr Trump is already disrupting established security relations (for all their differences, he and Mr Corbyn share a common hostility to the multinational institutions that have kept the peace since 1945). Brexit is straining relations with Britain's European allies, while gobbling up the political class's available bandwidth. The Foreign Office is demoralised by decades of cuts, and the security establishment is still tainted by the weapons-of-mass-destruction fiasco. All this is taking place at a time when Mr Putin is on the march and Islamic State is shifting its focus from state-building to global terror. A dangerous world may be about to become more dangerous. ■

Dig deeper:

[Our latest coverage of Britain's election](#)

The splinternet

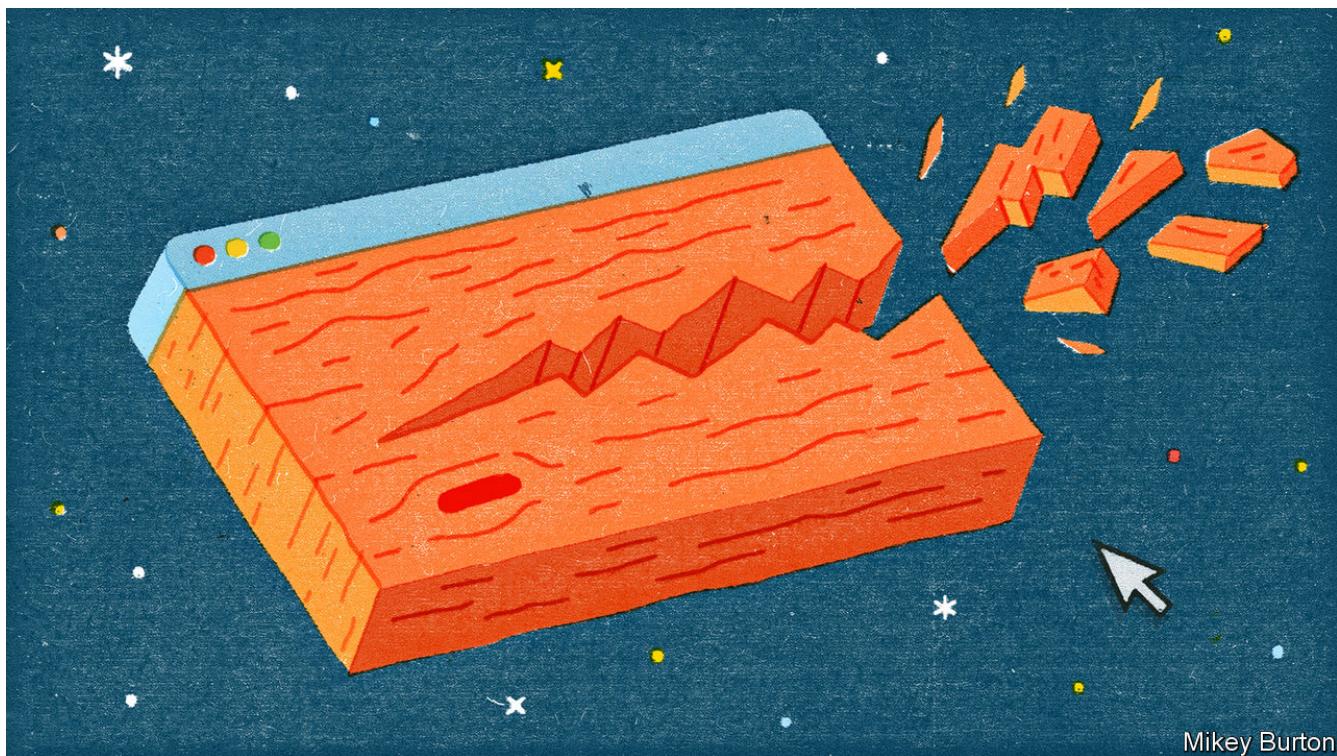
Net loss

Broad-banned internet

Countries are increasingly willing to censor speech online

That will make life hard for the tech giants

[Print](#) | [International](#) Nov 7th 2019



Mikey Burton

IN 2016 THE World Health Organisation (WHO) declared Britain to be officially free from measles, a highly infectious illness that killed about 110,000 people around the world in 2017. The success was short-lived. After 991 infections were recorded in England and Wales in 2018, the WHO revoked Britain's disease-free label.

Cases of measles are rising in many countries, fuelled in part by conspiracy theories claiming that vaccines given to children cause autism (they do not). "Anti-vaxxers" have long used internet forums and social media to spread their nonsense. Matt Hancock, Britain's health minister, would like to see that stopped. In March he said that internet giants such as Facebook and Google should have a "duty of care" to their users, putting them in the same legal position as schools or doctors. If firms would not stop the spread of anti-vaccination messages voluntarily, said Mr Hancock, he would consider changing the law to force them to do so.

An election is due in December, so Mr Hancock may not get his way—though the opposition Labour Party is also keen. But Britain is far from alone. In recent months attention has focused on the threat to big internet companies from trustbusting politicians in America. Now they face a second regulatory assault elsewhere. Citing reasons ranging from combating terrorism to safeguarding elections to discouraging self-harm, politicians around the world are increasingly eager to censor the material that appears on the tech giants' platforms.

Many authoritarian governments already restrict what their citizens see online. China has heavily censored the internet since its early days; Twitter and Facebook are banned outright. Iran also outlaws Facebook. Saudi Arabia restricts access to information on everything from gay rights and evolution to Shia Islam. Attitudes are hardening in democracies, too. Rather than simply being blocked, big tech firms face a raft of new laws controlling what they can host on their platforms.

This marks a big change for a global industry that has, until now, been run on techno-libertarian assumptions. "Most of the big internet companies come from an American speech tradition," says Owen Bennett of the Mozilla Foundation, which campaigns for an open internet. There was, he says, an assumption that the liberal attitude to speech embodied in the First

Amendment to America's constitution would spread as the internet did. When the internet was young and unimportant, the frictions that it caused in countries with other ideas about free speech could mostly be ignored. Now that it is enormous and vital, they are pushing back.

In June, for instance, Singapore passed the Protection from Online Falsehoods and Manipulation Act. The city-state's bossy government presented it as an anti-“fake news” bill. It bars the dissemination of online lies deemed to be against the public interest, on pain of fines of up to \$1m or ten years in jail. Singapore's government defines the public interest expansively. The law penalises falsehoods that would interfere with “public tranquillity” or “diminish public confidence in the performance of any duty or function of...the Government”. Firms can be required to block access to content found to be in breach of the law, and to tell users that such content is false, even to the point of getting in touch with them after they have already seen it.

Britain's proposed laws are notable for their focus on things that are merely undesirable, rather than downright illegal. Besides demanding more effort to combat child pornography and the promotion of terrorism, they take aim at hard-to-define things such as hate, abuse and misogyny, as well as the glamorisation of suicide. The government envisages a new regulator, paid for by the tech firms, with the power to block offending websites, force other companies—such as payment processors or search engines—to sever ties with offending firms, and perhaps even to hold senior managers legally responsible for their companies' failings.

Australia's Sharing of Abhorrent Violent Material bill was rushed through in April following a live-streamed terrorist attack on mosques in New Zealand. Western technology firms fiercely opposed the bill. It requires companies (no matter where they are based) to ensure that anything on their servers depicting such things as terrorism, murder or kidnapping is swiftly made unavailable in Australia (potentially within less than an hour). The penalties for failing to do so include fines of up to a staggering 10% of global turnover and, in theory at least, jail time for executives.

One of the most influential jurisdictions will be the European Union (EU), a market of 500m rich consumers which restricts speech more than America does. Until now, individual member states have done much of the work. Germany passed its “Netzwerkdurchsetzungsgesetz” law in 2017, which gives social-media firms 24 hours to remove fake news and hate speech or face fines of up to €50m (\$56m). In July France passed similar legislation.

But Rasmus Nielsen, who runs the Reuters Institute for the Study of Journalism at the University of Oxford, says one priority of the new European Commission, which takes office in December, will be to beef up such laws and put Brussels, rather than individual countries, in charge. Margrethe Vestager, a Danish politician who made her name levying multi-billion-dollar fines on big tech firms as the previous Commission's competition enforcer, will probably lead the effort. The Commission's planned Digital Services Act is likely to contain rules governing everything from political advertising to terrorist content, all of which would be enforced by a new regulator.

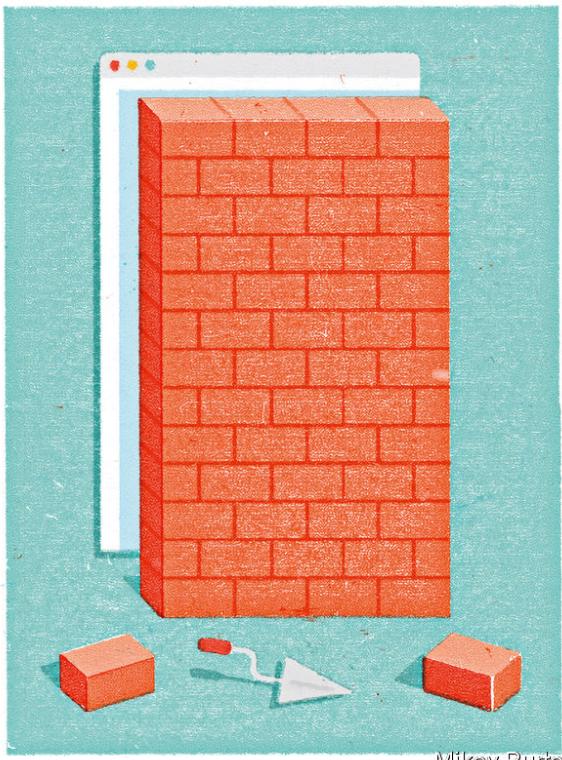
Still more consequential will be India's efforts. It has around half a billion internet users—second only to China—and is adding to that number rapidly. In February its government proposed new powers that would weaken the encryption that protects messages on apps such as WhatsApp, force internet-service providers to install automatic filtering software to prevent users from seeing unlawful information, and require firms to remove posts or videos deemed hateful or deceptive, or which invade someone's privacy. India's size means the new rules have caught the attention of Western giants. In September Nick Clegg, a former British deputy prime minister who is now Facebook's chief PR man, made a speech in Delhi urging the government to reconsider.

Even in America, disquiet is growing about the wisdom of letting internet giants police themselves. Elizabeth Warren, a presidential candidate, has accused Facebook of “taking money to promote lies”, referring to the social network's decision to exempt politicians from its internal guidelines governing what can be posted. “We do not submit speech by politicians to our independent fact-checkers,” said Mr Clegg recently. “And we generally allow it on the platform even when it would otherwise breach our normal content rules.” Facebook points out, with some justification, that it would look odd for a democracy to rely on a private company to referee what politicians say—although the firm does decide who counts as a politician. The policy is not limited to America: Facebook has said it would also apply in Britain's coming election. By contrast, Twitter last month banned political ads entirely.

This pun is unavailable in your country

To grasp the impact of these changes, one useful analogy, suggests an industry insider, is with big banks. Both industries operate in many countries, and both control the flow of vital things—money in one case, information in the other. Banks' systemic importance means they are hedged about with tough, detailed laws that differ between jurisdictions. That requires vast compliance departments, stuffed with lawyers, accountants and box-tickers. Tech firms, used to having limited staff and to being able easily to operate across borders, are being ushered down the same path.

Monitoring the torrent of content that passes through their servers is a huge task. More than 500 hours of video are uploaded to YouTube every minute; thousands of tweets are posted every second. For all the hopeful chatter about artificial intelligence (AI), Alex Stamos, a former chief security officer at Facebook, argues that, in the end, human labour—and lots of it—is the only solution. Algorithms already struggle to make relatively straightforward decisions. YouTube, for instance, spent \$100m developing ContentID, an algorithm designed to block pirated content. But pirated videos are still available, and legitimate users sometimes see their posts wrongly flagged.



Mikey Burton

And policing copyright infringements is a cinch compared with other forms of content. An algorithm to regulate political speech would have to master sarcasm and irony. It would need tailoring to local sensitivities in individual countries, and to be made invulnerable to deliberate attempts to exploit its weaknesses. “Regulating political speech basically requires AI that’s as smart as humans,” says Mr Stamos. If that ever comes, it will not be for decades.

Social-media firms do use AI to flag posts for humans’ attention. Exact figures are scarce, but in 2017 Accenture, a consultancy, reckoned tech firms already employ around 100,000 human content-moderators worldwide. Each new law will require more people to enforce it. Facebook doubled the number of moderators from 7,500 to 15,000 between August and December 2018. Its internal guidelines even now run to tens of thousands of words.

Such burdens risk entrenching big existing players, says Mr Bennett, since they can afford to absorb the costs of compliance. And harsh penalties will create incentives for firms to err on the side of heavy-handedness. “You might even see companies thinking carefully about where they want to operate because it’s just not worth the risk of getting it wrong.”

In the long run, though, perhaps the biggest effect of the new laws will be the further splintering of the internet. The idea of the internet as a single global network that looks the same no matter where you are when you log on, is central to its founding mythology. Yet it looks increasingly outdated. Whether that is good or bad is the subject of debate. “It is entirely legitimate for countries to formulate policies that govern their own media environments,” argues Mr Nielsen. However, “at the moment, people in India who can afford phones can see broadly the same things as people in the West,” says Mr Stamos. “The end of that would be sad.”

It is happening regardless. China’s pervasive censorship has long split its internet users off from those elsewhere in the world. Cracks are spreading in the West, too. Some American firms already find it easier to block European users rather than comply with EU privacy laws. “Right to be forgotten” laws compel search engines to remove certain results for European users. Censorship laws will mean another set of walls dividing the global village. ■

Letter to a chief executive

Diversity memo

Diversity memo

How to make your firm more diverse and inclusive

Tips for chief executives

Print | Business Nov 7th 2019



Cristina Spanò

To: CEO

cc: PA

Subject: A hard-headed guide to corporate diversity

Dear David,

YOU FACE pressure to “do something” about diversity in your company—not only from your wife and woke children. Corporate clients increasingly demand it in your supply chain. Regulators, who use a “stable” or “inclusive” culture as a proxy for low risk, are breathing down your neck. Governments like Britain’s, which now mandates pay-gap reporting, insist on making more of your sensitive data public. And employees, including former ones, can air their complaints on social media.

Small wonder that 87% of your fellow bosses told consultants at PwC that diversity is a business priority. I’m sure you did, too. After all, you recently posted a job opening for a diversity manager. You were not alone; the number of such offers in Britain has doubled in the past year, say analysts at Glassdoor, a recruitment website. Since June 2017 more than 800 American CEOs have signed a pledge to “advance diversity and inclusion in the workplace”.

That is where we are: lots of talk, plenty of initiatives, little change on the ground. Between 2015 and 2018 the share of female executives at large (mostly) American and British firms went from 12% to 14%; for ethnic minorities it moved from 12% to 13%. The FTSE 100 has fewer female CEOs (six) than it does bosses who share your name (seven). In American companies with over 100 employees, the share of black men in management was 3.4% in 2017, half their share in the population as a whole—and virtually unchanged from 3% in 1985. White women make up 25% of executives and senior managers, compared with 60% for white men. Something is clearly amiss.

In the past this letter would have gone straight to your legal department. Since the term “diversity” entered the corporate lexicon in the 1960s it has been code for avoiding lawsuits—especially in America, where companies have coughed up billions in fines for discrimination over the years. The financial sector still treats it mostly as a compliance issue.

Now you are no doubt tempted to forward it to someone in HR, almost certainly a woman with an arts degree, a sound moral compass and too little power. Don't. This is your problem. Without your leadership it is unlikely to be solved soon.

Keep reading

Deep inside, you may be wondering if anything really needs solving. The short answer is: it does. With that in mind, you should ask yourself three things.

First, why does diversity matter to your firm? Is your reputation in trouble, as it was for Uber, Nike, Lloyd's of London and others scarred by #MeToo? Do you, like consumer giants such as P&G, hope that more diversity makes for better products? Are you concerned about attracting and retaining bright sparks? You would be in good company: 97% of executives fret about increased competition for talent (according to Mercer's HR consultants).

Or are you hoping that diversity will boost the bottom line? To be perfectly honest, I have no idea if it does. It is hard to tell if diversity helps firms do well, or if successful firms are also more enlightened on other matters. But variety has been linked to innovation, productivity and, for example in diverse teams of surgeons, fewer mistakes. Lack of it breeds groupthink—which in turn can lead to disasters. The Bay of Pigs invasion and the Lehman Brothers collapse stemmed from narrow-mindedness. And employees who believe their firm cares about gender diversity are 40% more likely to be satisfied at work—and possibly more productive as a result.

Once you have sorted out the why, consider where you want to get to. Some firms, like Facebook, Nike or P&G, say they wish to mirror their customer base. Others are keen not to recruit from an artificially thin talent pool. Goldman Sachs claims its new entry-level recruitment targets—50% female and, in America, 14% Hispanic and 11% black—are based on things like graduation rates. Clear goals make it easier to assess if you are on track. But make them attainable. Qantas's goal of 40% of its pilot intake to be female by 2028 is as admirable as it looks unrealistic: today just one in 20 pilots worldwide is a woman.

The third question concerns barriers that stop diverse talent from flourishing at your firm. Mapping how it flows through your organisation and where the blockages and leaks happen is a start. A McKinsey study of more than 300 companies identified the second step of the career ladder, from entry level to manager, as the “broken rung”: for every 100 men only 72 women (and just 68 Hispanic and 58 black ones) earned that critical early promotion. When Google was losing women in disproportionate numbers it homed in on maternity as the principal cause; the technology giant increased maternity leave and support for mothers returning to work.

Staff surveys can help, provided they are large and comprehensive enough. After its #MeToo moment, Lloyd's, an insurance market, found that 45% of staff felt unable to raise concerns about improper conduct. Employees are now encouraged to speak up, including through a bullying-and-harassment helpline. A “culture dashboard” tracking progress on survey metrics will be published with the Lloyd's annual report.

Now you've got your diversity-and-inclusion priorities straight and diagnosed what needs fixing. Good. Before you order a rainbow float for a Pride parade and send staff on a micro-aggression avoidance course, here is what not to do.

American firms spend billions a year on training. Half of large ones have unconscious-bias seminars. Most of these “D&I” programmes are a waste. Or worse: recent research from America shows that diversity statements can put off minorities, possibly because they perceive them as tokenism. Often, firms do D but forget I, which is about ensuring that the workforce is not just diverse, but thriving. Too many try to fix people instead of procedures. Training women to be more assertive in asking for a promotion or pay rise is pointless; they are just as likely to ask for these but also likelier to be seen as pushy when they do. Ushering your managers onto the “Check Your Blind Spots bus”, currently touring America as part of the CEOs' drive, is unlikely to do much. “Days of understanding”, popular in American offices, risk causing “diversity fatigue”. It is hard to beat bias out of individuals—easier to root it out of systems.

