

Cyril Ramaphosa is running out of time

The world's 19th-favourite airline

Nordic noir: dirty money in Europe

Half-marks for net zero

OCTOBER 19TH-25TH 2019

# Who can trust Trump's America?

The consequences of betraying the Kurds



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# The world this week

Politics this week

## Politics this week

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Getty Images

**Turkey** continued its invasion of northern Syria, despite Western pressure to stop. Turkey's autocratic president, Recep Tayyip Erdogan, aims to crush **Syria's Kurds**, who have been ditched by President Donald Trump. The Kurds have turned to Syria's despot, Bashar al-Assad, for protection. Russia, which backs Mr Assad, strolled into abandoned American outposts. Mr Trump, who has been criticised even by fellow Republicans for creating a power vacuum in the Middle East, said he would impose sanctions on some Turkish officials and raise tariffs on Turkish steel. Later, he said the conflict has nothing to do with America. See [here](#).

Kais Saied trounced his opponent in **Tunisia's** presidential election. The former law professor and political outsider spent little on his campaign. Voters chose him in the hope that he will tackle corruption and take the elite down a peg. See [article](#).

**Iran** said one of its oil tankers was attacked by an unknown assailant off the coast of Saudi Arabia, its regional rival. Photos showed two large holes in the vessel. Iran itself has been blamed for several attacks on shipping this year. Meanwhile, Imran Khan, Pakistan's prime minister, travelled to Tehran to broker talks between Iran and Saudi Arabia.

Abiy Ahmed, the prime minister of Ethiopia, won the **Nobel peace prize**. Since taking office last year Abiy has freed dissidents and vowed to hold free elections. He signed a peace deal with Eritrea, ending a 20-year-old conflict over a sliver of worthless desert. However, he has failed to stop local politicians from fomenting ethnic cleansing at home. See [article](#).

Hundreds of forest fires broke out in **Lebanon**, prompting the government to ask for help from neighbouring countries. The cause of the blazes, which have spread into Syria, remains unknown.

### Cutting it close

**Britain** and the **European Union** held last-minute talks on a Brexit agreement ahead of a crucial EU summit. Boris Johnson, the British prime minister, said a "great new deal" had been agreed. Any agreement needs the support of the House of Commons, which is not assured. A special Saturday sitting is scheduled for October 19th.

**Spain's** Supreme Court handed down sentences of up to 13 years in prison to a group of nine Catalan separatists for their role in an illegal referendum and independence declaration in 2017. The sentences were much tougher than expected and sparked huge demonstrations, and some rioting, in Barcelona. See [article](#).

**Hungary's** nationalist leader, Viktor Orban, lost control of Budapest. The opposition were uncharacteristically united in city elections, and Mr Orban's cronies do not completely dominate the media in the capital, unlike in the rest of the country. See [article](#).

In **Poland**, the ruling Law and Justice party retained its majority in elections to the Sejm, the lower house of parliament. However, it narrowly lost control of the less powerful Senate. See [article](#).

### Explosive stuff

The **impeachment inquiry** into Donald Trump's dealings with Ukraine continued in the House of Representatives. John Bolton, who recently resigned as national security adviser, described Rudy Giuliani, Mr Trump's personal lawyer, as "a hand grenade who's going to blow everybody up", a former White House aide reportedly testified. Mr Giuliani is refusing to comply with subpoenas. Democrats want to quiz him about his request to Ukrainian officials to find material that could hurt Joe Biden.

At the latest **Democratic presidential debate** Elizabeth Warren's rivals roasted her for repeatedly refusing to say how she would pay for her plan to provide health care for every American. Bernie Sanders admits he would raise middle-class taxes to pay for his similar plan. Ms Warren ducked the question six times. In polls, she vies for the front-runner spot with Mr Biden.

### Lam's stew

A furore erupted in **Hong Kong's** Legislative Council. Pro-democracy legislators heckled the territory's leader, Carrie Lam, when she arrived to deliver an annual policy speech, demanding that she resign and waving pictures of her with bloody hands. Mrs Lam withdrew and released a recorded video of her speech instead.

America's House of Representatives passed a bill to impose sanctions on **Hong Kong's** leaders if they suppress human rights. The Chinese government was furious, and warned of "strong countermeasures" if the bill becomes law (it must first pass through the Senate). China's leader, Xi Jinping, warned that support for independence for any part of China "will end in crushed bodies and shattered bones".

Typhoon Hagibis dropped record-breaking rains on **Japan**, killing 70 people and flooding some 10,000 homes. Several matches in the rugby World Cup, which Japan is hosting, had to be postponed.

Cho Kuk resigned as **South Korea's** justice minister. He had come under investigation on suspicion of obtaining unfair academic advantages for his daughter.

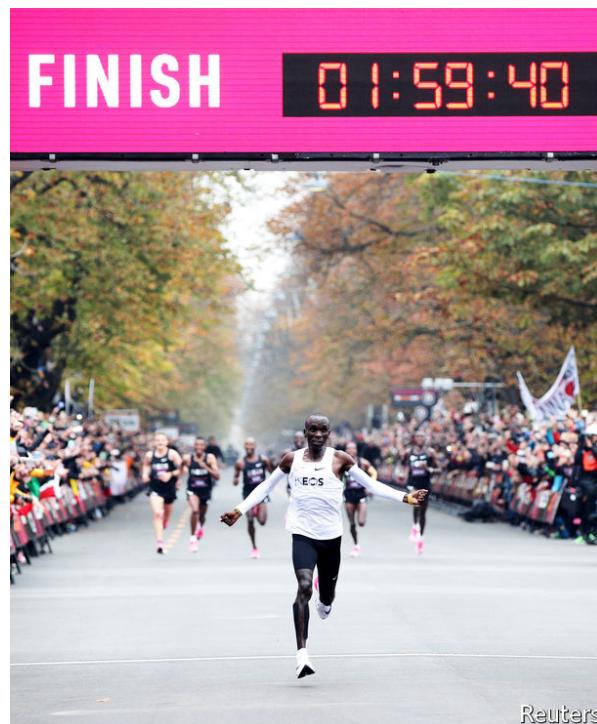
### Taking fuel out of the fire

**Ecuador's** president, Lenín Moreno, dropped his plan to end subsidies of fuel prices after 12 days of mass protests. He had cut the subsidies to comply with an agreement with the IMF, which has approved a \$4.2bn loan to Ecuador. Critics say subsidising fossil fuels is costly, regressive and environmentally damaging, but it is popular, so many countries do it. See [article](#).

Fourteen police officers were murdered in an ambush in the western **Mexican** state of Michoacán. The killers are thought to be members of the Jalisco New Generation drug gang.

**Colombia's** constitutional court declared illegal a tax-reform law, which cut taxes for business and raised them for people with high incomes, finding that the law had not been correctly published. Before the ruling the finance minister said failing to uphold the law would damage confidence and reduce GDP growth.