The don'ts

Take Silicon Valley. Big Tech has splurged on D&I to little effect. Representation of blacks and Hispanics has been flat (see chart). Girls Who Code, an industry-sponsored NGO, found that a quarter of young women who applied for internships at tech firms said they were asked inappropriate or biased questions. Others reported being flirted with or demeaned. It's no use hiring diverse coders if the message then is: wear a hoodie and pretend to be a guy, or this is no place for you. They will underperform—or flee, leaving you as undiverse as before. Firms that do not change their ways beyond recruitment see high attrition rates of diverse talent. A lack of diversity is a symptom of deeper problems that a few diversity hires won't mend.

Undisrupted

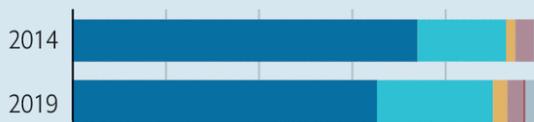
United States, company leadership by race, %

White Asian Black Hispanic
Native American Multiracial/undclared

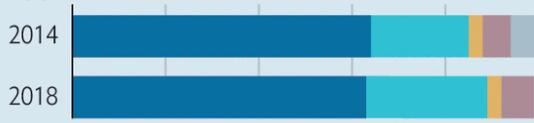
Google



Facebook



Apple



Source: Company reports

The Economist

At this point the how should be relatively clear. In a nutshell, it is all about creating a level playing field. When recruiting, software can mute biases by concealing giveaways to a candidate's gender or ethnic identity. These include names but also less obvious hints like the sports they play. If only the usual suspects apply, look harder. Specialised recruitment drives, such as visiting "black" colleges or advertising in women's forums, appear to work. The Bank of England no longer visits the Russell group of top universities, whose graduates apply in spades anyway, and focuses instead on less elite schools. BHP, an Anglo-Australian mining giant, broadened its search for female miners by recruiting from professions, such as nursing, with some similar skills.

In an effort to find trainees from different backgrounds, British law firms are trying "contextual recruitment". An applicant with Bs from a school where everyone got Cs may be more impressive than one with As from a place full of A* pupils. Rare, a recruitment firm, has developed software which screens candidates for disadvantage and gauges their outperformance against the average for their school.

Once in the workplace, the clearer your criteria for professional advancement, the better. Informality is the enemy of women and minorities. It perpetuates bias. Surveys of American engineers and lawyers found that female workers were nearly twice as likely as their male peers to be saddled with "office housework", like setting up meetings and conference calls. White men were likelier to be given careerenhancing tasks such as client meetings.

Sponsorship schemes are an effective way to ensure traditionally sidelined groups get a fair shot. PayScale, a pay-comparison site, found that employees with a sponsor made 11.6% more than those without. The Bank of England has offered most of its sponsorship places to ethnic-minority women. Staff surveys, if bite-sized but regular, can bring clarity to fuzzy inclusion metrics. "Psychological safety", lingo for an environment where people feel free to speak their mind, can be tracked with questions like "are your ideas regularly attributed to someone else?" or "are you regularly interrupted in meetings?" Rotating who chairs a meeting, or a firm word with loudmouths who dominate it, can help.

Many employers—yourself included—would be horrified to learn that they implicitly require employees who want to be considered leadership material to adjust their behaviour. Women shouldn't need to "act like a man", gay employees to "act straight" or people with frizzy hair to treat it to "look professional" (ie, white). Let grievances fester and your workers will lose motivation or simply leave.

That is a lot to take in. But unless you do, your most valuable resource—workers—will not be as good as it could be. Best to get ahead of the problem. It isn't that hard. And it can pay off mightily.

Yours,
Shareholder ■

Too much lovin'

McDonald's fires its boss over a workplace romance

His successor has big boots to fill

Print | Business Nov 7th 2019



AP

THE SWIFTNESS of Steve Easterbrook's exit from McDonald's matched that of Don Thompson, his predecessor, in 2015. Mr Thompson was pushed out for poor performance. Not Mr Easterbrook, who was widely admired for doubling the American fast-food giant's share price. On November 3rd the company announced it was sacking its British-born boss because of "a recent consensual relationship with an employee". Chris Kempczinski, who runs its domestic business, takes over.

Bill George of Harvard Business School called Mr Easterbrook's departure a "tragedy" for McDonald's. In Europe ousting a capable CEO drew bemusement. *Süddeutsche Zeitung*, a German daily, commented that, "luckily", German labour law would bar such a move. In 2005 a court in Düsseldorf ruled that the German subsidiary of Walmart, an American retailer, could not ban its employees from flirting. Critics of restrictions on workplace romance warn that they can backfire. To them, Walmart's hotline for anonymous tips on office indiscretions is a recipe for backbiting.

In America Mr Easterbrook's sacking was, *pace* Mr George, broadly applauded. #MeToo has highlighted the perils of romantic workplace liaisons between people with unequal power. The powerful "find it hard to recognise the coercive nature of their influence" over subordinates, says Vanessa Bohns of Cornell University. She has found that bosses making romantic advances towards colleagues have no idea how uncomfortable the targets of their affection feel rejecting them.

Mr Easterbrook is not the first company boss booted out over a dalliance at work—and unlikely to be the last. In 2018 Intel's chief executive, Brian Krzanich, resigned after the chipmaker discovered a similar affair. One in three American adults are or have been in a workplace romance, according to a poll this year by the Society for Human Resource Management, an association of HR professionals.

Mr Kempczinski will emulate Mr Easterbrook's strategy of switching to healthier fare and digitising operations. Investors seem to think the new boss can pull it off; he helped devise it. The firm's share price has rebounded after dipping on the news. Mr Kempczinski calls Mr Easterbrook a "patient and helpful mentor". His predecessor's parting lesson will no doubt stay with him for a while. ■

On edge

A postcard from Hong Kong

Our business correspondent revisits his old stomping-ground

[Print](#) | [Business](#) Nov 7th 2019



Getty Images

TO A VISITOR from messy Mumbai, on the surface Hong Kong seems, despite months of anti-government protests, in order. Busy shops, clean streets, trains that run on time—or at all. CLP, the 118-year-old electric utility, has just moved from its old headquarters in Kowloon to a new one over a shopping mall (inevitably). Both digs are (inevitably) to be redeveloped. Business as usual, then?

Not quite. Two French bakeries that popped up after your correspondent left in 2011, to ride Hong Kong's surge as Europe flailed, have shut. The owners felt the tide had turned. A recent graduate from Canada, who grew up in the territory, notes how hard it is to get a job. Hong Kong is in recession (see chart). Hiring has slowed, particularly by confused multinationals. People, he says, are leaving. Millennials with work offers elsewhere are not returning. It is, many reckon, worse than the SARS epidemic in 2003. Back then Hong Kongers were united. Now they seem deeply divided. Arguments flare up far from the riots.

A bartender in Wanchai, a busy commercial district, says business is slow. Watering holes lose money (except during events that draw out the fearless, such as televised matches during the recent Rugby World Cup). Protests, or the expectation of them, can scotch anything involving crowds—cultural dos, parties—that once evinced Hong Kong's vitality. People stay at home. Cops in riot-gear guard MTR stations. The public-transport company's share price is down by 18% since July.

It's cloudy here

Hong Kong, GDP, % change on previous quarter



Sparks fly

A three-way battle over control of PG&E

Whoever wins, Californians will probably lose

[Print](#) | [Business](#) Nov 9th 2019



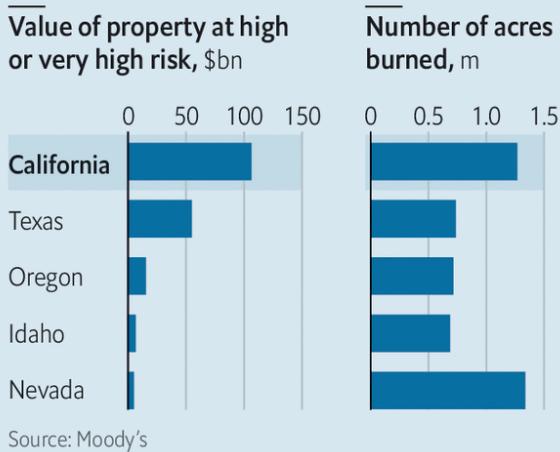
LOCL UTILITIES' predictable businesses and steady dividends have earned them the moniker "widow-and-orphan shares". Not in California. Pacific Gas & Electric Company (PG&E), its biggest electric utility, declared bankruptcy in January, citing \$30bn of potential liabilities arising from its role in causing deadly wildfires. Its share price is down by nearly 90% since 2017. It recently shut off power to millions of Californians to prevent its installations from sparking new blazes. Customers and politicians fumed. Meanwhile, a battle for control of the firm rages on.

PG&E's management is backed by big funds (notably Abrams, Redwood and Knighthead) that hold just over half its shares. Its restructuring plan favours current shareholders. It proposes raising both new debt and equity. A rival bid by bondholders (among them big asset managers such as Elliott, Apollo and PIMCO) would virtually wipe out current equity. This scheme appeals to fire victims, for it offers them more compensation than the management's plan.

Bondholders appeared to have the upper hand. Then the politicians waded in. On November 4th the mayors of Oakland, San Jose and other municipalities said they want to buy PG&E and turn it into a co-operative. They are pushing Gavin Newsom, California's governor, and state regulators to back their proposal. If approved, it would enable PG&E to take advantage of rules which exempt Californian municipal utilities, such as those in Los Angeles and Sacramento, from federal tax, allow them to set their own tariffs and also let them tap cheaper capital than is available to private utilities. If PG&E is not restructured by a deadline of June 30th, Mr Newsom, who is critical of the management, has threatened a state takeover.

All the leaves are brown

United States, wildfire risk and damage, 2017



The Economist

Meanwhile, PG&E will continue to teeter. After years of underinvestment its grid needs a massive upgrade. Stephen Byrd of Morgan Stanley, a bank, calculates that burying its transmission and distribution lines in the most vulnerable areas underground to reduce fire risk would cost \$100bn. Lawrence Makovich of IHS Markit, a consultancy, points out that the utility is saddled with another cost. A state law passed last year requires that half of electricity come from renewables by 2025, up from about a third in 2017. So like other utilities, PG&E has signed some expensive contracts for clean energy. Walking away from those which charge a premium over dirtier power could save it \$1.4bn a year as part of the restructuring, estimates Moody's, a rating agency—but California's hyper-green politicians and activists would probably block such a move.

Then there is California's "inverse condemnation": an idiosyncratic state law holds utilities liable for damage caused by their equipment during fires even if they followed safety rules and were not negligent. Reckless expansion of housing into fire-prone areas has put nearly \$110bn in property at high risk in California. Climate change is only making dry weather drier and wildfires fiercer. By creating untold potential liabilities the statute has made utilities virtually uninsurable.

Last July the state created a \$21bn wildfire-insurance fund, to be financed equally by private utilities and customers. Helpfully, the scheme pools risk. But it is too small. It limits the pool to California, notes Joseph Scalise of Bain, a consultancy. States in which utilities have access to insurers and reinsurers can spread risk globally.

The hapless utility could yet be hit with huge fire-related expenses this dry season, which ends in December. These could wipe out its remaining equity. Bondholders may then back out of promised capital injections. Government may be left on the hook. Whoever wins the battle for control of PG&E, ordinary Californians will pay—through taxes or higher electricity bills. ■

TikTok time-bomb

TikTok's silly clips raise some serious questions

About geopolitics of data, internet incumbents and the perils of online information

Print | Business Nov 7th 2019



Getty Images

IF THIS ARTICLE were a TikTok video, it would already be almost over—and you would be smiling. TikTok's 15-second clips are all the rage among teenage netizens. The app was downloaded more than 750m times in the past 12 months, more than Facebook plus its sister services, Instagram and WhatsApp, combined. Fun aside, TikTok raises serious questions—about data geopolitics, the power of internet incumbents and who sees what online.

TikTok is YouTube on steroids. It bombards users with self-repeating clips. It forms a genre of quick-hit entertainment: a prank, a dare, a teenager looking pretty. Most are produced by adolescents, with easy-to-use editing tools. The app makes money from adverts and commissions on digital tips. It may one day generate revenue from e-commerce, like its Chinese sister app, Douyin. Both are owned by ByteDance, a Beijing firm valued at \$75bn, more than any other private startup.

The China connection has Washington in a tizzy. On November 1st it emerged that America's government has opened a national-security review of ByteDance's takeover in 2017 of Musical.ly, an app developed in China, which later became TikTok. On November 5th congressmen lambasted ByteDance for not showing up to a hearing.

Hawks argue that TikTok gives the government in Beijing access to data on millions of Americans and that it censors content the regime does not like. If America's sanctions on Huawei, a maker of telecoms gear, are about disentangling electronics supply chains, its assault on ByteDance is an attempt to keep the data flows of America and China separate. ByteDance rejects these accusations, saying that non-Chinese user data sit on non-Chinese servers, and that decisions about what not to show American users are made in America.

For his part, Mark Zuckerberg is less worried about data sovereignty and more about competition from TikTok, China's first runaway web success in America. Facebook is pulling out the big guns it deploys against fast-growing upstarts. In late 2018 it launched Lasso, a TikTok clone. An independent developer recently unearthed a feature hidden in Instagram's code that apes TikTok's editing tools. It is cold comfort to Mr Zuckerberg that should his defences fail, Big Tech's critics will have to concede that digital monopolies are not that invincible after all.

Critics of artificial intelligence are also watching the Chinese app closely. What users see on Facebook and other Western social media is in part still down to who their friends are and what they share. TikTok's main feed, called "For You", is determined by algorithm alone: it watches how users behave in the app and uses the information to decide what to play next. Such systems create the ultimate filter bubble.

All these worries would be allayed if TikTok turns out to be a passing fad. In a way, the app is only riding on other social networks. It relies on people's Facebook or Twitter accounts for many sign-ins. TikTok owes part of its success to relentless advertising on rival services. According to some estimates, it spent perhaps \$1bn on social-media ads in 2018. At the same time, many who download TikTok quickly tire of its endless digital sugar-rush.

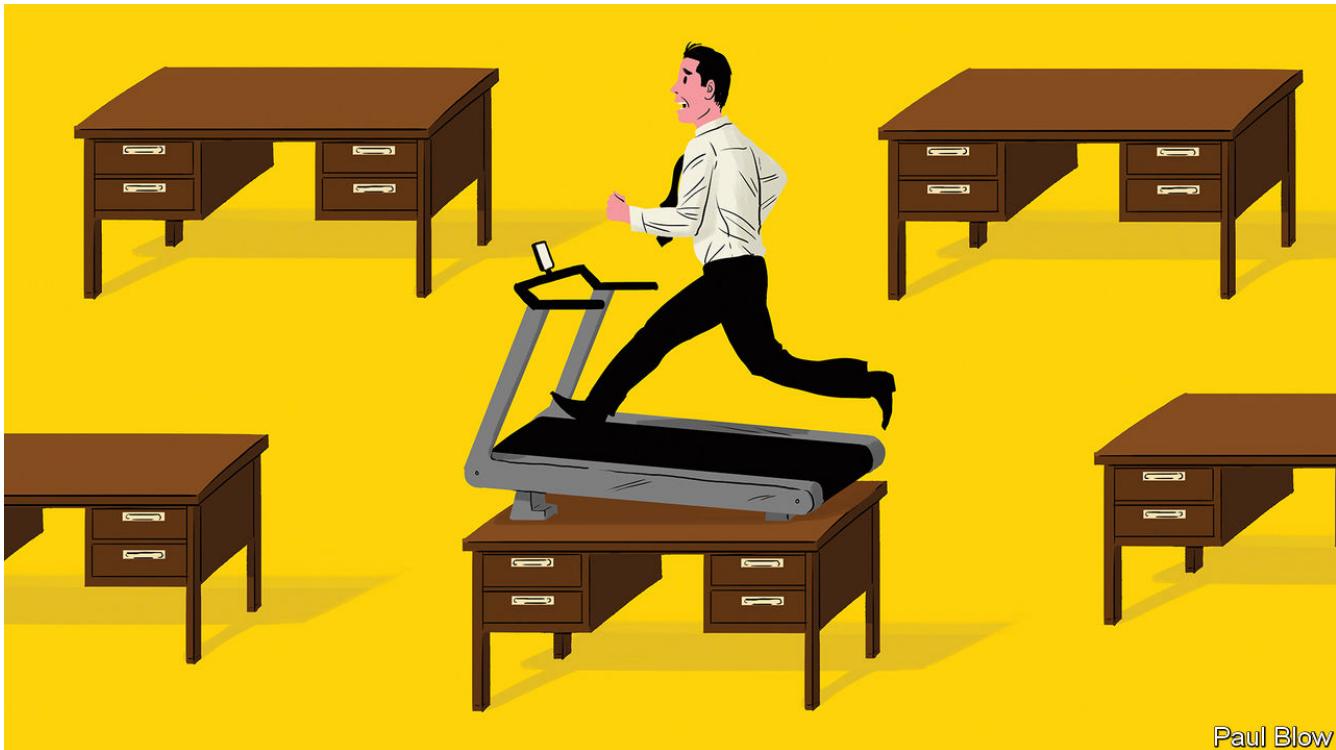
Slowing growth may not stop politicians from hobbling the app. They could decide to bar it from America altogether. For once, Mr Zuckerberg would be cheering them on. ■

Bartleby

Take the money and run

The benefits of fitter workers

Print | Business Nov 9th 2019



ALATIN PHRASE beloved by every old-fashioned British schoolmaster was *mens sana in corpore sano*—a healthy mind in a healthy body. With that, the pedagogue would dispatch some shivering schoolchild in vest and shorts on a three-mile cross-country run.

It turns out that those tutors were on to something. Greater physical activity is associated with better mental, as well as physical, health. And it might also be linked to greater worker productivity, and thus faster economic growth. That is the conclusion of a new report from RAND Europe, a think-tank, that was commissioned by Vitality, a British health insurer.

It is reasonably well established that physical activity reduces the risks of heart disease, type 2 diabetes, strokes and some cancers. And a report by Britain's Physical Activity Guidelines Advisory Committee in 2018 found that engaging in around 30 minutes of exercise a day could lower the likelihood of depression by more than 40%. RAND conducted a workplace survey across seven countries, and it found that those who reported higher levels of activity (equating to 150 minutes a week of moderate exercise, or 75 minutes of vigorous workout) had better mental health on average.

Does this make them better workers? Previous studies have suggested that those who exercise more tend to earn 5-10% more on average. A number of factors could explain this, however. Those who participate in team sports may make contacts in the locker room that help them in their careers. Or it could simply be that higher earners can afford to take advantage of sports facilities, such as gym memberships.

The RAND study looks at different measures: absenteeism (when workers take time off for illness) and presenteeism (when they turn up for work but are less productive because of sickness). The latter measure was self-reported by employees, who were asked whether their work was adversely affected by health issues. The survey suggests that between 3 and 4.5 working days each year are lost as a consequence of workers being physically inactive. This is between 1.3% and 2% of annual working time. The bulk of this was down to presenteeism.

Another potential gain from improved fitness is reduced health-care costs. In many countries, these would accrue to the public sector. But in America, where health care is often provided through employment-based schemes, firms could benefit. It is hard to know what proportion of these costs could be trimmed, but RAND estimates that total American health savings could be \$6bn a year by 2025 (using the same targets for moderate or vigorous exercise as before).

That is a rounding error in America's annual health-care bill of \$3.5trn. But, with the help of fancy econometrics, the study's authors conclude that if people met these exercise targets, global GDP could be around 0.17-0.24% higher by 2050. Nothing

to sniff at in a world of slowing growth—though the uncertainties involved in forecasting over such long periods mean such estimates should be treated with extreme caution.

How to encourage workers to become more active? Incentives are useful but only if they have conditions; giving all employees subsidised gym membership does not seem to work. Another RAND Europe study examined a programme in which workers were given an Apple watch, payable in instalments at a discounted price—but only to those who agreed to have their physical activity monitored. Monthly repayments depended on how much exercise they took. If they met the targets they ended up paying 10% of the watch's list price; those who took no exercise paid the full whack.

This approach takes advantage of a behavioural bias known as loss aversion—people are eager to avoid paying more. On average, participants in the scheme undertook 30% more exercise than before.

The problem is that many people are too optimistic about their health, underestimating the risks they face. This means that participation in workplace exercise schemes tends to be low, around 7% in the sample studied by RAND.

Firms are not the only ones that can encourage a healthier lifestyle; friends and families are likely to be more important. But businesses can play a bigger role. If RAND is right, this may bring them financial benefits. Company taskmasters may yet grow fond of an adapted adage: *mens sana in corporate sano*.

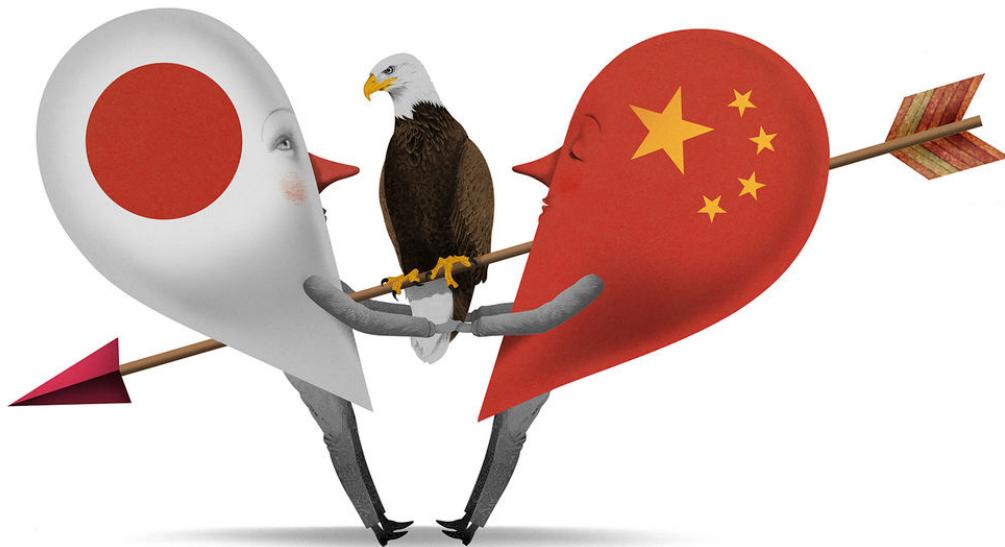
Clarification (November 8th 2019): The RAND Europe study involved an ongoing programme in which Apple watches were given to workers, rather than an experiment. We have updated the text accordingly.

Neighbourly love-in

Japan Inc has thrived in China of late

Can it last?

[Print](#) | [Business](#) Nov 9th 2019



Brett Ryder

IN 1977, FIVE years after China and Japan re-established diplomatic relations, Miyakoshi, an electronics manufacturer, became the first Japanese firm to receive a business permit from the Communist Party, to make cassette-tape recorders. In 2017 around 32,000 Japanese companies had investments worth \$117bn on the mainland, one of the biggest foreign corporate footprints. Last year they poured close to \$11bn into China, up by half since 2010 and not far off America's long-stagnating tally. Big listed Japanese firms derived 17% of their overseas profits from China, according to calculations by Jesper Koll, a fund manager in Tokyo.

The rapport between the world's second- and third-biggest economies has never been better. Last year Chinese officials paid a visit to Panasonic, Canon and Toyota in Japan to meet executives and lure their firms to new free-trade zones. A year ago Shinzo Abe, Japan's prime minister, travelled to China, to a forum attended by 1,000 businesspeople. During the trip the two countries announced 500 deals worth more than \$18bn. Yet for all the bonhomie, it is also an unusually delicate time for Japanese businesses in the People's Republic.

The first reason is the changing nature of commercial relations between an enriched China and the world. Japan's firms have navigated this shift well, displaying none of the overconfidence which bedevilled their gung-ho American misadventure in the 1980s. As Chinese labour has grown pricier, many have moved manufacturing to cheaper places in the region. UNIQLO, a Japanese garment-maker, is one of a clutch to decamp to South-East Asia.

At the same time, many of the same companies have successfully turned themselves into desirable brands in China. Chinese shoppers covet UNIQLO's well-made clothes. Fed up with safety scandals at local producers, they prefer Japanese-branded snacks and beverages from Asahi or Yoshinoya or medical products made by Kobayashi. Kao, a Japanese consumer-goods firm, recently started making a premium version of its Merries nappies for the Chinese market only. This summer Toyota invested \$600m in Didi Chuxing, a Chinese ride-hailing giant. Miyakoshi, which now sells property rather than cassette-players, generates all of its sales in China. Chinese consumption has gone "beyond the point of no return", says Takeshi Niinami, the boss of Suntory, a giant Japanese distiller.

Japanese wares appeal not only to China's consumers but also to its corporations. In April Toyota agreed to sell electric-car technology to Singulato, a Chinese builder of low-emissions vehicles. In June it announced partnerships to build batteries with China's CATL, a technology company, and BYD, a carmaker. When in 2015 JD.com decided to erect China's largest hydroponics factory on the outskirts of Beijing, the Chinese e-commerce giant looked as far afield as Israel and the Netherlands for the right

technology to regulate the temperature of its seedling rooms and soil-free vegetable beds. In the end, it settled for Mitsubishi Chemical. The Japanese firm has already helped build close to 20 factories like JD.com's in China and aims to break ground on ten a year.

Japanese firms run into the same hurdles as others trying to do business in China. Bosses in Tokyo echo Western gripes about woolly, haphazardly enforced rules, a tax system skewed towards Chinese companies, unreliable courts and theft of intellectual property. But Japan's government and industry groups may be doing more to help them than America's or Europe's do for theirs. Its embassy in Beijing and the Japan External Trade Organisation, an independent government agency, have employed experts to assist firms. Japanese advertisers have set up shop in China to help compatriots market to local tastes. Having had its fingers burned in China a few years ago, in May Rakuten, a Japanese e-commerce giant, opened an office in Dalian, a Chinese coastal city now home to some 1,500 Japanese companies.

For all its recent success in China, Japan Inc must still tread carefully there. One reason is ghosts of the past. In 2005 a controversial change to Japanese history textbooks, seen to whitewash Imperial Japan's sins, led to riots in China and boycotts of Japanese businesses. In 2012, during a political row over the disputed Senkaku Islands, which Japan controls but China claims (and calls the Diaoyu), Toyota and Honda dealerships, as well as a Panasonic plant, were set on fire.

Japanese firms have got better at dealing with Chinese grievances over Japan's failure to atone for its wartime occupation of parts of China, when firms such as Mitsubishi Materials forced Chinese labourers to toil in Japanese mines. Three years ago Mitsubishi even issued a rare formal apology and has been setting up a compensation fund. But resentment simmers—and could easily boil over if China's self-confidence continues to find expression in an assertive nationalism.

Between the eagle and the dragon

Then there is the spectre of Sino-American rivalry. Japanese firms have long benefited from geopolitical proximity to America and geographical closeness to China. The two are the most important markets for many Japanese companies, whose supply chains criss-cross both. As the superpowers jostle over everything from trade to technology, this blessing looks ever more like a curse. Because Japan's firms are more exposed to China than American ones are—China is Japan's largest trading partner—they would find it harder to give up on the Chinese market. It would be "a nightmare" to have to choose between Japan's biggest neighbour and its chief strategic ally, says Ichiro Hara of Keidanren, a Japanese business lobby. As geopolitics impinges on globalised commerce, the choice may become inevitable. ■

Schumpeter**Hard times for SoftBank***After the WeWork fiasco Masayoshi Son's empire needs a rethink*

Print | Business Nov 7th 2019



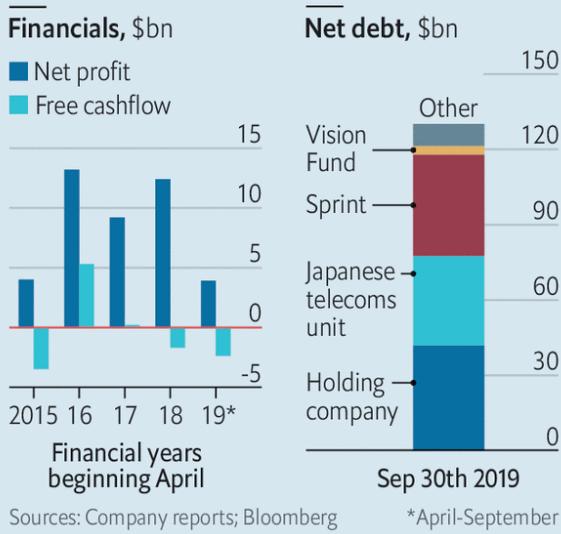
COMPANIES AND financial vehicles that get into trouble often have common characteristics: high debts, accounting that is hard to understand, opaque assets that are hard to value and managers who have a hard time facing reality. That more or less fits the description of SoftBank, a giant Japanese telecoms and technology conglomerate founded and run by Masayoshi Son, which on November 6th announced a \$6bn loss after bailing out WeWork, a loss-making property firm. Speaking in Tokyo, Mr Son put on a defiant display and insisted that SoftBank has a valuable portfolio of tech assets that the outside world does not appreciate. But soon enough, like most troubled businesses, SoftBank will have to confront its underlying weakness: a lack of cashflow to back up all of the hype. It may have to shrink and could end up being broken up.

Mr Son has cultivated an eccentric persona by making dramatic predictions about how technology will change the world and insisting his firm will last 300 years. But SoftBank is no curiosity. After a long expansion binge it is the world's fifth-most-indebted non-financial firm, with gross consolidated debts of \$166bn (after deducting cash the net figure is \$129bn). These are owed to banks and investors around the world and to Japanese households. SoftBank controls important companies, including Sprint, an American telecoms outfit, and Arm, a British tech firm that is a vital cog in the semiconductor industry. Saudi Arabia has invested a pile of public money in Mr Son's tech-investment arm, known as the Vision Fund. This vehicle has gone on an acquisition spree, buying stakes in tech "unicorns", several of which, including WeWork and Uber, a ride-hailing pioneer, have struggled of late.

SoftBank is hard to understand because it is complex and because Mr Son's explanation of its purpose often changes. It was founded in 1981 as a software distributor. In 2000 Mr Son was clever (or lucky) enough to invest in Alibaba, which became China's most valuable company. Today SoftBank owns 24% of the e-commerce giant. Between 2006 and 2015 SoftBank morphed into a telecoms firm, buying first Vodafone's Japanese arm and then Sprint. The most recent phase started in 2016, when Mr Son pivoted again, this time to investing in fashionable tech firms, and created the Vision Fund. The vehicle raises money from outside investors but is run by SoftBank and enters into various transactions with it.

Flying too close to the Son

SoftBank Group



Sources: Company reports; Bloomberg

*April-September

The Economist

The results of all this can be baffling. Is SoftBank a conglomerate or a venture-capital firm? Does Mr Son act in the interests of SoftBank's shareholders or the Vision Fund's investors? Analysts have struggled to find a coherent way to think about the firm, in one case, optimistically, describing it as tech's Berkshire Hathaway. Shareholders have been lukewarm; SoftBank's share price has gone nowhere for half a decade. Credit-rating agencies have been tolerant. Never mind that SoftBank's consolidated accounts—which, roughly, tally the figures for all the assets that it controls—show it has burned up a cumulative \$2bn in free cashflow over the past five years (see chart), even as it has booked a gargantuan \$43bn of profits.

The simplest way to view SoftBank is as an indebted holding company that owns a basket of assets, which are of mixed quality and often themselves indebted. These include Arm and stakes in Alibaba, the Vision Fund, Sprint and a Japanese telecoms operator. Mr Son argues that this holding company is financially strong. It is legally responsible for only a subset of the group's net debt—some \$41bn—with the rest owed by operating companies that could, in principle, default without bringing the whole house down. Meanwhile, the value of the stakes that the holding company owns are worth several times its debts, at \$247bn. Half of this sits in Alibaba. In other words, if you liquidated everything, the holding company could easily pay off its obligations. What's not to like?

It is a seductive story, with three big flaws. First, the holding company still needs to receive enough income to pay its interest bills, in the form of dividends and fees paid to it by the firms and funds that it invests in. At the moment it does but the margin for error is tight. That feeds into the second worry, that the underlying performance of the firms that SoftBank invests in is weak, suggesting that their valuations may fall. WeWork has got lots of attention for its vast losses. But consider Arm, supposedly a jewel in the crown, which SoftBank bought for \$31bn in 2016. In the most recent quarter its sales fell year-on-year and it made a loss—hardly a stellar performance.

The third worry is that firms and funds that SoftBank invests in have too much debt. The Vision Fund has \$40bn of debt-like securities with a hefty coupon. Even if SoftBank is not legally liable it may feel it has to bail out entities that it sponsors. This has just happened at WeWork, into which SoftBank has pumped another \$6.5bn. Worries over borrowing levels are compounded by reports that SoftBank and Mr Son have put in place unusual debt structures. For example, SoftBank is reported to have loaned money to employees to invest in the Vision Fund. Mr Son himself is reported to have taken out personal loans secured against his 22% stake in SoftBank. Corporate structures that depend on layers upon layers of debt are inherently fragile. When they come under pressure the end result is often hard to predict.

Mr Son's instinct is to expand by launching a second \$100bn-plus Vision Fund, from which SoftBank could presumably earn fees and to which it could perhaps sell assets, while remaining in control. But the WeWork fiasco raises profound doubts about his judgment and SoftBank's valuation process.

From soft to soggy

Instead, the obvious path for SoftBank is a dose of austerity. That would mean stemming the losses at the tech firms owned by the Vision Fund and selling down more assets; SoftBank is already trying to merge Sprint with T-Mobile, a rival. It would also require Mr Son to cede control. His vision of SoftBank involves one man being largely responsible for hundreds of billions of dollars—and for juggling no small number of competing objectives and interest groups. If you think that approach still makes sense you have to be soft in the head.

The euro area

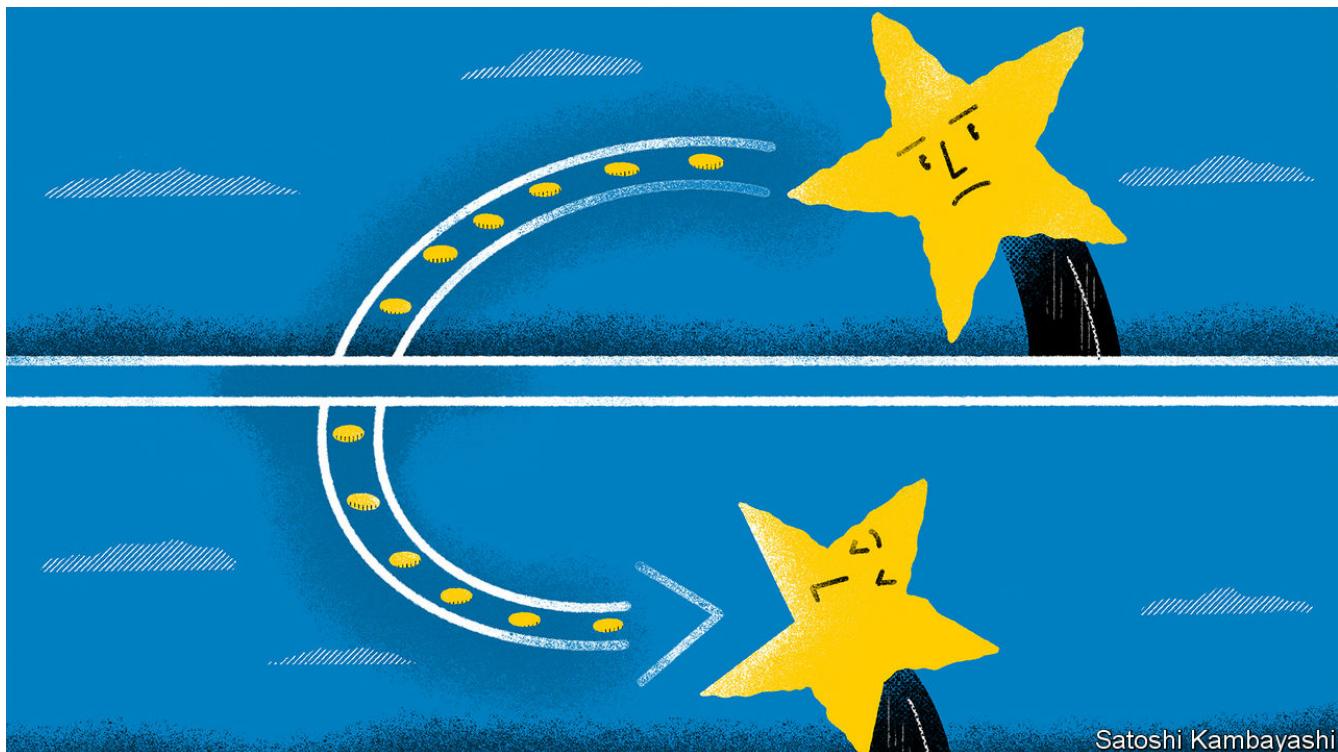
Rift in the union

State of the union

Revisiting the euro's north-south rift

Income gaps remain, but cross-border flows are more balanced

[Print](#) | **Finance and economics** Nov 7th 2019



Satoshi Kambayashi

SINCE THE euro zone was first engulfed by a sovereign-debt crisis a decade ago, northern member states have dished out plenty of strictures. "Greece, but also Spain and Portugal, have to understand that hard work...comes before the siesta," advised *Bild*, a German tabloid, in 2015. Two years later, even as the crisis receded, Jeroen Dijsselbloem, then the Dutch finance minister, told southerners: "You cannot spend all the money on drinks and women and then ask for help."