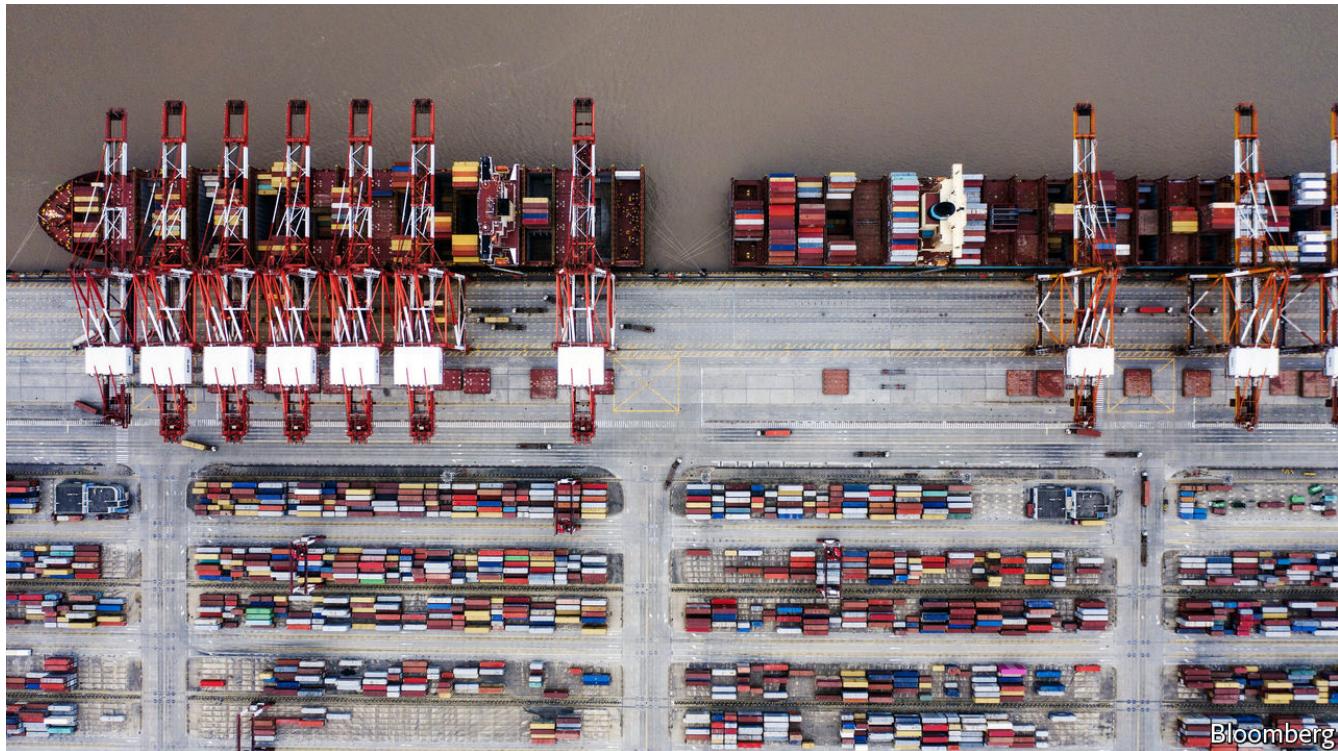
### The running man



Eliud Kipchoge, a Kenyan runner, became the first person to run a **marathon** in under two hours, clocking a finishing time of one hour 59 minutes and 40 seconds. He ran at an average speed of just over 21kph (13mph), or 100 metres every 17 seconds. His recorded time at 5,000 metres would have won him gold at every Olympics before 1952, and at 10,000 a gold at every Olympics before 1972. It was not a solo effort; 42 pacemakers helped him maintain his speed until the final straight.

## Business this week

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Steven Mnuchin, America's treasury secretary, warned China that a new round of **tariffs** would be imposed on Chinese goods in December if it did not adhere to the accord struck between the two countries on October 11th. Under the deal China will buy more American agricultural produce, toughen protections for intellectual property and provide more access to its financial-services market, enough concessions to stop America raising tariffs on \$250bn-worth of exports. China was cautious about the prospect for a breakthrough that will end the trade war. Donald Trump was more ebullient, declaring that the deal amounted to a “love fest”.

### Doing nicely, thank you

**Huawei** reported that its business supplying 5G network equipment is thriving, despite being blacklisted by the American government, and that to date, it has signed 60 contracts with telecoms companies around the world. The Chinese maker of telecoms equipment has stockpiled essential components that are in limited supply from American firms because of the ban.

**Goldman Sachs** reported a big drop in quarterly profit and revealed that it had lost \$80m so far on its investment in **WeWork**, a loss-making office-rentals startup that had to abort its long-awaited stockmarket debut when its valuation sank. By contrast, **JPMorgan Chase**, which was the lead underwriter on WeWork's IPO, recorded a rise in net profit, to \$9.1bn. The bank is said to be working on a financing package for WeWork to stop it running out of cash next month.

An international panel of experts reviewing the certification process of **Boeing's 737 MAX** jetliner, which has been grounded following two crashes, published a report that was highly critical of the aerospace company and the Federal Aviation Administration. The report found that the FAA had “inadequate awareness” of what the plane's new automated system was supposed to do. On the day it was published, Boeing separated Dennis Muilenburg's dual positions as chief executive and chairman, in order to augment the board's “active oversight role”.

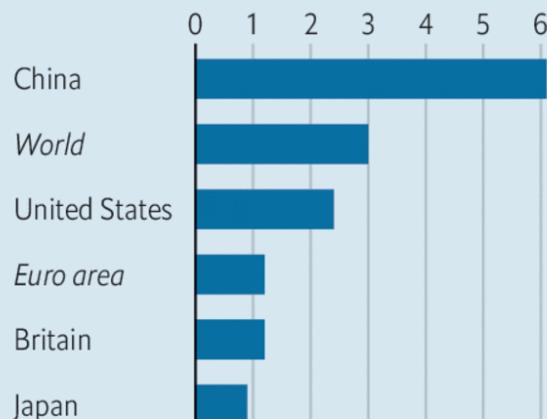
**Nestlé** said it would return SFr20bn (\$20bn) to shareholders over the next few years, after reporting solid revenues and a boost from the sale of its skincare business. The Swiss food-and-drink maker's share price has risen by a third since January.

Investors responded positively to **Netflix's** quarterly earnings. The video-streaming company undershot its forecast for new subscribers in America during the third quarter, though that was still a rebound from the previous three months, when it lost domestic users. It added 6.3m international customers, above expectations. Netflix also lowered its outlook, as it braces for the launch of rival streaming services from Apple and Disney next month.

Facebook held the first meeting of the association that will oversee its proposed **Libra digital currency**, despite a barrage of objections raised by global regulators. Facebook insists Libra will be up and running next year, even though eBay, Mastercard, PayPal and Visa have pulled out. Still, 21 companies have signed up to the payments network, including Uber and Vodafone.

## GDP forecasts

2019, % increase on a year earlier



Source: IMF

The Economist

The IMF again downgraded its growth forecasts amid “uncertainty about the future of the global trading system and international co-operation”. **The world economy** is projected to grow by just 3% this year, the slowest pace in a decade. The “systemic economies” of America, China, the euro zone and Japan can expect only a moderate expansion over the next few years. The IMF pointed out that subdued growth has coincided with easy monetary policy, but warned that central banks have little ammunition left when economies are in a “tougher spot”.

The **Federal Reserve** began buying short-term government bonds at a monthly rate of \$60bn in order to refill its portfolio until at least the second quarter of next year. It is doing this to ease a cash crunch and sharp rise in banks’ overnight lending costs (the repo rate). The size of the intervention took many by surprise. The central bank described it as a technical move, not a return to quantitative easing, which involved buying longer-dated treasuries.

The United Automobile Workers union reached a tentative deal over a new contract with **General Motors**. The workers have been on strike for over a month, which is said to have cost the carmaker up to \$1.5bn.