Northerners' constant fear of underwriting southern irresponsibility has led politicians from Amsterdam to Helsinki to put the brake on banking reforms and fiscal integration across the zone. It has caused numerous fights over monetary policy, the latest of which is in full swing. On November 1st the European Central Bank (ECB) resumed quantitative easing (QE), the purchase of bonds using newly created money. The decision to do so, made in September, was roundly attacked by newspapers—and even former and current central bankers—in northern countries including Germany and the Netherlands. The complaints reflect savers' dread of negative interest rates and a suspicion that easing lets indebted southern countries off the hook. Together this can make monetary policy seem like a source of transfers.

In reality, the matter of whether north subsidises south is complicated. Gaps in living standards remain wide, but cross-border flows have become more balanced. And the north is partly responsible for the monetary policy about which it complains.

When the euro first came into being it shackled together a disparate set of countries. GDP per person in Greece, Portugal and Spain was 30-40% lower than in Germany. But Germany, still feeling the aftereffects of reunification, was battling sluggish growth and high unemployment. It was rich, but others were richer. In Austria average income per head was a tenth, and in the Netherlands a fifth, higher than that in Germany.

In the first decade of the currency union cross-border bank loans fuelled public and private overspending in the south, which pumped up wages and eroded competitiveness. Current-account deficits widened, to 12% of GDP in Portugal and 15% in Greece. When crisis hit, private financial flows dried up. In Greece, Ireland, Portugal and Spain they were replaced by bail-out

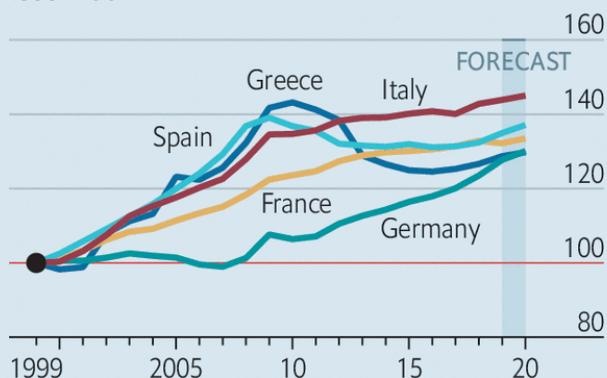
funds. TARGET2, a payments system used to settle accounts between national central banks and the ECB, also acted as a buffer, enabling central banks in the crisis countries in effect to borrow from others.

If you divide eight of the countries that joined the euro before 2001 (ie, excluding the mostly eastern late-joiners) into north and south, it is clear that economic dispersion has widened (see chart). The north—Austria, Finland, Germany and the Netherlands—has raced ahead, with Germany aided by labour-market reforms. The south—Greece, Italy, Portugal and Spain—has fallen behind. France sits between the two. In 1999 its income per head was nearly level with Germany's. It ran a current-account surplus. Today, with still-high unemployment, debt and a current-account deficit, it seems more southern.

So near yet so far

Unit labour costs

1999=100



Current-account deficit with Germany

% of GDP



Euro-area averages*

1999

2018

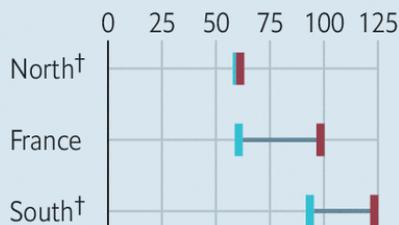
Real GDP per person

€'000, 2010 prices



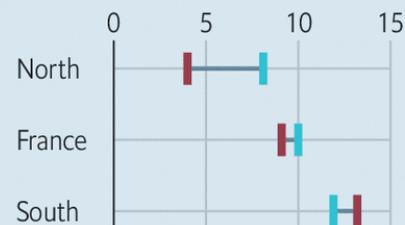
Government debt

% of GDP



Unemployment rate

%



*North=Austria, Finland, Germany, Netherlands. South=Greece, Italy, Portugal, Spain

†GDP-weighted average

Sources: Eurostat; Bundesbank; *The Economist*

The Economist

However, southerners rely less on financial flows from the north. In many places balance has replaced imbalance (though stocks of debt are still large). Consider, for instance, the flow of funds between Germany and Spain. Spain's current-account deficit with Germany has nearly closed. Mirroring that, net capital flows have shrunk. In 2006 German investors ploughed a net €50bn (\$63bn) into Spain. Last year that fell to €3bn. The reversals partly reflect relative improvements in the south's competitiveness. Between 2015 and 2018 German labour costs grew more than twice as fast as those in the south.

Labour flows from south to north. Federico Fubini, an Italian journalist, computes that Germany received 2.7m migrants from other EU countries in 2008-17, up to a third of whom hail from the south. Countries such as Greece and Portugal have lost young and relatively highly educated workers. That means a large transfer of skills and investment in education.

Northerners have other grievances. TARGET2 balances, for instance, are frequently deemed newsworthy in Germany. In 2018, as its credits in the system approached €1trn (30% of GDP), some economists claimed these represented "stealth bail-outs" of countries such as Italy and Spain, which had large debits. Central bankers responded that much of the increase reflected arcane accounting made necessary by QE. If a southern central bank buys a bond from an investor based outside the euro area, but with correspondent-banking links to Frankfurt, it adds to Germany's TARGET2 credits. Daniel Gros of the Centre for European Policy Studies, a think-tank in Brussels, points out that these would need to be settled only if the currency union were to disband wholly. But the resumption of asset purchases means that Germany's credits will probably rise further, causing more complaints.

An abiding grumble concerns the effects of monetary stimulus. Spanish and Italian banks are by far the biggest users of the ECB's cheap funding scheme for banks. QE depresses bond yields, meaning lower interest bills for more indebted governments.

But monetary policy is not a zero-sum game between north and south, says Marcel Fratzscher of the German Institute for Economic Research. The German government also benefits from lower interest costs. Northern countries, which are more export-oriented, have gained the most from a weak euro. And less stimulus would have been needed in the first place had Germany and the Netherlands spent more at home, pushing up euro-zone demand and inflation, rather than building up huge current-account surpluses.

All these divisions make reforming the currency union a tortuous process at best. On November 5th Olaf Scholz, Germany's finance minister, said that he would back a common deposit-insurance scheme for the euro zone. But the catch—and a very big one—is that banks in the south would need to back their large holdings of national sovereign debt with more reserves. Northerners' fears of transfers to the south are not going away. ■

Phase one, scene two

China tries to squeeze more out of a small trade deal with America*China wants to see American tariff cuts as a show of good faith*

Print | Finance and economics Nov 7th 2019



Getty Images

THE TRADE conflict between China and America has been a clash not just of giant economies but of utterly different public negotiating styles. In one corner are President Donald Trump's tweets, in which he veers between heaping praise on China and declaring that he has pummelled it. In the other is a Chinese bureaucracy that has stuck doggedly to the same message: tariffs must be removed for the two countries to reach a trade agreement. A mini-deal, hashed out last month, is shaping up to be a mini-test of their contrasting approaches.

The outline of the mini-deal—or, as Mr Trump put it, the “substantial phase-one deal”—seemed clear enough. China would buy American agricultural products, and America would hold back from slapping yet more tariffs on China. With this basic agreement under their belts, the two combatants would move onto weightier topics such as China's support for its strategic industries. But two problems have since emerged: one predictable, one not.

As was foreseeable at the time, the lack of detail about the mini-truce concealed big differences. Mr Trump said that trade talks had been “a love fest”, and that China would buy \$40bn-50bn in farm goods from America, more than double the level before the trade war. But the more he gloated, the more China appears to have seen an opening to push for more. According to multiple reports, Chinese negotiators have demanded that to complete the mini-deal, America must remove some of its existing tariffs, not just refrain from new ones.

China's gambit might just pay off. On November 4th a Trump administration official reportedly said that a phase-one deal between America and China could roll back the 15% tariff imposed on September 1st, on \$112bn of goods. China could be offering some sweeteners such as a purchase of liquefied natural gas, which Wilbur Ross, America's commerce secretary, hinted at on November 5th. But the tariff reduction would be an American concession. The previous stance of Robert Lighthizer, America's chief trade negotiator, was that tariffs should remain until China proves that it is honouring whatever deal is struck.

The unpredictable complication was Chile's big protests. Mr Trump and Xi Jinping, his Chinese counterpart, had hoped to seal their mini-deal on neutral ground at a summit of Asia-Pacific countries in Chile in mid-November. But the organisers have cancelled the summit. That poses the question of where and when the leaders should meet, itself a matter of negotiation. Given Mr Trump's tendency to improvise, China wants to be sure there is a political win on the table before it agrees to meet.

The Chinese may yet include more juicy titbits for American businesses as part of the mini-deal. But even if it is signed without a hitch, the trade war will be far from over. Hundreds of billions of dollars of Chinese exports would still be affected

by tariffs and companies would still have to live with the uncertainty of the old ones coming back. Mr Trump would still have the final word, and another one after that too. ■

Vultures v zombies

Distressed debt funds are waiting for a downturn

The economic expansion and low interest rates starve them of deals

Print | Finance and economics Nov 7th 2019



Getty Images

ON NOVEMBER 4TH the share price of Kier Group, a troubled British builder, fell by nearly 10% on reports that banks were trying to offload its debt at a steep discount. The rumour remains unconfirmed—sources close to the firm and one of its biggest lenders dispute the claim—but investors may have felt a sense of *déjà vu* all the same. After the sudden downfall of Carillion and Interserve, Kier is Britain's third construction giant to face a battle for survival in less than two years. And each time the groups' fortunes have worsened, hedge funds eager to snap up their debt at bargain prices have begun to circle.

Funds that buy “distressed” debt, which typically yields ten percentage points or more over Treasuries, are becoming familiar villains. They pounced on Thomas Cook, a travel group, and PG&E, a Californian utility, shortly before they went bust this year. They tend to circle around ailing oil firms and shops disrupted by e-commerce, notes Christine Farquhar of Cambridge Associates, an investment firm. And they snap up portfolios of dud loans from banks. If their target ends up recovering, they pocket big profits. If it does not, they often gain regardless, as they are usually first in line for liquidation proceeds.

Yet distressed specialists are frustrated. Convinced that a recession was just around the corner, they have raised \$136bn since 2017, more than they did in the four years that followed the financial crisis, according to Private Debt Investor, a financial-information provider. But they have struggled to deploy the cash. Distressed-debt funds currently hold \$62bn in “dry powder”—almost twice as much as they had in 2008 and close to the \$75bn peak reached a year ago, reckons Preqin, a data firm.

Two things are making their life difficult. First, despite choppy markets and a commodity bust, the global economic expansion is a decade old and counting. And just when funds think a downturn is finally coming, interest rates are cut, allowing weak borrowers to limp on for longer. Meanwhile plentiful liquidity has led to weakening covenants—clauses that require borrowers to keep overall debt levels under control—making it harder for funds to force floundering firms into bankruptcy.

So distressed deals are few and far between. And when they come up, competition is fierce. That is buoying prices, which hurts returns. Weaker contractual protections make this worse: creditors often recover less from restructurings, says Fraser Lundie of Hermes Investment Management. Distressed debt is also becoming less liquid, and harder to trade, because passive funds that track fixed-income indices focus on larger and safer companies. After returning more than private equity for years, the asset class has lagged behind it each quarter since 2016, according to eFront, a data firm. Internal rates of return are just 8.5%, net of fees, compared with 12% two years ago.

The famine is “wiping out an entire generation of distressed professionals”, notes a credit-fund manager. Trading desks have lost staff; flagship funds have folded. Nick Kraemer of S&P Global, a rating agency, says default rates on speculative-

grade debt in America could top 10% in mid-2020, up from 2.4% in June 2019, providing a reason to hope. But more easing by the Federal Reserve could thwart that. And structural factors, like weak covenants and thin liquidity, will probably persist. Britain's builders may flounder, but corporate debt seems based on firmer foundations. ■

The lives of the 0.0001%

Have billionaires accumulated their wealth illegitimately?

The economics of billionaires

Print | Finance and economics Nov 7th 2019



Getty Images

BILLIONAIRES HAVE never exactly been popular with the radical left. But with a member of the nine-zero club sitting in the White House, and a decade of slow growth in living standards, some Democrats have taken to attacking billionaires to draw attention to their argument for root-and-branch economic reform. “Billionaires should not exist,” says Bernie Sanders, a presidential candidate. Plutocrat-bashing has become part of the debate in Britain, too, where an election will be held on December 12th. At the Labour Party’s campaign opener Jeremy Corbyn, its far-left leader, attacked the Duke of Westminster, one of Britain’s wealthiest landowners, and Rupert Murdoch, a media mogul.

Socialists argue that anyone who has become fantastically rich has profited from a rigged system. “Every billionaire is a policy failure,” goes the memorable phrase. To assess this claim *The Economist* has drawn on data from *Forbes*, a business magazine, on billionaires in the rich world, updating an index of crony capitalism that we first put together in 2014 (see chart).

In the past decade the wealth of the world’s 2,200-odd plutocrats (which puts them inside the world’s top 0.0001%) has risen much faster than global GDP. Still, most of the world’s billionaire wealth has been earned fair and square. Oprah Winfrey, for instance, has a fortune of about \$3bn. It is one thing to feel that having so much money is distasteful. It is quite another to argue that these people have accumulated their wealth illegitimately and should be stripped of it.

On the cover of *Forbes* magazine

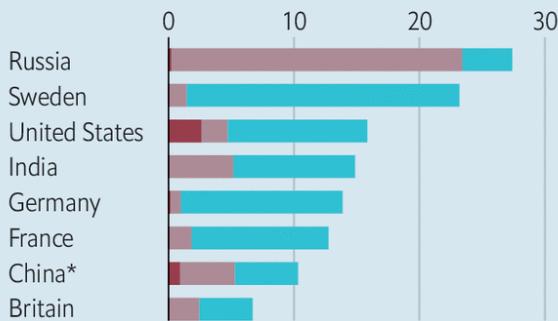
Billionaire wealth

Rent-seeking ■ Tech ■ Non-rent-seeking
■ Non-tech

Advanced economies, % of GDP



By country, 2018, % of GDP



Sources: World Bank; *Forbes*; *The Economist*

*Incl. Hong Kong and Macau

The Economist

But some billionaires are less upstanding, indulging in what economists call “rent-seeking”. This takes place when the owners of an input of production—labour, machines, intellectual property, capital—extract more profit than they would get in a competitive market. Such activity may or may not be illegal, and often involves cartels and lobbying for rules that benefit a firm at the expense of competitors and customers. Our analysis identifies industries where rent-seeking is common, including mining, defence, construction and casinos. This time it also includes the largest tech companies, since many of them have engaged in anticompetitive practices.

Three-quarters of billionaires’ wealth in advanced economies was fairly acquired. Still, rentier wealth has risen relative to GDP. Some countries are more cronyfied than others. Sweden and Germany less so. But in America rent-seeking industries made one in five billionaires and explain a third of total billionaire wealth.

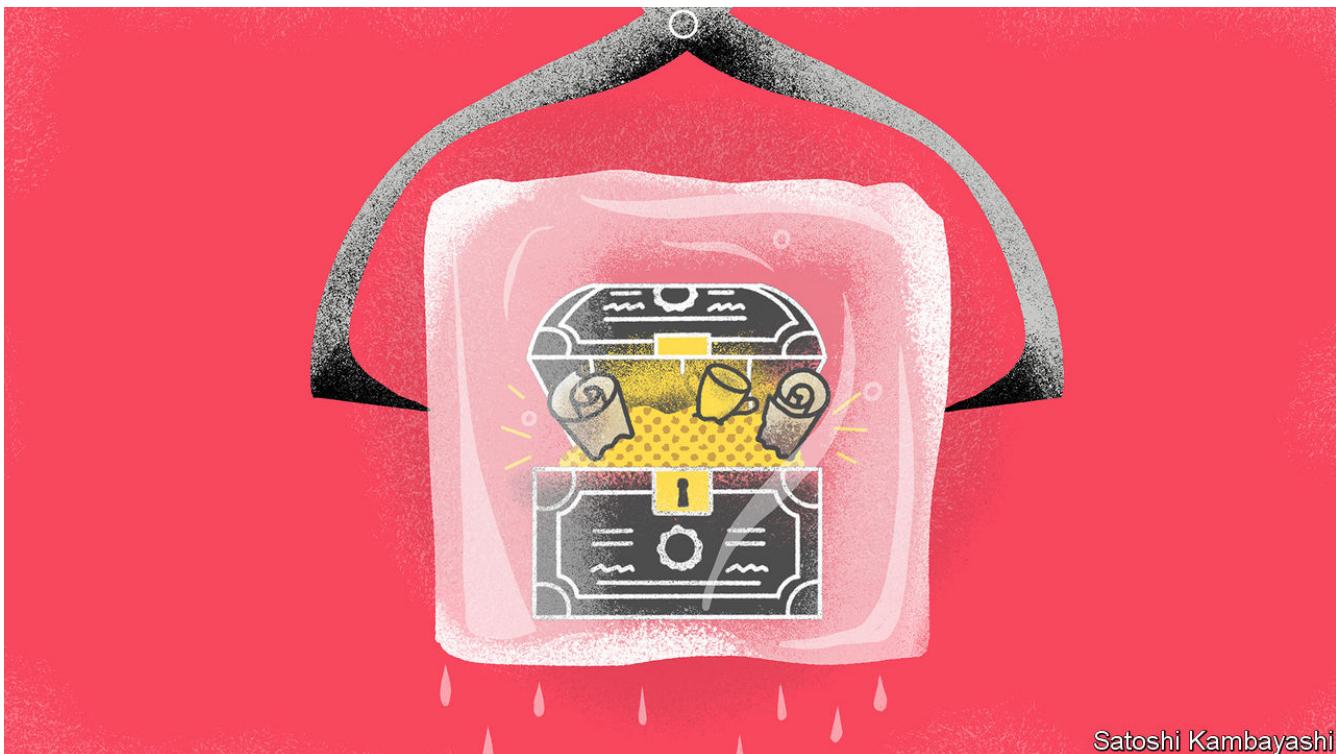
What should be done? Governments could do more to expose oligopolies to competition. Another option would be higher taxes on wealth transfers (according to a separate analysis, one-third of global billionaire wealth is inherited). Making the economy more competitive would do more for ordinary folk than tarring all plutocrats with the same brush. ■

Buttonwood

What is the illiquidity premium?