### Dyson sucks it up

**James Dyson** scrapped his firm’s project to build electric cars, acknowledging that it was not commercially viable. The British inventor, whose cordless vacuum cleaners and other gadgets have eased the burden of household chores, reportedly pulled the plug on the Dyson vehicle in the face of intense competition from established carmakers, who are ramping up production of their own battery-powered models.

## KAL's cartoon

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Economist.com

Kal

## Geopolitics

Who can trust Trump's America?

Who can trust Trump's America?

### Donald Trump's betrayal of the Kurds is a blow to America's credibility

*It will take years to mend*

[Print](#) | [Leaders](#) Oct 17th 2019



THE PITIEST summary of Donald Trump's foreign policy comes from the president himself. Referring to the mayhem he has uncorked in Syria, he tweeted: "I hope they all do great, we are 7,000 miles away!" Mr Trump imagines he can abandon an ally in a dangerous region without serious consequences for the United States. He is wrong. The betrayal of the Kurds will lead friends and foes to doubt Mr Trump's America. That is something both Americans and the world should lament.

His decision to pull out 1,000 American troops has rapidly destroyed the fragile truce in northern Syria (see [article](#)). The withdrawal created space for a Turkish assault on the Kurds that has so far cost hundreds of lives; at least 160,000 people have fled their homes. Hordes of Islamic State (IS) backers, once guarded by the Kurds, have escaped from internment camps. With nowhere else to turn, the Kurds have sought help from Bashar al-Assad, Syria's blood-drenched despot, an enemy of America.

Mr Trump campaigned on bringing troops home. He has argued that America must rid itself of "endless wars". When he says Russia, Iran and Turkey can deal with the mess in Syria, many of his voters will agree. After almost two decades at war, they have tired of America acting as the world's policeman. Some Democrats would like to pull troops out of the Middle East, too, including Elizabeth Warren, a leading contender to replace Mr Trump.

However understandable the frustration, the thoughtless abandonment of the region would be self-defeating. It undermines America's credibility around the world, which means that the United States will have to work harder and spend more to get its way on issues that are vital to its people's prosperity and their way of life.

Mr Trump's exit from Syria fails the trust test on many levels. One is seriousness. The president seemingly neglected the briefing papers warning of the dire consequences of a power vacuum created by withdrawing the 1,000-strong tripwire force. The abruptness of the decision took nearly everyone by surprise, including his own officials. The Kurds were startled and appalled. British troops woke up to discover that their American brothers-in-arms were packing up. No one had time to prepare.

The policy also fails on loyalty. Kurdish troops in Syria fought beside American special forces and air power to crush IS's "caliphate". Some 11,000 Kurdish fighters lost their lives; five Americans also perished. The superpower had fused its matchless intelligence-gathering with a local ally to drive out the world's worst terrorists at a relatively modest cost in blood and treasure.

Worst of all, the policy fails on strategy. Not just because of the potential revival of IS and the fillip to Mr Assad. But also because Iran, a bitter foe of America and ally of Mr Assad, will benefit from America's withdrawal. Russians, too, are taking gleeful selfies in abandoned American bases. Vladimir Putin, Mr Assad's backer, is claiming America's mantle as the guarantor of order in the Middle East, a role the Soviet Union lost in the 1970s. In order to extract from Syria a small force that was sustaining few casualties, America has needlessly unleashed a new cross-border conflict, empowered its enemies and betrayed its friends.

Alas, shallowness and impulsiveness have become the hallmarks of Mr Trump's foreign policy. After Iran attacked an American drone, he blocked retaliation at the last minute; after Iran or its proxies attacked Saudi oil facilities last month, he stood back. As if superpower diplomacy was an extension of domestic politics, governed by the same hyperbole and showmanship, he has ditched painstakingly negotiated treaties, noisily launched trade wars and, in places such as Venezuela and North Korea, promised transformations that never seem to bear fruit. Mr Trump takes momentous decisions on a whim, without pondering the likely fallout or devising a coherent strategy to contain it.

Mr Trump seems to think that he can use America's titanic commercial clout as a substitute for hard power. Economic sanctions have become his answer to every problem—including that of Turkey's invasion. Yet when vital interests are at stake, states rarely seem to give ground. Just as Russia still occupies Crimea, Nicolás Maduro runs Venezuela and Kim Jong Un has his nukes, so Turkey has vowed to fight on in Syria. As China's economy develops, sanctions may also be a wasting asset. Even today, pressed by America to cut ties with Huawei, a Chinese telecoms giant, many countries are reluctant to comply.

The Syrian debacle shows how all this could harm America. In Europe even before the assault, Turkey was at loggerheads with NATO over its purchase of Russian air-defence missiles. Because the invasion has led to sanctions and arms embargoes against Turkey, the cracks in NATO will only deepen. Mr Putin may be tempted to test America's commitment to defending the Baltic states, tiny NATO allies on Russia's border. In Asia the Taliban will redouble their efforts, reasoning that if Mr Trump can dump the Kurds, he can dump Afghanistan, too. China will take note, bide its time and steadily press its territorial claims against its neighbours. Taiwan, an admirable democracy, has just got a little less secure. Around the world, America's allies—of which it still has more than any nation in history—will have more reason to arm themselves, possibly fuelling regional arms races. Will South Korea or Saudi Arabia, fearful of being abandoned, be tempted to acquire nuclear weapons to guard themselves from North Korea or Iran?

Taken together, these concerns represent the unravelling of the order that America worked hard to build and sustain in the decades since the second world war, and from which it benefits in countless ways. If it pulled back it would still have to invest in arms and soldiers to protect its people and firms—and without so much support from allies. More important, distrust, once earned, could not be confined to military affairs. Other countries would be less keen to strike long-term trade deals with America. They would hesitate to join in countering Chinese industrial espionage or rule-breaking that harms the United States. Most important, America would undermine its own values. Human rights, democracy, dependability and fair dealing, however patchily honoured, are America's most powerful weapon. If China and Russia had their way, might would be right. For the West, that would be a profoundly hostile world. ■

**Beyond the summit****Any deal struck between Britain and the EU should be put to voters***The proposed Brexit agreement is quite different to anything advertised at the referendum in 2016*[Print](#) | [Leaders](#) Oct 17th 2019

AP

*Editorial update (October 17th 2019): This piece has been changed to include news of the announcement of a Brexit deal*

AS WE WENT to press on October 17th Britain's prime minister, Boris Johnson, and Jean-Claude Juncker, president of the European Commission, announced that a Brexit deal had been reached. Any agreement made in Brussels would still have to be approved by Britain's cantankerous House of Commons, which threw out the deal that was struck late last year and may scupper any future one, too. Nonetheless, the new—and welcome—willingness of both sides to compromise suggests that, whatever happens in the next few days, the odds of a chaotic no-deal exit have lengthened considerably.

That is a relief for all parties, and particularly Britain, which stood to suffer the most from crashing out. Yet it is hardly time to celebrate. The outlines of a draft deal that were being circulated as the European summit began were pretty grim for Britain. Excitement at the prospect of at last “getting Brexit done”, as Mr Johnson puts it, should not obscure the fact that his proposed deal would be bad for the economy, bad for the union, and bear little relation to what voters narrowly backed in a referendum more than three years ago.

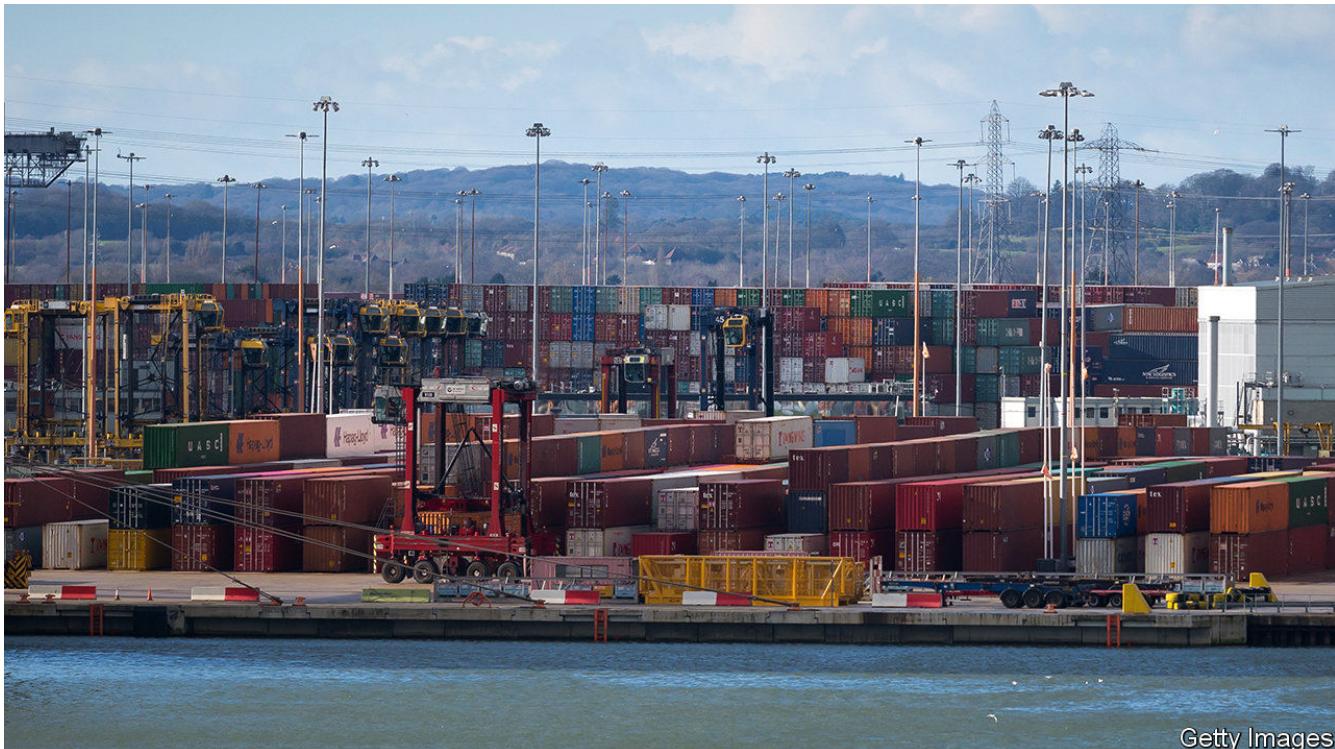
The deal that seems to be taking shape is economically worse for Britain than the one negotiated by Theresa May last year. It would remove the unpopular “Irish backstop” arrangement by taking Britain out of the EU's customs union altogether, and scrapping a promise to maintain regulatory alignment with the bloc. That would erect barriers to trade with what is by far Britain's biggest partner. Unless things were to change dramatically during the short transition period, within ten years Mr Johnson's deal would have reduced Britain's total trade by about 13%, making people roughly 6%, or £2,000 (\$2,560) a year, poorer than they would otherwise have been, one estimate finds. That is almost a third more than the hit that would have been delivered by Mrs May's deal.

Mr Johnson's deal would also, in effect, establish a customs border between mainland Britain and Northern Ireland. Not only would this make life harder for businesses in the region, one of the poorest in the United Kingdom. It would also risk inflaming sectarian tensions, just as a border between north and south would have done. The Good Friday peace agreement of 1998 rested on the idea that the Northern Irish could feel equally part of Britain or Ireland, or both. Building a customs barrier in the Irish Sea would rattle that agreement.

Nor is that the only part of the union that is coming loose. Since the Brexit referendum, support for independence has been growing in Scotland, where polls now put it at 50% and rising. The ruling Scottish National Party believes that a second

independence referendum will be given the green light within two years (see [article](#)). An earlier one, in 2014, was an uncomfortably close-run thing. Brexit, which Scots voted strongly against, could well tip the next vote the other way. Meanwhile, even in Wales, long the most contented member of the union, independence has crept back on the agenda. One recent poll found that 40% of the Welsh would gladly leave Britain, if it means they could stay in the EU after Brexit.

It may be that English voters are itching so badly to break free of Europe that they see all this as a reasonable price. Three years of wretched talks have made everyone keen to get the whole thing over with. Perhaps a majority are willing to forgo a couple of thousand pounds a year, and a nation or two. But there is a grave risk that voters are no longer up for this. Mr Johnson's proposed deal carries a much heavier economic and constitutional cost than any plan advertised when they were asked for their opinion back in 2016. Most polls suggest a majority have since cooled on the idea of Brexit and, given the choice, would now vote to remain. It is good news that a deal has been struck. But it would be no triumph of democracy if it were pushed through without first being put to a confirmatory popular vote.

**Carbon-reduction targets****The right way to measure carbon emissions***Net-zero targets are necessary, but not sufficient***Print | Leaders** Oct 19th 2019

Getty Images

**S**LLOWLY BUT surely, climate change is taking a prominent place in the rich world's political debates. Extinction Rebellion protests, backed by hedge-fund managers and barristers as well as students and celebrities, shut down parts of London for several days this month. The Green Party is now the second-most popular political force in Germany and the main opposition party. Some 57% of Americans, and 84% of self-declared Democrats, say climate change is a big threat.

As public opinion shifts, politicians are reacting by adopting new policies. One of the most popular is to set targets to reach "net zero" carbon emissions within a defined geographical border. These targets have plenty going for them. They are easy to understand, galvanising and will spur countries to shift their energy mix towards renewables. They also have two drawbacks. One stems from the word "net". Net zero means taking as much carbon dioxide out of the atmosphere as you put in, and this requires assumptions about as yet unproven ways of subtracting that carbon from the atmosphere. The more generous such assumptions are, the less emissions need to be cut. The other is that, because they ignore the impact of trade, such targets typically undercount the emissions for which rich countries are responsible. Countries and cities tackling climate change need to make their assumptions more transparent and take a more holistic view of their carbon footprint ([see article](#)).

Around the world more than 60 countries and 100 cities have adopted, or promised to adopt, targets that will take them to net zero, typically by around 2050. The majority of the signatories are European countries, small island states, or rich cities or regions. This summer Britain and France became the first big economies to enshrine targets into law. The state of New York quickly followed. The idea is so popular that airports, shopping malls, offices and even rock concerts are rushing to join the club.

But most net-zero targets refer only to the carbon produced within the target-setting entity's borders. They exclude the carbon that is related to goods consumed there but produced elsewhere. When a Briton buys a smartphone made in a Chinese factory that is powered by a coal plant the carbon emitted in its manufacture does not count as "British"; the jet fuel that brings a South American guava to New York City is not counted as part of the Empire State's emissions.