A primer on the rewards and hazards of investing in hard-to-trade assets

Print | Finance and economics Nov 7th 2019



Satoshi Kambayashi

IMAGINE TWO bonds listed on different exchanges that are otherwise identical. The risk-free rate of return is 2%. Investors hold bonds for an average of one year. A central bank acts as market-maker, supplying cash on demand for bonds. To cover its costs, the price the central bank pays (the bid) is a bit below the fair value of a bond, which is the price it requires buyers to pay for it (the ask). The bid-ask spread is the cost of trading. For A-bonds it is 1%. For B-bonds, which are listed on an inefficient exchange that charges higher fees, it is 4%.

What is the yield on each bond? It varies with trading costs. Investors on average make one round-trip sale-and-purchase a year. So the yield they demand on A-bonds is 3%. That includes the risk-free rate of 2% plus 1% compensation for trading costs. By the same logic, the yield on B-bonds is 6%. The extra 3% return required on the harder-to-trade security is known as the illiquidity premium.

Illiquidity matters less if investors have longer horizons. A pioneering paper by Yakov Amihud and Haim Mendelson, published in 1986, posits that investors with the shortest horizons hold securities with the lowest trading costs; and bonds that are relatively illiquid are held by long-term investors, who can spread the higher trading costs over a longer holding period. In principle patient investors can reap a reward from illiquidity. But in practice the risks that go with it often prove to be bigger than many investors had expected.

In our simple example, fees are the friction that makes one security costlier to trade than another. But there are other features intrinsic to the securities themselves that make them more or less liquid. The shares of big companies, such as Apple or ExxonMobil, are traded cheaply in seconds, because they are part of a big pool of identical securities. Buy and sell orders can be effortlessly matched on electronic order books. In contrast, a company may have bonds of several maturities. So corporate bonds are intrinsically less liquid than stocks.

In markets for very specialised assets, finding a suitable buyer or seller is costly. A wider bid-ask spread is needed to compensate for these search costs as well as for the risk of prices moving in the meantime. It also takes costly effort and skill to appraise the value of idiosyncratic assets. There is a greater chance that your counterparty knows more about the asset's true value than you do; so you may end up buying a lemon or selling a hidden gem. Such risks add to the cost of trading less liquid assets and to the illiquidity premium that investors require to hold them.

Most assets are somewhat illiquid. Houses can take several months to sell. A piece of fine art might not trade for decades. Some kinds of investments, such as limited partnerships in private-equity or venture-capital funds, require capital to be locked

up for several years. Secondary-market trades are rare; where they occur, they are at predatory discounts. The liquidity cost of holding such thinly traded assets cannot usefully be represented by a bid-ask spread. It is more helpful to think of lockup as incurring an opportunity cost. Liquidity affords options; and illiquidity constrains them. An illiquid asset cannot easily be sold to meet unexpected spending needs (say, medical expenses) or to take advantage of better investment opportunities.

Liquidity varies over as time as well as between assets. It relies on the capacity of private-sector traders and arbitrageurs to supply it. That varies. In good times, it is abundant. Asset prices are on a generally rising trend so market-makers find it easy to borrow to finance their stock of securities. But in bad times, trading liquidity dries up. In extreme cases, such as the 2008-09 financial crises, there are self-perpetuating “liquidity spirals”: market-makers take losses on their stockholdings; they are forced to sell assets to preserve their cashflow; and that in turn drives prices lower, further impairing their ability to trade securities.

At such times a lot of investors who were intent on picking up an illiquidity premium discover that they are far less patient than they had believed themselves to be back when liquidity was plentiful. The possession of cash or the ability to raise it quickly is especially valuable in recessions. The skilful are able to pick up assets cheaply that others have been forced to sell. A short-horizon investor won’t buy such assets, for they might become even cheaper. But a truly patient investor who can wait for the payoff is able to step in—as long, of course, as he is liquid. ■

Life after neoliberalism

Mexico's radical president serves up economic mediocrity

AMLO's first year in office has lacked the growth he needs

Print | Finance and economics Nov 7th 2019



Getty Images

MEXICAN PRESIDENTS tend not to get the economy off to a flying start when they first take office. The past six leaders saw the economy shrink by an average of 0.4% during their first year, but went on to enjoy growth of 3.5% in their sixth and final one (see chart). So likely are governments to enrich their allies at the expense of everyone else that each transfer of power causes investors to hang back until they know where they stand. So it may not be a shock that Mexico will barely grow in 2019, the first year of Andrés Manuel López Obrador's presidency. But economists worry that the malaise might linger this time.

Mr López Obrador rode to power on the back of popular outrage against the status quo. The left-leaning populist wants to centralise power, boost the scope of the state and balance the books—all while hitting annual GDP growth of 4%, “double the growth achieved in the neoliberal period”.

The list of headaches is long. Consumer confidence, which rocketed after Mr López Obrador's inauguration, has slumped. Manufacturers are struggling: in the past year capital-goods imports are down by 16% in dollar terms, the biggest drop since the global financial crisis. The pace of formal job creation has decelerated over the past year. Economists have repeatedly slashed growth forecasts.

Rookie errors

Mexico, GDP, % change on a year earlier

■ President's first year in office



Source: IMF

*Forecast

The Economist

Not all the gloom is homemade. Exports, once a bright spot, are growing more slowly, hit by sluggish demand in America. Threats from President Donald Trump, first to tear up the North American Free Trade Agreement and then to impose tariffs on Mexico to deter Central American migration, have added to the uncertainty.

But businesses also complain of mixed messages from Mexico's president. He bashes the private sector while his advisers hint that pro-business policies are just around the corner. He scrapped a \$13bn airport that was already under construction because he deemed it too pricey; he ordered the renegotiation of a gas-pipeline contract that he thought too generous. In July Carlos Urzúa, the technocratic finance secretary, resigned, accusing the government of indulging in extremism over evidence when making decisions.

The government's fiscal commitments have trapped it in a negative feedback loop, says Gabriel Lozano of JPMorgan Chase, a bank. A budget-surplus target of 1% for 2019 was supported by slashing the pay of public-sector workers, starting with the president. But spending cuts have slowed the economy. Tax revenues have undershot expectations, partly because the budget's forecast of GDP growth of 2% was rosy, and also owing to an exodus of seasoned bureaucrats from the tax-collection agency.

The government has raided half of the 300bn pesos (\$15bn) in its fiscal-stabilisation fund to make up the shortfall. Next year's budget is also more optimistic on economic growth than most economists. The government's commitment to budgetary prudence might also waver ahead of mid-term elections in 2021. Another year of fiscal disappointment seems likely, and could clean out the government's rainy-day fund entirely.

For his part, Mr López Obrador wants to splurge on pet projects, including an oil refinery in his home state of Tabasco and a "Maya train" through the Mexican jungle. With the economy ground to a halt, those plans are not sustainable. Nor, loyalists concede, is his sky-high approval rating. Already he has had to dial back on more generous old-age pensions.

External forces may offer a way out of the mess. America's trade war with China means that Mexico ought to be luring investors looking to hedge against China risk, says Luis de la Calle, an economist. The gap between the Bank of Mexico's interest rates and those of America's Federal Reserve is 6.25 percentage points, bigger than in other countries with an investment-grade credit rating. The government wants to privately finance up to 1,600 infrastructure projects, which the president hopes will "reactivate" the economy.

A near-term economic boost should also come from a big rise in oil production next year, when private firms start pumping oil under contracts signed as part of the previous government's energy reforms. (Mr López Obrador has not allowed further bidding rounds, though his advisers hint at an opening next year.)

Pessimists fret that there is no opportunity that this government cannot waste. When taking office it could have tackled a fundamental problem: an economic system that enables crony capitalists and prevents small firms expanding. It could have dealt with worsening violence, or raised poor levels of education. Overcoming all this might have been worth a temporary hit to GDP. The risk is that even if this government gets through its first-year dip unscathed, no payoff awaits. ■

Get the third party started

Litigation finance faces ethical quandaries

Critics fret about conflicts of interest

Print | Finance and economics Nov 7th 2019



Getty Images

FROM A FINANCIAL perspective, a civil lawsuit is rather like a derivatives contract. Its value to a claimant comes from the performance of an underlying asset—litigation—with an uncertain, potentially lucrative outcome. No surprise, then, that some see the allure of funding legal expenses upfront in exchange for a share of the proceeds if the case is won or settled. Payouts are uncorrelated with other markets, so investors can use them to diversify. The complexity of the asset makes it hard to price, which offers room for shrewd calculation. Throw in reports of fat returns from third-party litigation-finance (TPLF) firms and it is easy to see why the industry is growing strongly. A survey by Westfleet Advisors, a litigation-finance broker, finds that commercial cases in America attracted \$2.3bn of investment in the year to June.

Speaking at an industry conference in New York in September, David Perla of Burford Capital, a litigation funder that is listed in London, trumpeted his firm's \$2.5bn in assets and \$225m in half-year post-tax profits. Michael Nicolas of Longford Capital, a private funder, said that lawyers are now more receptive to TPLF. So too are companies and universities harbouring "monetisable" claims of patent infringement. Boosters champion the industry's ability to provide capital, share risk and increase access to justice.

Not everybody shares that rosy view. Critics of TPLF, chief among them the US Chamber of Commerce, a lobbying group, contend that the industry encourages frivolous cases. But Brian Fitzpatrick, a law professor at Vanderbilt University, points out that a savvy investor would not back a meritless case. Another question is whether litigants should disclose their use of third-party funding before proceedings begin. Proponents say transparency would unearth conflicts of interest that a judge may have if, say, she has a stake in a hedge fund that is bankrolling the plaintiff. Others counter that forced disclosure could give the other side an information advantage, enabling them to force an early settlement or wage a spending war of attrition.

Third-party funding can have some unpalatable outcomes. In 2016 billionaire Peter Thiel funded a lawsuit against Gawker Media, a news website, over its publication of a sex tape featuring a professional wrestler, which eventually drove the company out of business. TPLF might increase the frequency of such uncomfortable consequences. But Tony Sebok, a professor at the Cardozo School of Law, points out that preventing that activity would mean virtuous causes go unfunded.

Critics of TPLF also worry that lawyers might be torn between the client and the funder, especially if investors finance the law firm on a repeated basis. Most TPLF firms claim to write their contracts to preclude such ethical conflicts. But in August Muddy Waters, an investment firm, criticised Burford's accounting, which, it claimed, suggested that ongoing litigation was

concluded, and concealed losses. (Burford says the claims are based on “factual inaccuracies” and “fallacious insinuations.”) As newcomers pile in, standards could become less prudent.

The best the industry can do is to form a trade association requiring members to uphold a code of conduct. This already exists in Britain and mostly seems to work well. Industry players could also make the scale and scope of deal flow public. Mr Sebok argues that funders should be more transparent on prices charged to litigants, particularly in consumer cases, where claimants tend to be more vulnerable than on the commercial side. Appropriate guardrails could bolster the case for betting on lawsuits. ■

Counter-terrorists win

Financial crime through video games is on the rise

The creators of Counter-Strike says criminals have used it

Print | Finance and economics Nov 7th 2019



FOR PEOPLE who enjoy being (virtually) shot in the head by foul-mouthed teenagers, Counter-Strike has long led the field. The game, developed by Valve Corporation, pits a team of terrorists against an anti-terrorist commando squad in a fight to the death. Its various iterations have helped make Steam, a digital marketplace for video games also run by Valve, among the most successful in the industry. But Counter-Strike has appealed to more than just twitchy young men of late. On October 28th Valve announced it was stopping the trading between players of “container keys”—an in-game gambling device that players can buy (with real money) to try to win (virtual) rewards such as special weapons or clothing. The firm says “nearly all” of the trades of such keys were “believed to be fraud-sourced”. It is a rare admission of the growing problem of using video games to facilitate financial crime.

The company has released no further details, and did not reply to a request for information from *The Economist*. But it seems likely that the keys, which were bought with stolen credit cards, were then traded between accounts on Steam’s marketplace. Players cannot withdraw real money from their accounts, but in-game credit can be used to buy new virtual rewards or games. There is a burgeoning market (on third-party websites) for accounts already loaded up with virtual cash. Criminals can cash out by selling to gamers keen to acquire games or virtual items cheaply.

Valve is not the first to be affected by such dodgy trading. In 2007 eBay, an online marketplace, banned the sale of virtual gamer goods, such as gold in World of Warcraft, another game. But the problem seems to have worsened, probably because developers now earn more from in-game items. In 2016 Electronic Arts, a developer, revealed that it made 30% of its digital revenue from “loot boxes”, much like Counter-Strike’s container keys. Such online items “function like virtual currencies”, notes Anton Moiseienko, of the Royal United Services Institute, a British think-tank. They can move value between countries and people, out of regulators’ sight.

Valve’s admission that fraudsters exploited its platform is striking, says Mr Moiseienko; others have ignored the problem. But at least one firm has gone further. In July Linden Labs, a gamesmaker, announced that players wanting to trade on its platform must provide proof of identity. Its subsidiary also registered as a money-service business. That is one way to counter-strike. ■

Free exchange**Belligerent unions are a sign of economic health***Strikes are neither a bad omen nor entirely unwelcome*

Print | Finance and economics Nov 7th 2019



Otto Dettmer

THE DISSONANCE could hardly have been more apparent. America's most recent employment figures captured a jobs market in fine fettle: firms added 128,000 new workers in October, while unemployment held near historically low levels and wages rose at a respectable clip. The data would probably have looked better, however, had they not been depressed by a costly labour dispute, only recently ended, at General Motors (GM). Workers around America are showing their restlessness; members of the Chicago Teachers' Union returned to work on November 1st, after striking to demand higher pay and more investment per student. The unrest may seem odd given the robust state of the labour market. In fact it is neither a bad omen nor entirely unwelcome.

In their book on organised labour, "What Do Unions Do?", Richard Freeman and James Medoff argue that unions play two principal economic roles. They provide workers with a voice; through a union frustrated workers, who might otherwise simply quit, can communicate their dissatisfaction to the firm. Communication can raise efficiency by boosting morale, and by helping firms to retain workers and identify and fix problems. But unions also function as monopoly providers of labour. By controlling labour supply they are able to extract rents—and thus raise members' compensation—reducing economic efficiency.

The book was published in 1984, at a critical moment. Across the rich world the share of workers covered by unions had fallen steadily from their post-war peaks (outside a handful of northern European countries). Declines in the employment share of highly unionised industries, like manufacturing, bore some of the blame. But government policy also played a role. The mood turned against labour in the 1980s, first in America and Britain, then elsewhere; politicians seized on the moment. In 1981 President Ronald Reagan, who once led America's actors' union, summarily fired 11,000 striking air-traffic controllers. In the years since, labour has spoken softly and carried a twig. America experienced an average of 16 major work stoppages (affecting 1,000 workers or more) each year from 2001 to 2018, down from 52 per year between 1981 and 2000, and 300 per year from 1947 to 1980.

Unions, though weakened, survive. In America they represent 37% of public-sector workers and 7% of private-sector ones. In 2018 nearly half a million American workers were involved in work stoppages, the most since 1986. That militancy owes something to labour-market conditions. One might expect periods of economic strength to be placid ones, because firms can be conciliatory. When profits are high, they can afford pay rises—whereas in times of economic stress, holding the line on pay may mean the difference between survival and failure. Moreover, the opportunity cost of a work stoppage is higher when demand is robust. When consumers are hoovering up new cars, lost production time is very costly. Reflecting this, GM suffered

operating losses of nearly \$2bn during the recent stoppage, according to one estimate, or nearly twice the sum of wages lost to workers.

But strong labour markets lend more encouragement to frustrated workers than pause to firms. Striking workers face the loss of pay and, potentially, of employment—threats that frighten less when good jobs are plentiful. Workers can more credibly withhold their labour from firms when there are no long lines of unemployed workers waiting to replace them. A strong jobs market may also give workers more to bargain for. Fighting over a larger share of a firm's earnings makes little sense when there are no earnings to fight over. GM filed for bankruptcy in 2009, but has since reorganised and begun turning a healthy profit.

Strikes are more than arguments over profits gone wrong. They are also a way to elicit information, as John Kennan of the University of Wisconsin-Madison and Robert Wilson at Stanford University describe in a paper published in 1993. Unions often cannot tell if a firm's claim that it cannot afford pay rises is credible or merely cheap talk. By holding its bargaining position as the losses from a strike mount, a firm can convey to a union that its arguments are rooted in reality. GM's seemingly were. Striking workers failed to secure a larger pay rise than they had won in their previous contract negotiation, or to get the firm to reopen a plant in Ohio. They did win more profit-sharing—probably the best a profitable but vulnerable firm can do, given the risk of agreeing generous pay packages that cannot be amended in times of financial stress.

A more perfect union

The situation could be different in other parts of the economy, however. When economists argue that unions impose economic costs, they typically assume that markets are competitive. Across much of the American economy that is not always the case. Sometimes one or a few big employers dominate local labour markets, and can thus impose below-market wages on vulnerable workers, a condition economists call “monopsony”. In recent testimony in a congressional hearing on antitrust issues, Kate Bahn of the Washington Centre for Equitable Growth, a think-tank, noted that though wages in manufacturing industries are close to the level one would expect in competitive markets, those in some others, like health care, are not. For workers frustrated by stagnant pay, a work stoppage may be the only way to determine if an employer is constrained by competitive markets or abusing its market power.