If every country had a production-based net-zero target none of this would matter. At a global level, there is no difference between the carbon emissions that are produced and consumed. But so far targets have been set by economies that generate

only a sixth of global GDP. The volume of carbon that slips through is huge—a quarter of all global emissions are tied to trade flows. And the gap between carbon consumption and production is especially big for rich economies that focus on services and import lots of manufactured goods. When consumption-based measures are used, Britain's emissions jump by two-fifths. Imported emissions add a fifth to the European Union's carbon count, and a tenth to America's. If you measure them properly, emissions from big cities such as New York, London and Berlin double.

What to do? The worst approach would be an indiscriminate backlash against cross-border commerce. This is because the carbon footprint of trade varies according to the provenance of individual products. For example, a medium-sized electric-car battery made in Sweden, which uses lots of renewable energy, emits 350kg of carbon dioxide. The same battery made in Poland, which relies on coal, emits over 8,000kg. The mode of transport matters, too—goods that are transported by aircraft are far dirtier than those carried on ships.

Almost as bad would be simply to say that all the rich countries should promise to increase their putative negative emissions to match their carbon consumption. That would be fair in principle; but also a way to increase yet further the world's reliance on the unproven technologies of carbon capture.

The world needs to shift towards goods that have a cleaner footprint, regardless of where they are produced. That will require manufacturing hubs to shift away from dirty sources of fuel such as coal, and fewer goods to be transported by air. A range of policies could accelerate this shift. At the gentle end of the spectrum, better labelling could prod consumers to consider the carbon footprint of what they buy. At the tougher end, the EU is considering a climate tax on dirty goods it imports. Today's net-zero targets are better than nothing. But if climate change is to be tackled, countries and consumers must take full responsibility for their carbon. ■

The need for speed

## Cyril Ramaphosa is running out of time to reform South Africa

*If the president is not willing to upset people, the economy will not grow*

Print | Leaders Oct 19th 2019



Eyevine

**I**N 1991 CYRIL RAMAPHOSA went fishing with Roelf Meyer, his opposite number in the negotiations to end apartheid. When Mr Meyer got a trout hook stuck deep in his hand, Mr Ramaphosa proved the only one able to extract it, with the aid of an analgesic dram of Scotch. The tale is part of South African political folklore. For some it symbolises how the man who in February 2018 became the country's president has long been able to forge relationships with any interlocutor—and to make sure they both get what they want, without too much pain. By the end of the constitutional convention, Mr Meyer later recalled, he felt that there was nothing the two of them could not resolve.

Twenty-five years after the end of apartheid, South Africa is at another perilous moment. Years of corruption under Jacob Zuma, the man Mr Ramaphosa replaced as president, ravaged a country that was already facing deep problems. Today the rainbow nation has unemployment of 29%, one of the highest rates in the world. Growth has been negative in three of the past six quarters. Public debt as a share of GDP is rising steadily, partly thanks to insolvent state-owned enterprises such as Eskom, a power utility that cannot keep the lights on. In the next few weeks Moody's may become the third large credit-rating agency to downgrade the country's debt to "junk" status, a signal that could send foreign capital fleeing.

In an interview with *The Economist* on October 13th (see [article](#)), Mr Ramaphosa vowed to turn things round. He argues that soon the country will reap the benefits of the new (competent, honest) leaders he has installed at crucial institutions such as the prosecution and tax authorities. This month his government will unveil a new "growth strategy" and a budget. An overdue plan for Eskom is also in the works. Critics fret that Mr Ramaphosa is moving too slowly to fight graft and kick-start growth. He retorts that big reforms must be patiently negotiated. With the skills he honed as a union boss, constitutional architect and tycoon, he says he can ensure that "everybody rises from the table feeling that they are a winner."

Maybe so. The problem is that, in South Africa, only an elite few ever have a place at the table. Economic life is dominated by big business, big labour and big government. Firms face too little competition, cushy labour laws lock the jobless out of work and the public sector provides woeful services. Many well-paid teachers barely teach. Many bureaucrats do little but slow-walk paperwork and embezzle. Most are never held accountable. A quarter of South Africans enjoy a middle- or upper-class life, while the rest struggle to get by. When a country has an insider-outsider problem, you cannot let the insiders dictate terms.

Fortunately for Mr Ramaphosa, a better blueprint is available. In August Tito Mboweni, his rumbustious finance minister, published a paper proposing sweeping yet doable reforms. The document suggests easing visa rules for skilled migrants, lowering barriers to entry for small businesses, breaking up and privatising parts of Eskom, enhancing education standards,

improving property rights for the poor and much more. Independent analysts broadly agree with the Treasury's estimate that if the plan were adopted, the economy could grow by 4-5% a year (more than double current forecasts). That is roughly the rate which economists think is required to put a dent in the hideous unemployment figures. It would surely be enough to avoid a downgrade from Moody's, too.

Will Mr Ramaphosa heed such good advice? The answer seems to be: somewhat. He says he endorses all Mr Mboweni's ideas, but slips in a crucial qualification—that "of course" these mooted changes cannot all be implemented at once. That sounds suspiciously like timidity.

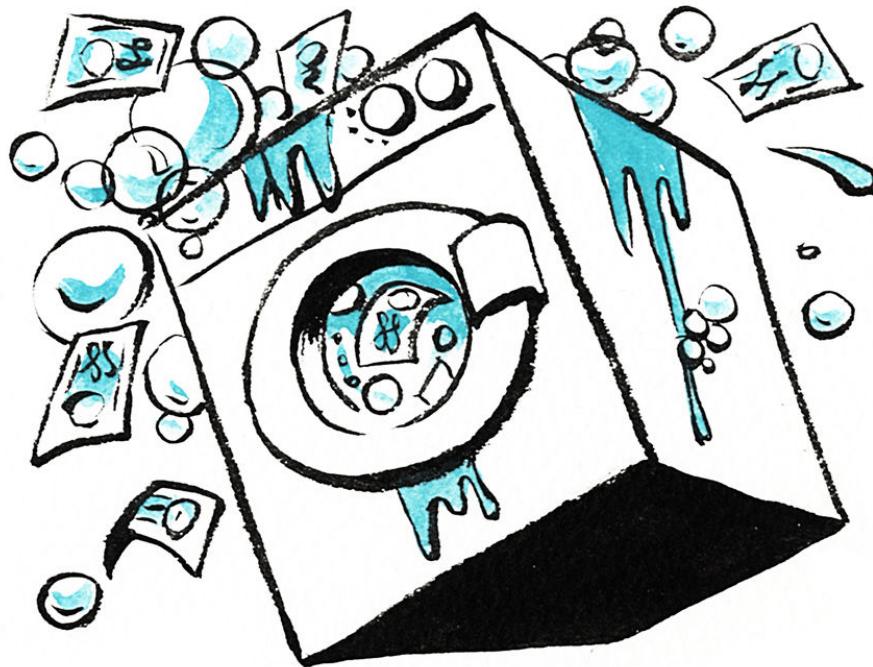
Mr Ramaphosa cannot boost growth without upsetting people. Public servants who do not serve the public need to be fired; pampered industries, unpampered; crooked bigwigs, locked up. All this will be hard. The pro-corruption lobby within the ruling African National Congress (ANC) is exceptionally powerful. Mr Ramaphosa is right to pay heed to intra-party politics and the ANC's union allies—to do otherwise would be naive. But he is wrong if he believes that fixing South Africa is like negotiating a strike, clinching a business deal or even ending apartheid. It requires more than finding common ground among vested interests. It requires leadership. ■



Nordic noir

**Another piece of Europe's financial architecture needs fixing***Money-laundering scandals expose a host of weaknesses*

Print | Leaders Oct 17th 2019



Dave Simonds

**I**F A BANK is accused of money-laundering or sanctions-busting by Uncle Sam, the fallout is often devastating. Consider the case of Halkbank, a big Turkish lender, which was indicted this week by prosecutors in New York for evading sanctions on Iran. When the news broke, its share price sank and yields on its bonds soared as investors worried that it might face crippling punishment. Yet the surprising thing is that, notwithstanding America's tough approach, dodgy business by international banks remains common, even in jurisdictions that you might think were squeaky clean. In particular, Europe seems to have a serious money-laundering problem that it needs to get a grip on (see article).

The most egregious recent case involved Danske Bank, Denmark's largest lender. For a while a single office with a dozen staff in Tallinn, that Mecca of global capital markets, was generating fully a tenth of its profits. Too good to be true? You bet. It turned out that in 2007-15 some €200bn (\$220bn) of iffy money, much of it from Russia, sloshed through this one tiny Estonian branch. Other Nordic lenders have had problems, too. Some €135bn of potentially dubious funds may have flowed through the Estonian branch of Swedbank, which has its headquarters in Sweden. Nordea, based in Helsinki, is also under scrutiny, as are banks in Austria and Germany. Deutsche Bank, which helped process Danske's cross-border transactions as a correspondent bank, has been raided by the police.

Europe is quick to preach to the rest of the world on matters of financial rectitude—through its leadership of the IMF, for example, and its key role in the Financial Action Task Force, a body that fights financial crime. The scandals show that it needs to get its own house in order. Fighting money-laundering is not easy, however. Europe consists of a patchwork of legal and regulatory jurisdictions. And its neighbours are often unco-operative—Estonian police had a tip-off about Danske back in 2007, for instance, but Russia declined to provide information that could have helped connect money passing through the bank to specific crimes. It would help if there were a global standard for cross-border co-operation in such cases, but that seems some way off.

One option would be for Europe to rely on America to act as the global policeman. Its financial enforcers are happy to use their extra-territorial legal powers to punish banks outside their own borders, and they find it easier to get hold of information because they can threaten to cut off lenders and their counterparties from access to the global dollar-payments system. When HSBC was caught helping drug cartels move money around, America fined it \$1.9bn and the bank promptly cleaned up its act.

The trouble is that American enforcement abroad is erratic. In the Nordic scandals, American officials were no quicker to pick up on funny business than European regulators were. On other occasions the punishments meted out by American courts

and regulators to European banks are so extreme that they threaten financial stability. In 2014, for example, they fined BNP Paribas \$8.9bn for sanctions violations, leaving one of the euro zone's most important banks reeling.

To fight the scourge, Europe can do some things on its own. It can strengthen detection by boosting intelligence-sharing between banks, regulators and the police. To do this, the EU does not need the central anti-money-laundering agency that some have called for. This would risk turning into yet another bureaucracy. Instead it would make more sense to pool data on suspicious clients across the continent, so that national authorities, who are closer to the action but struggle to join the dots, could gain a more complete view. Remarkably, hundreds of dubious clients jettisoned by Danske when regulators closed in were scooped up by rivals apparently unaware of their toxicity.

Insiders also have to be encouraged to spill the beans. Whistleblower protections are patchy in Europe; Denmark's are among its weakest. A new EU directive will strengthen them by 2021, but it is limited in several areas to breaches of EU law.

And last, fines should be higher. Under EU law they can be up to 10% of annual turnover. But some countries set the limit far lower—just €400,000 in Estonia, for instance—and actual penalties lower still. Europe may never wield as big a stick as America does, but it could do with more than twigs in the fight against dirty money passing through its financial system. ■

# Letters

## Letters to the editor

On the single market, trans pupils, Eton, smart technology, the people, Boris Johnson, marijuana

On the single market, trans pupils, Eton, smart technology, the people, Boris Johnson, marijuana

## Letters to the editor

*A selection of correspondence*

[Print](#) | [Letters](#) Oct 19th 2019



### The states and the nation

The gist of your briefing on Europe's single market was that if the EU further liberalises cross-border exchange, it will achieve dynamism "much like America, with nothing to impede the free movement of goods, services, people and capital" ("An unconscious coupling", September 14th). This underestimates the barriers to business across American states. Consider these examples. Europe has unified goods standards; American states often have their own. Europe has mutual recognition of most professions; American states have nothing of the sort. Europe strives to liberalise public procurement; American states can ban out-of-state providers entirely. You mentioned the impediments in Denmark to foreign ownership of law firms. Similar rules are pervasive among American states.

Overall, the American economy enjoys high mobility and cross-border exchange (and the concomitant economic benefits) despite fragmented regulation and much outright protectionism. Europe still has worthwhile work to do, but overall it has lower mobility and exchange despite far greater efforts to eliminate interstate barriers. A "single-market project" might deliver more economic benefits in America than in Europe.

CRAIG PARSONS

Professor of political science

University of Oregon

Eugene, Oregon

### Trans rights

Your article on transgender pupils in British schools reports on new guidance, which suggests that if "a girl feels uncomfortable that a male child who identifies as a girl is using the girls' changing room...the girl who feels awkward, not the trans child,

should go and change elsewhere” (“A new gender agenda”, October 5th). You seem to think this is a bad thing. Yet feeling “awkward” is mild compared with the alternative: the trans girl being separated into her own changing room or into the boys’ room. The reasons why young trans people often suffer from mental-health issues is not because they are trans, but because they experience high levels of stigma, discrimination, social exclusion, family rejection, bullying, harassment and assaults.