In the latter case, interventions by unions could prove economically useful. In a paper published last year, Mark Stelzner of Connecticut College and Mark Paul of the New College of Florida, argued that in the presence of monopsony power, collective bargaining can reduce the rents collected by dominant firms and increase economic efficiency. In practice, America's diminished labour movement cannot on its own fix the problem of uncompetitive markets, or strike much fear into the hearts of employers. Nonetheless, workers are daring to try. ■

The new genetics

Gee whizz

The new genetics

Modern genetics will improve health and usher in “designer” children

It may also provoke an ethical storm

[Print](#) | Science and technology Nov 7th 2019



SOMETIME NEXT year, if all goes to plan, a gay male couple in California will have a child. The child in question will have been conceived by *in vitro* fertilisation. In this case a group of eggs from a female donor are now being fertilised by sperm from both fathers (half from one, half from the other). Of the resulting embryos, the couple will choose one to be implanted in a surrogate mother. An uplifting tale of the times, then, but hardly a newsworthy event. Except that it is.

Where the story becomes newsworthy is around the word “choose”. For the parents, in conjunction with a firm called Genomic Prediction, will pick the lucky embryo based on a genetically estimated risk of disease. Such pre-implantation testing is already used in some places, in cases where there is a chance of parents passing on a condition, such as Tay-Sachs disease, that is caused by a single faulty gene. Genomic Prediction is, however, offering something more wide-ranging. It is screening embryos for almost 1m single-nucleotide polymorphisms (SNPs). These are places where individual genomes routinely differ from one another at the level of an individual genetic letter. Individual SNP differences between people rarely have much effect. But add them up and they can raise or lower by quite a lot the likelihood of someone suffering a particular disease. Generate several embryos and SNP-test them, then, and you can pick out those that you think will grow up to be the healthiest.

Great expectations

Much fuss was made last year about a researcher in China, He Jiankui, who edited the genomes of two human embryos in order to try, he claimed, to make them immune to infection by HIV, the virus that causes AIDS. What Genomic Prediction proposes is different. No editing is involved. There is thus no risk of harming a child by putting it through a risky experimental procedure. Whether Genomic Prediction's particular technique will actually deliver super-healthy children remains to be seen. The principle seems plausible, though. History may therefore look back on this moment as the true beginning of “designer” babies. And the tool that has made that possible is called GWAS.

GWAS stands for genome-wide association study. It is the endpoint of a historical process that began in the mid-19th century with Gregor Mendel, a Moravian abbot and amateur botanist. Mendel worked out the first set of rules of heredity. This led to the idea of a gene. And that, when allied with the discovery that the material of heredity is a chemical called DNA, which encodes genetic information in the order of its component units, known as nucleotides, led to the idea of a gene being a particular piece of DNA that carries in its nucleotides the blueprint of a particular protein. This protein goes on to contribute, in combination with environmental effects such as nutrition, to a particular bodily or behavioural characteristic, known as a phenotypic trait.

Since the 1950s, researchers have tried to quantify the relative contributions of genes and the environment to such traits. Mostly, this is in the context of disease. But behavioural characteristics, personality and cognitive ability have also been matters of interest. GWAs expands this process by looking not just at the effects of individual genes, but across the whole genome—for protein-coding genes make up only about 2% of a person's DNA.

Comparisons, over several generations of a family, of the prevalence of a particular trait yield estimates of its heritability—a measure of how well individual genetic differences account for variations in that trait in a given population. A heritability of 100% indicates that any differences in a trait between individuals in that population are accounted for solely by genetic factors, while 0% suggests the environment alone is responsible. The phrase “given population” is important. Some populations may be exposed to relevant environmental variables unknown to others. Conversely, genetic factors present in one group (better response to oxygen scarcity in those evolved to live at high altitude, for example) may be absent in another.

An analysis published in 2015 of more than 2,700 studies of heritability shows that its average value, for all traits looked into in those studies, is about 50%. That includes physical traits like susceptibility to heart disease (44%) and eye disorders (71%), and mental ones, including “higher-level” cognitive functions (47%) such as problem-solving and abstract thought.

Other, less obvious traits are heritable, too. The amount of time a child spends watching television was assumed for many years to have a heritability close to zero. In 1990, however, a study led by Robert Plomin, now at King's College, London, compared the habits of adopted children with those of their birth mothers. It found television-watching has a heritability of about 45%. Similar surprisingly heritable traits include a child's tendency to be bullied at school (more than 70%) or to be accident-prone (51%). Even someone's likelihood of being religious (30-40%) or of getting divorced (13%) is heritable.

In 1989 James Watson, the first head of the Human Genome Project, summarised the mood of many by declaring that “We used to think our fate was in our stars. Now we know, in large measure, our fate is in our genes.” There was hope then that the genome project would locate those genes. No one was naive enough to think that there existed, say, such a thing as a gene for television-watching. But it was reasonable to believe that there might be a handful of genes which combined to encourage television-watching indirectly. More important, there was an expectation that the heritable causes of things like heart disease might be pinned down to such genetic handfuls. These might then be investigated as drug targets. To everyone's frustration, though, few such genes revealed themselves. And in most cases the contributions they made to a condition's heritability were small. Where, then, was the missing heritability?

Hiding in plain sight

With hindsight, the answer was obvious. The number of variants that play a role in disease risk is far higher than Mendel-blinded researchers had imagined. Though human beings are genetically more than 99.9% alike, they have 6bn genetic letters in their genomes. This is where the SNPs are hidden, for a diversity of less than 0.1% still leaves room for millions of them. And when SNPs' contributions are combined, their effects can be significant. For height, for example, the number of relevant SNPs is reckoned to be about 100,000—each adding or subtracting, on average, 0.14mm to or from a person's adult stature. Furthermore, most of these SNPs are in parts of the genome that do not encode proteins at all. Rather, they regulate the activities of other genes and often have no obvious connection to the trait in question.

To be fair, it was mainly human geneticists who were captivated by the simple Mendelian model of single genes with big effects. According to Peter Visscher of the University of Queensland, Australia, many plant and animal scientists knew of traits' genetic complexity long before the Human Genome Project started. But they were more interested in breeding better crops or livestock than in understanding the biology behind such complexity.

Dr Visscher was one of the first to realise that human studies would need to recruit more participants and screen for many thousands more SNPs if they were to capture in full the genetic components of most traits. In 2007 he and his colleagues used models to show that for a condition with a prevalence of 10% in the general population, approximately 10,000 volunteers are required to identify the SNPs marking the 5% of those at highest risk of developing that condition. Earlier studies, often with just a few hundred participants, had simply not been powerful enough to see what was going on. And thus was GWAS born.

Ideally, a GWAS would obtain a full sequence of the genome of every participating individual. However, even though the cost of such sequences has fallen dramatically since the completion of the genome project, to about \$1,000 a shot, this would still be prohibitively expensive. Instead, researchers use devices called SNP arrays. These detect hundreds of thousands of the most common SNPs for a price of \$50 or so.

A combination of SNP arrays, larger samples of volunteers and better computing methods means it is now possible to find millions of variants that contribute to a trait. An individual's score from these variants, known as his polygenic score, can then be calculated by adding up their contributions to give, for example, his risk of developing a particular disease in later life.

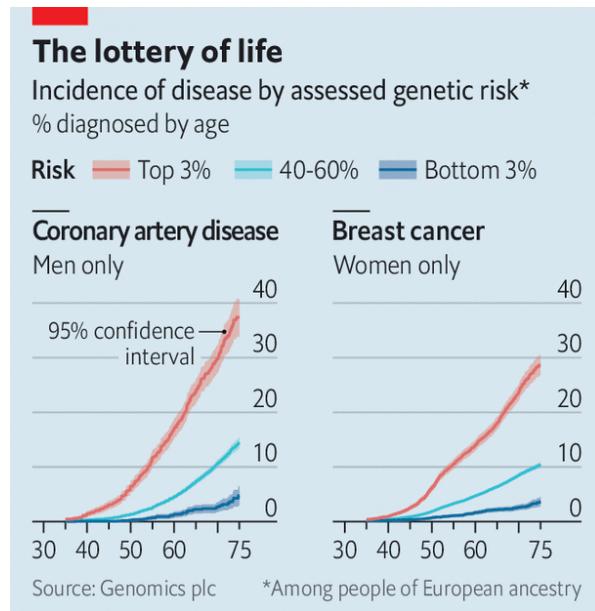
We have the technology

Another advance has been a change in the way volunteers are recruited. Institutions called biobanks have come into existence. These hold both tissue samples from, and a range of medical and other data about, large numbers of people who have agreed to make those data available to researchers who meet the criteria employed by the bank in question.

Among the largest of these repositories is the UK Biobank, in Britain. This has 500,000 depositors. One study that drew on it, published in 2018 by Sekar Kathiresan of the Massachusetts General Hospital in Boston and his colleagues, worked out polygenic risk scores for five diseases, including coronary heart disease and type 2 diabetes. By totting up scores from over 6m genetic variants, they were able to elucidate SNP patterns that identify those who are at a threefold higher risk or worse than the general British population of developing one of these diseases. For heart disease, 8% of the population are at such risk. For type 2 diabetes, 3.5%.

Nasim Mavaddat of the University of Cambridge and her colleagues have similarly calculated polygenic risk scores for breast cancer. These showed that a British woman's average ten-year risk of developing breast cancer at the age of 47 (the earliest that England's National Health Service begins screening for the disease) is 2.6%. The study also found that the 19% of women who had the highest risk scores reached this level of risk by the age of 40. Conversely, the 10% at lowest risk did not cross the threshold until they were 80.

Using these and similar studies, it is possible to draw up lifetime risk profiles for various medical conditions. A British firm called Genomics has done that for 16 diseases (see chart). This will help screening programmes to triage who they screen, by offering their services earlier to those at high risk of developing a condition early in their lives. It will also permit the dispensing of risk-appropriate advice about diet and exercise to those who need it most, and the early offering to those who might benefit from them of things like statins and antihypertensive drugs. In light of all this England's National Health Service announced in July that 5m healthy Britons would be offered free gene tests.



The Economist

A third study that drew on the UK Biobank is rather different. It was published in October and demonstrated the power of GWAS to reach beyond non-medical matters. It examined patterns of internal migration in Britain, and showed that there has been an outward migration from former coalmining areas of people with SNP patterns associated with high educational attainment—precisely the sorts of individuals economically deprived places can least afford to lose.

Educational attainment also demonstrates how heritability varies with environment. In Norway, for example, heritability of educational attainment increased after the second world war as access to education widened. Since all children now had more or less the same opportunities at school, environmental variation was largely ironed out and the effects of genetic differences consequently exaggerated.

Both of these examples foreshadow how the sort of genetics made possible by GWAS can have political consequences. The implication of the internal-migration study is that the geographically left-behind are dimmer, on average, than the leavers. The implication of the Norwegian study might likewise be seen by some as suggesting that those who have done well at school and thus snagged the best (and best-paid) jobs are part of a genetic elite that deserves its success, rather than being the lucky winners of a genetic lottery.

And that is just within a country. Start comparing people from different parts of the world and you enter a real minefield. Because most of the genetic data now available come from populations of European ancestry, their predictive power is poorer for people from elsewhere. Alicia Martin of the Broad Institute in Massachusetts and her colleagues scored West Africans for height based on SNPs drawn from studies on European or European-derived populations. The scores predicted that West Africans should be shorter than Europeans. Actually, they are not.

As more people of non-European ancestry are sequenced, these problems may abate. But if group-based differences emerge or persist in the face of better data, that would be cause for concern. Differences between groups in things like height are rarely cause for prejudice beyond a jocular level. For something like educational attainment, by contrast, there is a risk that politically motivated groups would try to exploit any differences found to support dubious theories of racial superiority.

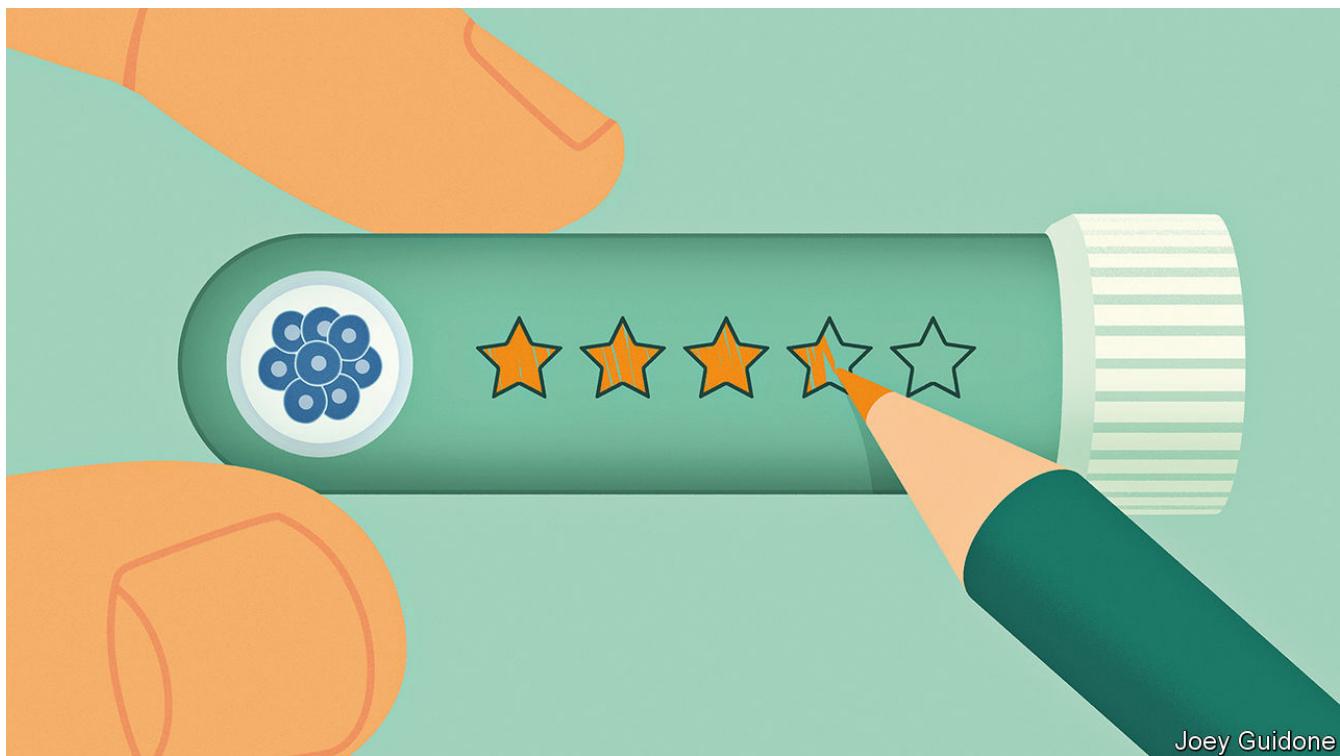
To some historians, this looks horribly familiar. They fear that the old spectre of eugenics risks rising in a new guise. As Nathaniel Comfort of Johns Hopkins University, in Baltimore, observes, "The IQ test was invented in order to identify students

who needed extra help in school. But within about a decade, it was being used as a tool to weed out the so-called ‘feeble-minded’, not just from school but from the gene pool.” Such fears of genetic stratification would become particularly acute if polygenic scores were applied to embryos for the purpose of selecting which to implant during IVF—as Genomic Prediction is just about to do.

Brave new world

Genomic Prediction and a second firm, MyOme (which is not yet accepting customers), claim to be able to build up an accurate picture of an embryo’s genome. That is tricky because the sequencing has to be carried out using the tiny quantities of DNA in a few cells taken from that embryo. A sequence so obtained would normally be full of errors. The two companies say they can deal with this by comparing embryonic sequences with those of the biological parents. All of the DNA in the embryo has come from one or other parent, so blocks of embryonic DNA can be matched to well-established sequences from their parental progenitors and an accurate embryonic sequence established. That makes working out the embryo’s SNP pattern possible.

Genomic Prediction thus says it is able to offer couples undergoing IVF a polygenic risk score for each embryo for a variety of diseases including type 1 diabetes, type 2 diabetes, breast cancer, testicular cancer, prostate cancer, basal-cell carcinoma, malignant melanoma, heart attack, atrial fibrillation, coronary artery disease, hypertension and high cholesterol. At the moment it does not offer scores for non-medical traits like height or educational attainment. But there is nothing to prevent it from doing so should it so wish.



Even for medically relevant scores, however, some worry about this approach. One concern is pleiotropy—the phenomenon of the same piece of DNA influencing several apparently unrelated traits. Choosing an embryo with a low risk of heart disease might accidentally give it, say, a higher chance of developing epilepsy. Single-mindedly maximising scores for positive traits like intelligence or height may therefore increase the risk of genetic disorders.

Stephen Hsu of Michigan State University, one of Genomic Prediction’s founders, acknowledges the theoretical risk of this, but argues that serious pleiotropic effects are unlikely. “If you looked at a bunch of kids with IQs of, say, 160 or 170,” he says, “I doubt you’d find much seriously wrong with them. They’d just be a bunch of geeks.” Dr Hsu, who in 2014 predicted that reproductive technologies would soon be used to select for more intelligent offspring, estimates that an IQ gain of between 10 and 15 points would be possible if couples were allowed to choose between ten embryos. He also thinks that further gains would probably accumulate if people selected in this way went on to select their own offspring on the basis of intelligence.

This is plausible. Before 2008, when the first SNP chips for cattle became available, the annual milk yield of dairy cows in America had been increasing at about 50kg per year. After six years of chip-based polygenic selection, the rate of increase had doubled to more than 100kg per year. This suggests the technique is powerful—in cattle at least. Despite Dr Hsu’s optimism, however, pleiotropism has reared its head in these animals. They have become less fertile and have weaker immune systems.

In the end, then, it is generally a good idea to remember that human beings have already been optimised by a powerful agent called natural selection. Trade-offs between different pieces of physiology, even in domestic animals, will have been forged in the crucible of evolution and will generally be optimal, or close to it. Genetic tinkering may sometimes improve things. But by no means always. ■

Heritage and nation-building

History wars

History wars

An imperial palace, a prison—and now a symbolic museum

For Ethiopia's prime minister, the country's past is a tool of statecraft

[Print](#) | Books and arts Nov 7th 2019



AFP

THE STAIRS rise elegantly, twisting towards the heavens. At the top is the small room where Emperor Menelik II prayed for God's blessing as he dramatically enlarged Ethiopia's territory in the last decades of the 19th century. The watchtower, as this wing of the palace is known, was also a perfect vantage point for surveying his subjects on the open plain beneath its windows. It was here that Menelik founded Addis Ababa, the Ethiopian capital, in 1886. The grand palace he built on a hilltop became the heart of each regime that succeeded his, through wars and revolutions.