JENNIFER LANG

Sydney



### The school-class divide

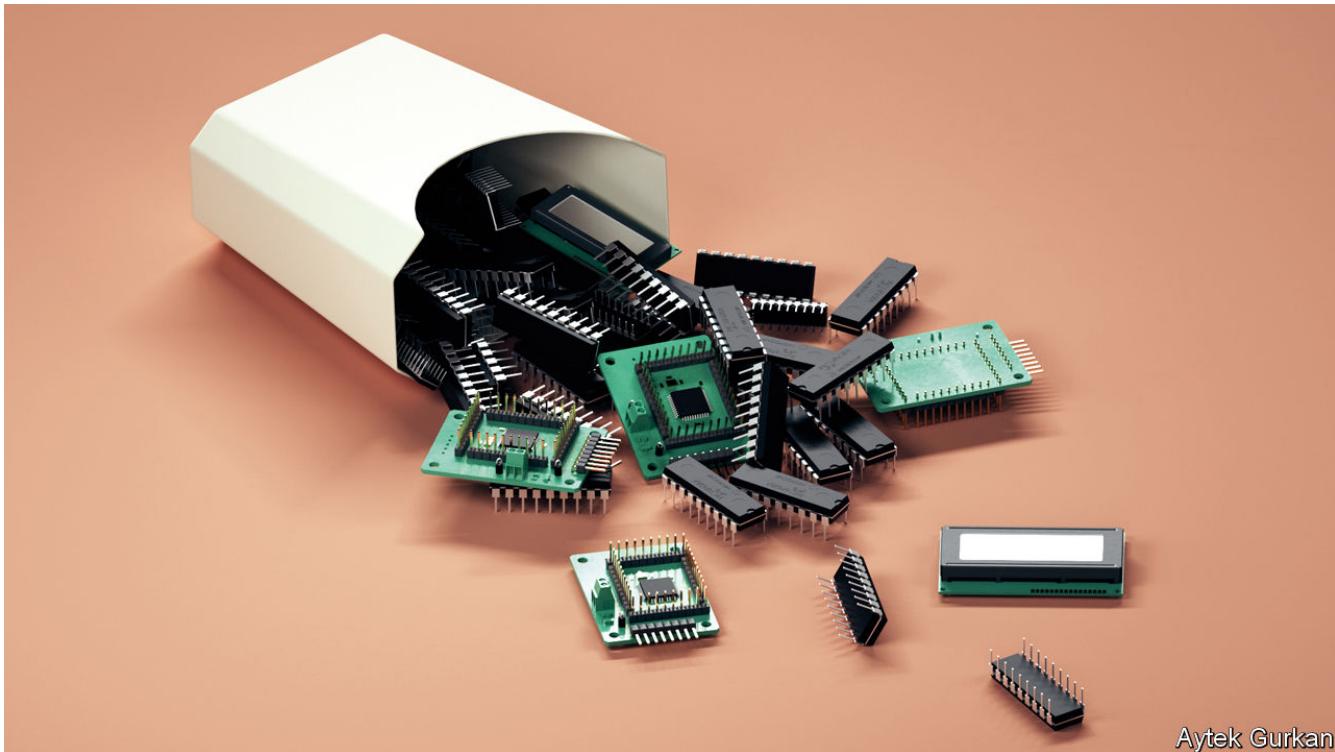
The Labour Party’s motion to abolish Eton, Britain’s top private school, is perhaps understandable (“A row going on down near Slough”, September 28th). Still, it is important to remember that Eton counts among its graduates not only David Cameron and Boris Johnson, but also George Orwell and John Maynard Keynes. In the wider picture, expropriation and democratic division never work in the long term. Instead of contemplating the demise of private schools, Labour could work on a much more relevant task: raising the standard of education in state schools.

Britain did not fare well in the OECD’s PISA evaluations from 2015, reaching 22nd in the average score for reading literacy and 27th in mathematics. In December this year the new PISA reports will be released; we will know then if there has been any improvement. However, Labour’s election manifesto might have already been written by that time.

OLGA KOLOKOLOVA

Senior lecturer in finance

Alliance Manchester Business School



Aytek Gurkan

### Not-so-smart technology

As you said, one inherent characteristic of the Internet of Things is the scale of it (*Technology Quarterly*, September 14th). The conundrum is that these billions of devices will be based on fast-moving technology that expires within years, rather than the decades of today's fridges and microwaves. This will have an environmental effect, as there will be a higher turnover of discarded appliances. Little attention is given to efficiencies. As a professor and director of an IoT spin-off, I continually remind my students and our developers of this trap. Ethics and environmental awareness must be part of the smart-engineering curriculum.

Moreover, although the IoT does provide an opportunity to reduce the environmental footprint of air conditioning, a much bigger problem is water heating, which accounts for a larger share of household energy use. The optimised control of water heating, which is simple with the data-mining of hot-water use, can save up to a third of that energy.

THINUS BOOYSEN

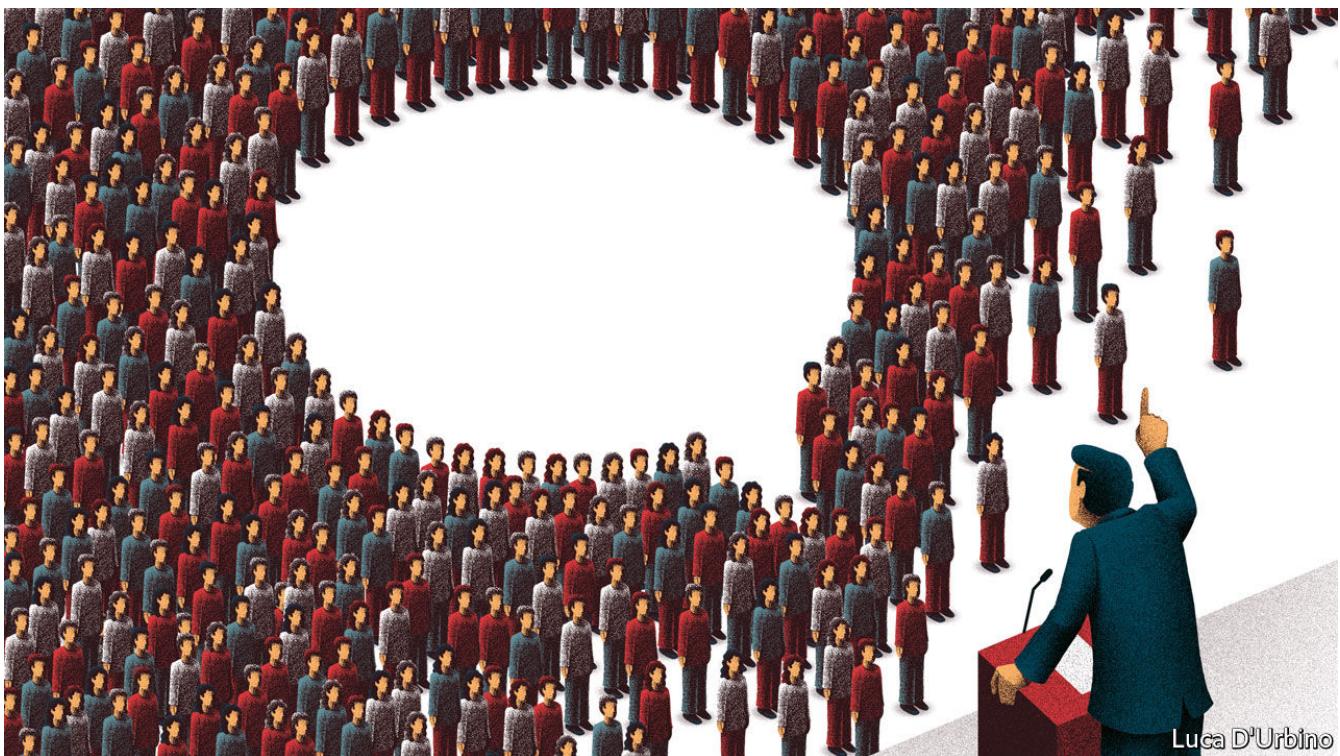
*Stellenbosch, South Africa*

The claim that there is an “analogy” between the Internet of Things and electricity, “another world-changing innovation”, is off the mark. If, for some reason, I want to separate myself from electricity, all I have to do is flip the switch, or pull the plug, or, if I was really serious, chop the cables altogether. That is harder with the IoT. It will track me, my actions and my thoughts no matter what I want or do, all the way to my grave and likely beyond if some government decides that it would be helpful to monitor the decomposition of bodies for some social or environmental purpose.

Hence, no “analogy”. Instead, an altogether new culture and civilisation.

GIULIO Varsi

*Baxter Estates, New York*



### All sides evoke “the people”

You listed a number of instances where evoking the will of the people “marks the user out not as a democrat but as a scoundrel” (“[Down with the people](#)”, October 5th). But there was no mention of the People’s Vote campaign for a second referendum on Brexit, or the People’s Assembly. This has been proposed by the Greens and based around committees, supposedly to show that the public agrees with them on everything (unless they don’t, in which case the participants would undoubtedly be changed).