Now it is to be a symbol for a new era. Last month, after winning the Nobel peace prize, Abiy Ahmed, Ethiopia's prime minister, opened the old palace to the public for the first time since the aftermath of the revolution that overthrew Emperor Haile Selassie in 1974. At a cost of \$170m (paid by the United Arab Emirates, a close ally), it is by far the country's glitziest museum. As well as the palace itself, the site has state-of-the-art galleries that narrate Ethiopian history; a botanical garden; a pavilion with exhibits on the country's nine regions; and two black-maned Abyssinian lions dozing in a den. "In all Ethiopian history, wherever there is a palace there must be a lion," explains Abebew Ayelaw, the curator.

Unity Park, as the attraction is known, has already received more than 17,000 visitors. "Let God bless you," gushes a middle-aged woman to Tamrat Haile, the museum's overall boss, as she emerges from an ornately decorated banquet hall. Inside is a waxwork model of Menelik sitting on his original throne; some visitors prostrate themselves in deference. The passions excited by the museum testify to the power of Ethiopia's past both to inspire and divide. For the country's current rulers, reconfiguring its heritage is a means to confer legitimacy and foster national unity, at a time when both are in question.

Abiy has put the renovation and celebration of historical sites at the centre of his politics. "Our job is to shake the dust off Ethiopia," he maintained in a documentary about Unity Park broadcast on state television in September. Nearby Jubilee Palace, built by Haile Selassie in the 1950s, is also being rehabilitated (with French funds) and will eventually open to the public. Another new museum in Addis Ababa will commemorate Menelik's defeat of the invading Italians in 1896; at least four

more royal palaces in smaller towns are to become museums, too. Two ancient Christian sites, in the highland towns of Axum and Lalibela, are undergoing restoration.

Unity Park emphasises ordered progress over violent rupture. On a wall outside the palace hang portraits of every Ethiopian leader from Menelik to Abiy's predecessor, Hailemariam Desalegn. A gallery inside the classical-style throne hall, where there is a waxwork of Haile Selassie (pictured), outlines the contributions of each to the country's development. Menelik's successor, Lij Iyasu, is noted for his role in establishing the first police force. Mengistu Haile Mariam, the bloodstained dictator of the 1970s and 1980s, is praised for defending Ethiopia from the invading Somalis—though an excellent exhibition in the palace's basement, dedicated to those who were imprisoned there during the revolution Mengistu led, helps balance the picture of him.

The current prime minister, who took office in 2018 and promises Ethiopia's first free election next May, presents all this as a break with the past. "Previously, when a government changed it would remove all the marks of its predecessor," comments Abebew, the curator. When Mengistu's communist junta, known as the Derg, seized power in 1974, imperial statues were torn down. Some were dumped in the garden of the National Museum, where they still lie; others were destroyed. Elias Wondimu, a publisher who has opened a shop in Unity Park, remembers buying coffee beans wrapped in pages torn from history books. Shiferaw Bekele, a historian, recalls bonfires of books that included Haile Selassie's autobiography. The revolutionary fervour was so intense that even the royal lions were killed.

The empire's new clothes

When the Derg itself was overthrown in 1991, the incoming Ethiopian People's Revolutionary Democratic Front (EPRDF) followed suit. Unsurprisingly, a statue of Lenin was toppled. But imperial heritage was also in the firing line. "There was a very organised, systematic attempt to destroy the image of Menelik," says Shiferaw. A controversy about the fate of his statue in Addis Ababa triggered large protests in its defence. The monument survived, but remains a source of tension.

The decision to turn Menelik's palace into a museum is even more contentious. Several bigwigs from Abiy's ethnic group, the Oromo, snubbed the inauguration and instead visited a memorial to Oromo victims of the emperor's military campaigns. His armies committed mass atrocities, they say, so he should not be celebrated.

At the bottom of this heritage drive is a highly charged question: is Ethiopia an old nation or the product of a rapacious modern empire? It is a well-worn but neuralgic dispute. In the past 18 months alone hundreds of Ethiopians have been killed and millions uprooted by ethnic conflicts that often draw on historical grievances, real or exaggerated. "The problem is, we don't have a consensus on the fundamentals of our history," notes Mulugeta Gebrehiwot, author of a book on the EPRDF.

Abiy tends to stress nationhood, with its sense of gradual consolidation, rather than the frictions of empire; according to the museum, Ethiopia is a nation with ancient roots. But that, too, puts the prime minister at odds with those in his party who decry past imperial conquests. Some think he has been precipitous in opening Unity Park. "There needs to be a political consensus," says Mohammed Girma, a religious scholar. "It's a good idea but he should've consulted his Oromo constituency rather than rushing to build it."

The museum's overseers are unmoved by the criticisms. "We have to respect what happened in the past," argues Abebew. "We cannot always be at odds with it." Tamrat, the director, is gathering exhibits for the rooms that remain empty. Many Ethiopian artefacts have been looted; others are still in private hands. Though some individuals have begun donating items, Tamrat says, others are cautious. After all, family homes can be safer than museums in a place where history is a battlefield.

Forgotten histories

A century ago America saved millions of Russians from starvation

The story of “The Russian Job” contradicts the bellicose histories preferred in both countries

[Print](#) | Books and arts Nov 9th 2019



Courtesy of FSG

The Russian Job. By Douglas Smith. *Farrar, Straus and Giroux*; 320 pages; \$28. *Picador*; £25.

TO MOST PEOPLE shaped by the cold war—and today's icy relations—Russia and America may seem always to have been sworn enemies. When the Soviet Union collapsed in 1991 America celebrated victory. When Vladimir Putin set out to avenge history and make Russia great again, he whipped up anti-American hysteria and scorned Washington's overreach. For his part, Donald Trump—who thinks America has in the past been a soft touch—in effect concurred with Mr Putin's criticism, pledging to put narrow American interests first.

In recounting America's biggest ever humanitarian effort—to save millions of lives in the nascent Soviet state a century ago—“The Russian Job” by Douglas Smith repudiates the modern mythologies of both countries, and their leaders' twisted histories. Already ravaged by wars and revolution, in 1920-22 Russia was hit by droughts and faced one of Europe's worst ever famines. It was partly self-induced: terrorised by the Red Army and threatened with requisitions and executions, Russian peasants drastically reduced the land under cultivation, sowing the minimum required for their own survival.

Acutely aware that food meant power, Vladimir Lenin abandoned War Communism in favour of a new economic policy that replaced requisition with taxes and made some concession to capitalism. But it was too late. By the end of 1921, the vast territory along the Volga succumbed to starvation and cannibalism.

Having come to power on the promise to provide bread and end war, the Bolsheviks confronted the prospect of being swept away by hunger. Unable to feed their own people, the leaders of the proletarian revolution turned to the West for help. Maxim Gorky, a Bolshevik writer who had once demonised American capitalism, appealed to “all honest European and American people” to “give bread and medicine”.

The appeal struck a chord with Herbert Hoover, founding chief of the American Relief Administration (ARA). The future president responded not out of sympathy for the “murderous tyranny” of the Bolshevik regime, but from faith in America's mission—and ability—to improve the world. If children were starving, America was obliged to ease their suffering. “We must make some distinction between the Russian people and the group who have seized the government,” Hoover argued.

The ARA's insistence on complete autonomy made the Soviet government suspicious, as did its pledge to help without regard to “race, creed or social status”. After all, the regime had liquidated entire classes of citizens and nationalised not only private property but human life. Still, given a choice between losing face or losing the country, the Bolsheviks conceded the ARA's conditions—while putting the operation under surveillance by the secret police.

Mr Smith's book is not a political history, however. It is principally a reconstruction of the lives of those ARA men, many from military backgrounds, who over two and a half years in effect took over the functions of civil government in Russia, feeding some 10m people. In the Volga region, where residents were driven by hunger to boil and eat human flesh, the ARA organised kitchens and transport, distributed food and rebuilt hospitals.

The misery they encountered in Russia strained their nerves to the point of breakdown and despair, but also imbued their careers with meaning. "It is only by being of service that one can be happy," an ARA officer wrote. "The help given by the Americans can never be forgotten, and the story of their glorious exploit will be told by grandfathers to their grandchildren," grateful Russians told them.

Yet the duplicity and paranoia of the Soviet government haunted the ARA's operation to the very end. While publicly Bolshevik leaders showered the Americans with praise and thanks, the secret police instructed local officials: "Under no circumstances are there to be any large displays or expressions of gratitude made in the name of the people." No sooner was the Russian job done than the authorities began to expunge all memory of America's help.

The edition of the Great Soviet Encyclopedia of 1950 described the ARA as a front "for spying and wrecking activities and for supporting counter-revolutionary elements". Modern Russian textbooks barely mention the episode. But it is not just Russia that needs to be reminded of this story—so does America, which derived much of its 20th-century greatness from its values rather than military power. As Gorky told Hoover: "The generosity of the American people resuscitates the dream of fraternity among people at a time when humanity needs charity and compassion." ■

The lap of luxury

Palm Beach and the rise of American celebrity

One day the haven for presidents and socialites may sink into the Atlantic

[Print](#) | Books and arts Nov 7th 2019



Alamy

Palm Beach, Mar-a-Lago and the Rise of America's Xanadu. By Les Standiford. *Atlantic Monthly Press; 288 pages; \$27.*

“**T**HE RICH are different from you and me, we all know that even if some of the people in Palm Beach don’t,” the writer Nora Ephron said of the town in south Florida where society is the local industry. In “Palm Beach, Mar-a-Lago and the Rise of America’s Xanadu”, Les Standiford, author of a book about Andrew Carnegie and Henry Clay Frick, traces the history of a sandbar lifted from swamp and scrub to gilded glory by the Florida East Coast Railway line.

Lapped by the Atlantic to the east and Lake Worth to the west, Palm Beach has been home to an epic cast of characters. Henry Flagler, who laid the railway at the turn of the 20th century, also built a string of majestic hotels—including the Ponce de Leon in St Augustine and the Royal Poinciana and the Breakers in Palm Beach itself. Marjorie Merriweather Post, a cereal heiress and philanthropist, built the 115-room Mar-a-Lago (dismissed by a local as “early Bastardian Spanish”) and took four husbands. The architect Addison Mizner set the town’s Mediterranean-Moorish tone (“Ali Baba Comes to Florida,” judges Mr Standiford). Among the newest arrivals are iguanas inadvertently introduced from South America.

Palm Beach, Mr Standiford observes in a book that will appeal to nose-pressed-against-the-glass readers, helped redefine class in America. Once upon a time, status was predicated on lineage and ancestors who had arrived on the *Mayflower*. That was before celebrity “became the new imprimatur of consequence”. Newport, Rhode Island? Stale upper crust. Saratoga Springs? That crème de la crème had curdled. For social cachet without the prerequisite of pedigree, up-and-coming Americans looked to Palm Beach, which has welcomed the Duke and Duchess of Windsor, King Hussein of Jordan and the pornographer Larry Flynt.

It was also where, in 2005, Melania Knauss, a model, married reality-show host, future president and latter-day lord of Mar-a-Lago Donald Trump, with Elton John and Hillary and Bill Clinton among the big names and net worths in attendance. Buying Mar-a-Lago and its furnishings for \$8m in 1985 was Mr Trump’s ticket to Palm Beach—now his permanent residence after he and New York fell out of love. Post had bequeathed the property to the National Park Service in 1973, for use as a winter White House, but in 1981 Congress returned it to the Post Foundation as too expensive to maintain. It was put on the market and Mr Trump snapped it up.

Now it is a private club, with a portrait of Post on a wall in the former library, across from a younger version of the current proprietor in tennis gear. The announcement, when the club opened, that Prince Charles and Lady Diana had bought memberships was “rubbish”, said Buckingham Palace; but Mr Trump was undeterred. “Even people who hate me are joining the

club," he crowed. The initiation fee is now said to be \$200,000. One day, probably, rising seas will sink Palm Beach and leave behind a level, if soggy, playing field. ■

I, me and they

The slippery talent of Emmanuel Carrère

His intrusive voice somehow brings his readers closer to his subjects

Print | Books and arts Nov 7th 2019



Getty Images

97,196 Words. By Emmanuel Carrère. Translated by John Lambert. *Farrar, Straus & Giroux; 294 pages; \$28. Jonathan Cape; £18.99.*

EMMANUEL CARRÈRE is known for the way he bends and breaks genres. His essays and books pick through the minds of murderers, con-men, Russian revolutionaries, artists, power-brokers, addicts and the downtrodden; even his own friends, family and lovers. He started as a novelist in his 20s and 30s, and now, at 61, is the most celebrated writer of high-end nonfiction in France. What distinguishes his prose is not its lyricism—as John Lambert's translation conveys, it is simple and spare—but his intrusive, philosophical first-person voice. Mr Carrère is a character in his narratives and portraits, always there reminding you that it's him, Emmanuel, writing the words that you are reading.

In this collection of his essays, an interview with Catherine Deneuve, an actor, turns into the story, “How I Completely Botched My Interview with Catherine Deneuve”; a column for an Italian magazine revolves around Mr Carrère's fraught correspondence with his editor; and a report on a crime is rendered as a personal letter to the mother of the killer. The author is everywhere. At first, this relentless self-reflection seems solipsistic and overdone—a kind of post-modern posturing—but the ultimate effects are subtler and deeper. Readers learn far more about Ms Deneuve, her cunning and restraint, than other writers might relay, and all this happens while Mr Carrère is detailing his own nervousness and the supposed failure of the encounter. At bottom, he has two exceptional, but rather traditional, writerly gifts: psychological acuity and narrative tautness. And he has learned how to dress those skills in clever conceits.

Mr Carrère's trademark style crystallised while he was working on his book “The Adversary” (2000). It was intended as an account of Jean-Claude Romand, a French murderer who in 1993 killed his wife, children, parents and dog, and attempted to kill himself, after almost two decades of pretending to be a researcher at the World Health Organisation. Inspired by Truman Capote's “In Cold Blood”, Mr Carrère tried, and failed, to write the book for six years; then, a few days after abandoning the project, he sat down and penned a simple report for himself, summarising the work he had done. It began: “On the Saturday morning of January 9th 1993, while Jean-Claude Romand was killing his wife and children, I was with mine in a parent-teacher meeting at the school attended by Gabriel, our eldest son.” After a few pages, Mr Carrère realised that he was writing the very book that had eluded him for years. It was simply a matter of “saying yes to the first person”.

This accidental style has since become a sort of credo. It is mendacious, Mr Carrère suggests, for authors to pretend that they exist above or outside a rigorously crafted piece of writing, as Capote did for instance. “I don't think you can put yourself

in other people's positions. Nor should you," he has argued. "All you can do is occupy your own, as fully as possible, and say that you are trying to imagine what it's like to be someone else, but say it's you who's imagining it, and that's all."

It is hard to tell whether this is philosophical high-mindedness or *faux* naivety—because the core of Mr Carrère's talent is precisely that he brings readers into sympathetic contact with others, powerful and powerless, insiders and outsiders. His own textual persona is less flesh-and-blood than an ethereal, emotionally distant presence. His "I" becomes a transparency, a way of portraying others—whether it be a bereaved parent or President Emmanuel Macron—through himself. It is a masterful illusion. The more words Mr Carrère expends on his own life, the farther away he seems, and the closer the reader gets to the lives of others. ■

Death in Venice

The art and loves of George Eliot

A fine novel reimagines the author's scandalous life

Print | Books and arts Nov 7th 2019



Getty Images

In Love with George Eliot. By Kathy O'Shaughnessy. Scribe; 400 pages; £16.99.

THIS MONTH marks the 200th anniversary of the birth of George Eliot—author of one of the greatest novels of the Victorian or any age, “Middlemarch”, a social panorama set in a provincial English town in the years before the Reform Act of 1832 and the transformative arrival of the railway. “One of the few English novels written for grown-up people,” according to Virginia Woolf, “Middlemarch” was probably based on Coventry, where Eliot—real name Marian Evans—had partly grown up.

She reluctantly revealed her true identity after the publication of her first novel, “Adam Bede”, in 1859, and was almost as well known for her scandalous private life as for her books. A respected scholar and the first female supremo of the *Westminster Review*, she lived openly with a married man, George Henry Lewes; her writing supported not only their household but that of his wife, Agnes, their children and Agnes’s by another man. Less than two years after Lewes’s death in 1878, the author caused more outrage by marrying John Walter Cross, a family friend 20 years her junior, who in a fit of mania attempted suicide on their honeymoon in Venice. In December 1880, seven months after their wedding—and just after her 61st birthday—she died.

“In Love with George Eliot”, Kathy O’Shaughnessy’s sensitive, impeccably researched and deeply pleasurable debut novel, charts Eliot’s development as a writer and growing celebrity, her sincere happiness with Lewes, terrible grief at his death and unexpected joy at her new (and finally respectable) married status. As the best historical novels do, it absorbs the reader to such an extent that, even if they know the outline of the story, each page is a revelation. Quoting from original letters and other documents, it shimmers with the refracted light of another age; the account of a modern-day love triangle between three Eliot experts, which Ms O’Shaughnessy intercuts with chapters on the novelist and her circle, enhances the main picture.

Eliot’s own unconventional looks, lifestyle and opinions are rendered compellingly. To many—including some well-drawn, fervent female acolytes—her combination of sincerity, neediness, ambition and sympathy were alluring. These qualities found a natural outlet in her writing. “It seems to me we can never give up longing and wishing while we are thoroughly alive,” remarks a character in “The Mill on the Floss”. In her own novel, Ms O’Shaughnessy brings this mix of intensity and playfulness winningly to life. ■

Economic and financial indicators

Economic data, commodities and markets

Economic data, commodities and markets

[Print](#) | Economic and financial indicators Nov 7th 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	2.0	Q3	1.9	2.2		1.7	Sep	1.8	3.6 Oct
China	6.0	Q3	6.1	6.2		3.0	Sep	2.7	3.6 Q3§
Japan	1.0	Q2	1.3	1.0		0.2	Sep	0.9	2.4 Sep
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	1.1	Q3	0.8	1.2		0.7	Oct	1.2	7.5 Sep
Austria	1.5	Q2	-1.4	1.4		1.2	Sep	1.6	4.5 Sep
Belgium	1.6	Q3	1.6	1.2		0.5	Oct	1.8	5.6 Sep
France	1.3	Q3	1.0	1.3		0.7	Oct	1.3	8.4 Sep
Germany	0.4	Q2	-0.3	0.5		1.1	Oct	1.3	3.1 Sep
Greece	1.9	Q2	3.4	1.9		-0.1	Sep	0.6	16.9 Jul
Italy	0.3	Q3	0.3	0.1		0.3	Oct	0.7	9.9 Sep
Netherlands	1.8	Q2	1.6	1.7		2.6	Sep	2.7	4.4 Sep
Spain	2.0	Q3	1.7	2.1		0.2	Oct	0.9	14.2 Sep
Czech Republic	2.5	Q2	3.0	2.6		2.7	Sep	2.8	2.1 Sep‡
Denmark	2.2	Q2	3.6	1.9		0.5	Sep	0.8	3.7 Sep
Norway	-0.7	Q2	1.0	1.4		1.5	Sep	2.3	3.7 Aug#
Poland	4.2	Q2	3.2	4.0		2.5	Oct	2.0	5.1 Sep§
Russia	0.9	Q2	na	1.1		3.7	Oct	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		-0.3	Oct	0.4	2.3 Sep
Turkey	-1.5	Q2	na	-0.3		8.6	Oct	15.6	13.9 Jul§
Australia	1.4	Q2	1.9	1.7		1.7	Q3	1.5	5.2 Sep
Hong Kong	-2.9	Q3	-12.2	0.2		3.3	Sep	3.0	2.9 Sep‡‡
India	5.0	Q2	2.9	5.2		4.0	Sep	3.4	8.5 Oct
Indonesia	5.0	Q3	na	5.1		3.1	Oct	3.1	5.3 Q3§
Malaysia	4.9	Q2	na	4.4		1.1	Sep	0.8	3.3 Aug§
Pakistan	3.3	2019**	na	3.3		11.0	Oct	9.2	5.8 2018
Philippines	6.2	Q3	6.6	5.7		0.8	Oct	2.3	5.4 Q3§
Singapore	0.1	Q3	0.6	0.5		0.5	Sep	0.6	2.3 Q3
South Korea	2.0	Q3	1.6	1.8		nil	Oct	0.4	3.1 Sep§
Taiwan	2.9	Q3	4.5	2.4		0.4	Oct	0.5	3.7 Sep
Thailand	2.3	Q2	2.4	2.4		0.1	Oct	0.9	1.0 Sep§
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 Sep§
Chile	1.9	Q2	3.4	2.6		2.1	Sep	2.3	7.0 Sep§#
Colombia	3.4	Q2	5.6	3.1		3.9	Oct	3.5	10.2 Sep§
Mexico	-0.4	Q3	0.4	0.3		3.0	Sep	3.6	3.5 Sep
Peru	1.2	Q2	4.1	2.6		1.9	Oct	2.2	6.1 Sep§
Egypt	5.7	Q2	na	5.6		4.8	Sep	8.1	7.5 Q2§
Israel	2.0	Q2	0.6	3.2		0.3	Sep	0.9	3.7 Sep
Saudi Arabia	2.4	2018	na	1.0		-0.7	Sep	-1.2	5.6 Q2
South Africa	0.9	Q2	3.1	0.7		4.1	Sep	4.5	29.1 Q3§

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

2 of 2

	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 \$ Nov 6th	% change on year ago
United States	-2.4	-4.8	1.8	-140	-	
China	1.5	-4.3	3.1	\$\$	-29.0	7.00
Japan	3.2	-2.9	-0.2	-38.0	109	4.0
Britain	-4.0	-1.8	0.7	-74.0	0.78	-2.6
Canada	-2.3	-0.8	1.5	-99.0	1.32	-0.8
Euro area	2.9	-1.1	-0.3	-77.0	0.90	-2.2
Austria	1.7	0.1	-0.1	-74.0	0.90	-2.2
Belgium	0.1	-1.0	nil	-86.0	0.90	-2.2
France	-0.7	-3.2	nil	-83.0	0.90	-2.2
Germany	6.6	0.5	-0.3	-77.0	0.90	-2.2
Greece	-2.9	0.4	1.3	-309	0.90	-2.2
Italy	2.0	-2.4	1.1	-232	0.90	-2.2
Netherlands	9.6	0.6	-0.2	-74.0	0.90	-2.2
Spain	0.8	-2.3	0.3	-125	0.90	-2.2
Czech Republic	0.5	0.2	1.4	-71.0	23.0	-1.6
Denmark	6.8	1.0	-0.3	-69.0	6.75	-3.3
Norway	5.4	6.5	1.5	-50.0	9.15	-8.6
Poland	-0.6	-2.0	2.0	-114	3.85	-2.1
Russia	6.6	2.4	6.5	-221	63.9	3.4
Sweden	3.7	0.4	nil	-64.0	9.61	-5.7
Switzerland	9.2	0.5	-0.4	-48.0	0.99	1.0
Turkey	-0.2	-2.9	12.5	-414	5.76	-6.3
Australia	0.1	0.1	1.3	-146	1.45	-4.8
Hong Kong	4.8	0.1	1.6	-84.0	7.82	0.1
India	-1.7	-3.8	6.5	-131	71.0	2.9
Indonesia	-2.4	-2.0	7.0	-162	14,015	5.6
Malaysia	4.5	-3.5	3.5	-66.0	4.14	1.0
Pakistan	-3.5	-8.9	11.3	†††	-68.0	156
Philippines	-1.1	-3.1	4.6	-328	50.6	4.8
Singapore	14.3	-0.3	1.8	-74.0	1.36	0.7
South Korea	3.0	0.6	1.8	-46.0	1,157	-2.9
Taiwan	12.0	-1.0	0.7	-20.0	30.4	1.3
Thailand	6.0	-2.8	1.6	-97.0	30.3	8.8
Argentina	-1.4	-4.3	11.3	562	59.7	-40.3
Brazil	-1.7	-5.7	4.5	-361	4.05	-7.4
Chile	-2.6	-1.3	3.4	-114	741	-8.4
Colombia	-4.4	-2.5	5.9	-127	3,337	-5.4
Mexico	-1.1	-2.7	6.8	-184	19.2	3.5
Peru	-2.1	-2.0	5.6	64.0	3.34	0.9
Egypt	-0.9	-7.0	na	nil	16.1	11.1
Israel	2.4	-3.9	0.9	-154	3.49	5.7
Saudi Arabia	1.4	-6.7	na	nil	3.75	nil
South Africa	-3.9	-4.8	8.4	-73.0	14.8	-4.4

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

The Economist

Markets

% change on:

In local currency	Index Nov 6th	one week	Dec 31st 2018
United States S&P 500	3,076.8	1.0	22.7
United States NAScomp	8,410.6	1.3	26.8
China Shanghai Comp	2,978.6	1.3	19.4
China Shenzhen Comp	1,641.2	0.8	29.4
Japan Nikkei 225	23,303.8	2.0	16.4
Japan Topix	1,694.5	1.7	13.4
Britain FTSE 100	7,396.7	0.9	9.9
Canada S&P TSX	16,745.6	1.5	16.9
Euro area EURO STOXX 50	3,688.7	1.9	22.9
France CAC 40	5,866.7	1.7	24.0
Germany DAX*	13,179.9	2.1	24.8
Italy FTSE/MIB	23,373.2	3.2	27.6
Netherlands AEX	594.9	2.3	21.9
Spain IBEX 35	9,398.4	1.2	10.1
Poland WIG	59,174.3	1.3	2.6
Russia RTS, \$ terms	1,471.4	2.8	38.0
Switzerland SMI	10,318.1	0.6	22.4
Turkey BIST	101,143.7	2.5	10.8
Australia All Ord.	6,773.2	-0.3	18.6
Hong Kong Hang Seng	27,688.6	3.8	7.1
India BSE	40,469.8	1.0	12.2
Indonesia IDX	6,217.5	-1.2	0.4
Malaysia KLSE	1,603.3	1.5	-5.2
Pakistan KSE	35,653.3	5.6	-3.8
Singapore STI	3,262.7	1.7	6.3
South Korea KOSPI	2,144.2	3.1	5.1
Taiwan TWI	11,653.1	2.4	19.8
Thailand SET	1,624.0	1.4	3.8
Argentina MERV	35,500.5	4.8	17.2
Brazil BVSP	108,360.2	nil	23.3
Mexico IPC	43,818.5	0.2	5.2
Egypt EGX 30	14,709.8	1.6	12.8
Israel TA-125	1,583.7	0.4	18.8
Saudi Arabia Tadawul	7,749.3	-0.6	-1.0
South Africa JSE AS	57,652.6	3.2	9.3
World, dev'd MSCI	2,261.4	1.1	20.0
Emerging markets MSCI	1,068.9	2.6	10.7

US corporate bonds, spread over Treasuries

	latest	Dec 31st 2018
Basis points		
Investment grade	156	190
High-yield	486	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 29th	Nov 5th*	month year
Dollar Index				
All Items		109.9	110.6	1.0 3.3
Food		95.7	95.6	1.7 3.5
Industrials				
All		123.2	124.6	0.6 3.3
Non-food agriculturals		96.5	96.9	4.8 -13.4
Metals		131.1	132.8	-0.3 7.8
Sterling Index				
All items		130.0	131.1	-4.1 5.0
Euro Index				
All items		109.7	110.7	nil 6.5
Gold				
\$ per oz		1,490.3	1,485.5	-1.2 21.0
Brent				
\$ per barrel		61.9	62.9	8.4 -12.3

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

Air pollution

Festival of darkness

Festival of darkness

India's toxic smog is a common affliction in middle-income countries

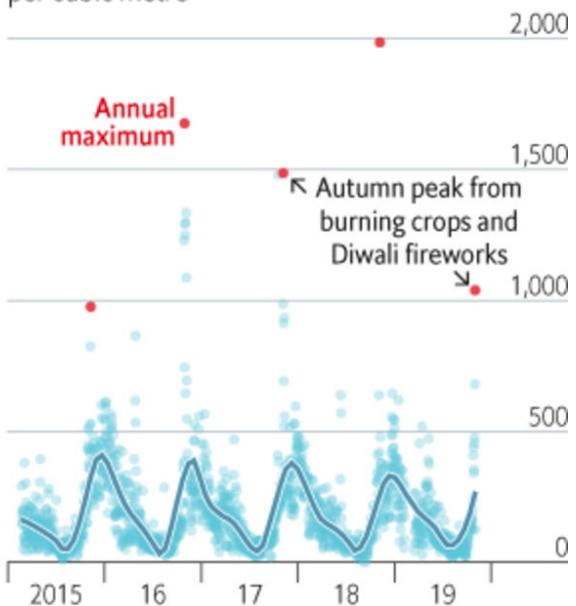
As economies develop, air pollution tends to get worse before it gets better

[Print](#) | **Graphic detail** Nov 9th 2019

→ **Air pollution in Delhi spikes each November**

Delhi, daily air pollution

Maximum reading*, PM_{2.5} micrograms per cubic metre



Winter air pollution

By source, %

Burning biomass	Burning solid waste
30	8
26	11
Secondary particles (Largely sulphates and nitrates from industry)	
Vehicles	
Other	

Secondary particles
(Largely sulphates and nitrates from industry)

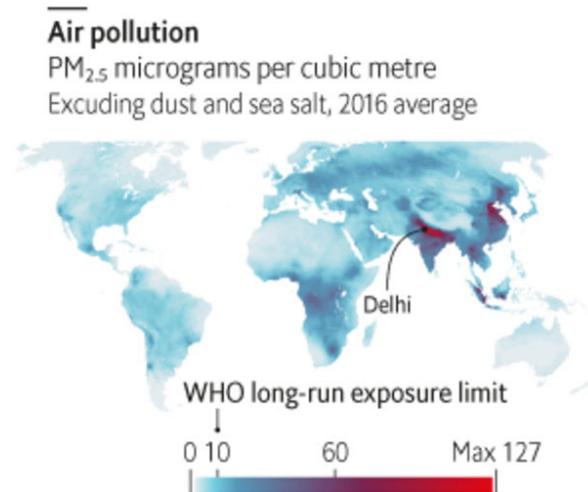
*At American embassy

CITY-DWELLERS are used to dirty air, but few have seen a haze like the one enveloping Delhi this week. The concentration of PM_{2.5} (fine particles that settle in lungs) has exceeded 1,000 micrograms per cubic metre of air—100 times the limit the World Health Organisation suggests for long-run exposure. Inhalng this is as unhealthy as smoking 50 cigarettes a day. On November 1st the city closed schools and declared an emergency. It is letting cars only with odd- or even-numbered plates drive each day.

Such smog drifts over Delhi each November, after farmers burn the remnants of their rice crops to clear the land for wheat, and Hindus celebrate Diwali, a festival of lights, with a barrage of firecrackers. Even when the autumn haze subsides, air is

filthy all over India—especially in the north, where the Himalayas act as a wind trap. AirVisual, a monitoring company, reckons that northern India contains 22 of the world's 30 most toxic cities. One academic study found that of the 9.7m Indians who died in 2017, 670,000 would not have perished if the atmosphere had been clean.

→ **Smog in Asia is much worse than anywhere else**



The response from Indian politicians has been piecemeal. Limiting cars will help only a bit, since 75% of the pollution does not come from vehicles. Judges have tried to restrict crop-burning and firecrackers, but local governments have not enforced their rulings. The health minister's contribution has been advising Delhi-ites to protect themselves by eating carrots.

These woes are grave but predictable. In general, as economies develop, pollution-related deaths rise at first, due to the growth of industry. Later, they fall, as countries get rich enough to afford clean production and their economies shift to services. According to Our World in Data, a website, deaths attributable to pollution peak in the middle-income range, at a GDP per person of \$5,000-15,000 (adjusted for local costs of goods and services).

→ Economic growth leads first to a rise in deaths from pollution, then a fall



This suggests that India will eventually clean up its air. A few steps are within politicians' power now, such as enforcing court rulings, cutting subsidies for rice (which farmers over-produce) and discouraging the use of coal. Shortly after China reached India's current level of development, its death rate from air pollution began to fall. But achieving a rapid, nationwide transformation is perhaps easier for an authoritarian state with direct control over big companies than for a chaotic democracy.

Sources: United States Environmental Protection Agency; Indian Institute of Technology Kanpur; Centre for International Earth Science Information Network; Institute for Health Metrics and Evaluation; World Bank; *The Economist*

Huang Yong Ping Making art out of chaos

Giant of the Chinese avant-garde

Obituary: Huang Yong Ping died on October 20th

The Chinese-French artist was 65

[Print](#) | [Obituary](#) Nov 7th 2019



Getty Images

CREEPY CRAWLIES intrigued him. Beetles, centipedes, cockroaches, crickets, geckos, toads and snakes. The way they devoured each other while at the same time providing sustenance for their fellow creatures was symbolic of humans' existence on Earth, he felt, and he poured them into "Theatre of the World", one of his best-known works. Best of all were the snakes. Where the River Loire empties into the Bay of Biscay in his adopted France, you can see one of his colossal shimmering serpents emerge from the water as the tide recedes; at times it looks like a sea snake, at others an earthly reptile. He made one for the Shanghai Power Station of Art, and another for a show in Queensland, Australia. Both were skeletons of creatures big enough to have devoured others, yet it was their own flesh that had withered to nothing. In 2016 he made his biggest serpent yet, a 254-metre-long beast (pictured) that coiled and roiled over islands of sea containers stacked around the nave of the Grand Palais in Paris, its unhinged jaw open so wide it looked as if it could swallow the world.

The chaos of power, the fragility of empires, the tottering precariousness of globalisation—devour or be devoured—these were the themes he returned to again and again. Nothing was certain, save for uncertainty. In the West the snake was temptation, sexuality, the crusher of children. In China it represented good luck, prosperity and rebirth in its ability to shed its skin. As an artist, Mr Huang loved its multiple symbolisms; as a philosopher, he found himself drawn to its ambiguities. His artistic ideas were a fusion of East and West, ever more so as he grew older.

And yet that connection might never have been formed had he not been displaced himself. On May 18th 1989, the day the Chinese government made the secret decision, implemented 48 hours later, to impose martial law and crush the protests in Beijing's Tiananmen Square, he was in Paris, 10,000km from his home town of Xiamen. It was the same day that "Magiciens de la Terre" opened at the Pompidou Centre. The original global contemporary-art show, "Magiciens" showed Western artists for the first time alongside artists from across the world, and changed art history forever. Mr Huang was the first Chinese artist chosen to take part.

He had left China shortly before with little other than the skipping rope he always carried in his pocket. After “Magiciens” he was advised it would not be safe to go home, so he stayed on in France, squatting in cheap artists’ studios, living on grants and residencies offered by friendly curators and travelling on a *laissez-passer* from the French foreign ministry. The seventh of eight children of a middle-class family of tea merchants in Fujian who, like many Chinese, lost their business when it was nationalised after the Communists took control in 1949, and whose schooling was disrupted by the tumult of the Cultural Revolution, he was used to being self-sufficient. He carried everything he needed in his head. He had absorbed Zen Buddhism and Taoist cosmology and magic as easily as he would later read Foucault and Wittgenstein; books were the only thing he liked to spend money on.

He had learned early on about Duchamp and the Dadaist movement through a few photocopied pages of a Taiwanese version of Pierre Cabanne’s “Dialogues with Marcel Duchamp”, which convinced him that art could not be detached from real life, but should instead take a stand on everything. When he revolted against the painting curriculum at the Zhejiang Academy of Fine Arts and was told to be a high-school teacher rather than an approved artist, he founded Xiamen Dada, a revolutionary artists’ co-operative. In 1986 the group put on an exhibition of their recent work, some of which, inspired by Duchamp, was made of objects they had found in the street. At the end of the show, the group set their artworks on fire, believing that only destruction would prove that it was the ideas rather than the objects that were the real works of art.

Mr Huang was lucky to come of age just as the Chinese avant-garde, known as the ’85 New Wave, was taking off. He was lucky too to fetch up in France, where artists and artistic theories were part of mainstream culture. In 1999 he represented France at the Venice Biennale, and on the day it opened Catherine Trautmann, the culture minister, handed the artist his first French passport. Becoming French cost him his Chinese citizenship and should logically have made him persona non grata in China. Yet the opposite proved true.

In 2000 he returned home for the first time in over a decade. Where once his works were collected almost exclusively by Western buyers such as François Pinault and Bernard Arnault, now he was sought out by Chinese museums, including M+, which will open in Hong Kong next year, and the Red Brick Art Museum on the outskirts of Beijing. Like the serpents he loved making, he was able to slip silently across frontiers, making works that were deeply political yet never dissident. For the 2000 Shanghai Biennial, he created “Bank of Sand, Sand of Bank”, a 20-tonne replica of the British-designed former HSBC Bank, which became a Communist government building after 1949 and in the 1990s was the headquarters of the Pudong Development Bank. Made of sand, thinly laced with cement, the work was designed to crumble away. In France it was seen as a critique of dog-eat-dog capitalism; in China as a comment on the weak heart of colonialism. He revelled in the ambiguity, which is why when he died suddenly of a brain haemorrhage, both France and China claimed him as their own. ■