MATTHEW LEESE

*Sheffield*

A notion of “the people”, or *Volk*, was the driving force of modern German nationalism, an ethnic vision that laid the foundation for the sickening justifications of Nazi eugenics. The idea has never gone away. The Alternative for Germany (AfD) readopted the term *Volk* despite its Nazi overtones and won 13% of the vote at the 2017 German election.

SOPHIA DYVIK HENKE

*London*



## Nixon more like Thatcher

Bagehot's comparison of Boris Johnson to Richard Nixon was a bit far-fetched (October 5th). Nixon had a modest upbringing as the son of a humble grocer, rather like Margaret Thatcher. He rose to the top through hard work and sustained a sense of resentment and mistrust towards the east-coast elite.

Mr Johnson represents the British equivalent of the very elite whom Nixon resented. The British prime minister's rise to the top was fuelled by a mixture of Etonian charm, social connections, pathological dishonesty and disloyalty.

ALI KHOSRAVI

*Barnsley, South Yorkshire*



Paul Blow

## A marijuana break

I know *The Economist* has moved to new modern offices, but I did not know they were sufficiently liberal as to allow [Bartleby](#) to keep a "pot plant" at his desk (September 28th). Perhaps he would prefer hot boxes to hot desks.

STEPHEN SMITH

*Halifax, Canada*

## Turkey and Syria

No way to say goodbye

Another fine mess

### Donald Trump triggers a Turkish invasion and trashes the national interest

*The Syrian regime makes hay; so do the Russians*

[Print](#) | [Briefing](#) Oct 17th 2019



AFP

**B**ASHAR AL-ASSAD surely cannot believe his good fortune. For six years the Syrian dictator has had little control over the north-east of his country, home to Syria's modest oilfields and some of its most fertile farmland. The jihadists of Islamic State (IS) seized power there in 2014. As their caliphate crumpled, a Kurdish-led militia which was doing much to bring about that crumpling took over, establishing an autonomous fief known as Rojava in 2016.

Then, on October 6th, President Donald Trump ordered the American troops stationed in north-eastern Syria to withdraw. On October 9th Turkey invaded. Four days later the Kurdish militia which ran Rojava, the People's Protection Units (YPG), made a deal with Mr Assad at Russia's Khmeimim air base, in the north-west of Syria; if the Syrian army came into Rojava to protect his country's territory against the Turks, the Kurds would fight alongside him. A video released by Russian state media soon afterwards showed Syrian troops advancing past Americans withdrawing down the same road, their respective pennants flapping in the wind. With his flag now flying over towns such as Hasakah, Kobani and Qamishli, and with control of the country's two largest dams, Mr Assad has reclaimed more north-eastern territory in a few days than he previously had in a few years.

Mr Trump's decision has reshaped the Levant. Now expanded to include almost all American troops in Syria, it has ensured that America will have no influence over the final settlement of Syria's civil war. That will be orchestrated by Russia, which benefits greatly from the new situation. Being a friend to Turkey and Syria alike is potentially tricky while fighting continues. But it is a good position from which to broker its end.

The president's decision has also left American allies around the world newly worried that they too could be left in the wind, just as the Kurds have been. It has put new strains on NATO. And it has given IS a chance to rise again.

Turkey says its invasion is an act of self-defence. The YPG is linked to the Kurdistan Workers' Party (PKK), a group responsible for dozens of deadly attacks across Turkey since its peace talks with the government of President Recep Tayyip Erdogan broke down in 2015. America's decision to arm and work with the YPG during the fight against IS was widely seen in Turkey as an act

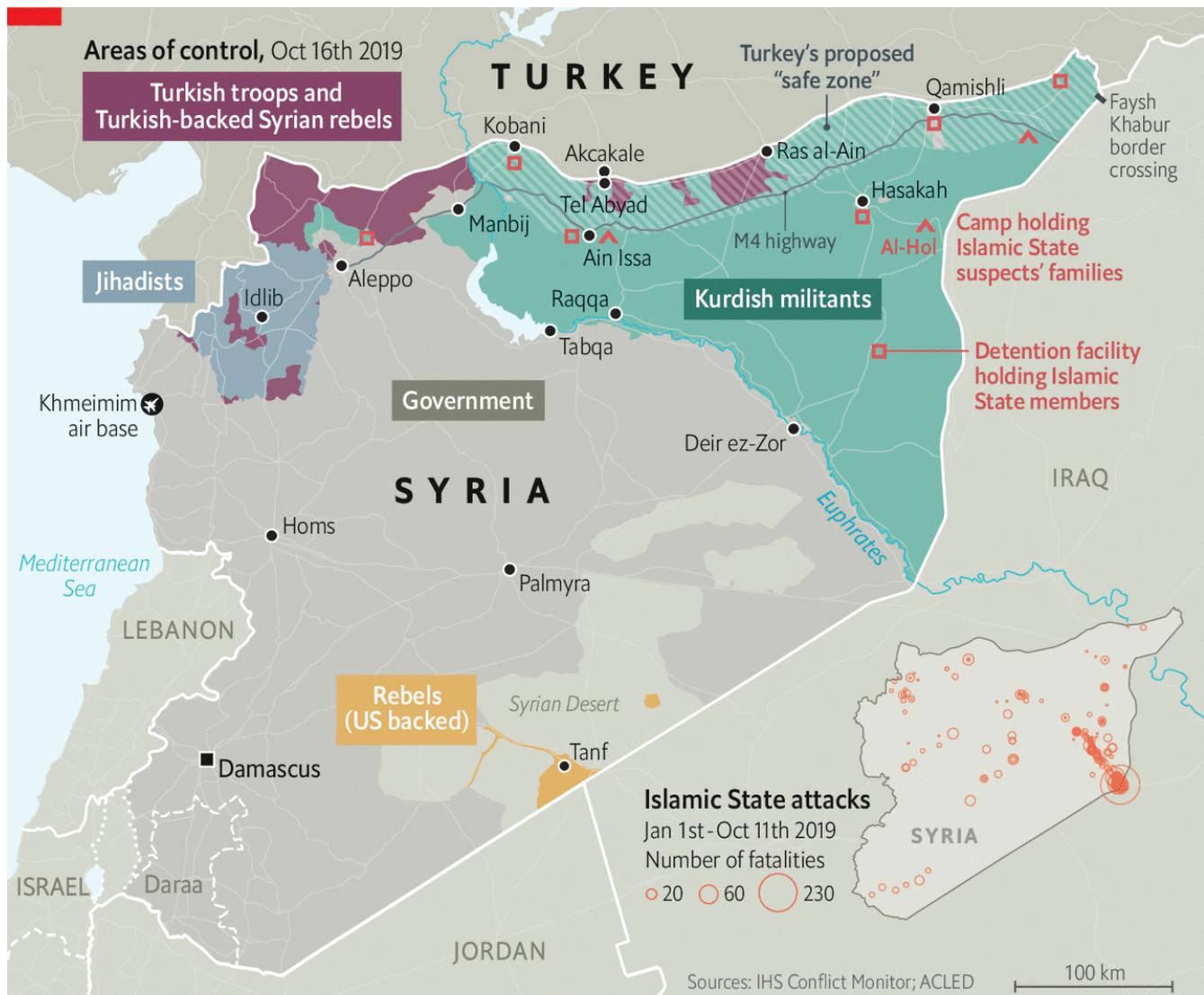
of betrayal. At the Turkish border troops returning from Syria are welcomed by children saluting and making victory signs. Those who challenge the mood too obviously risk joining more than 186 people detained on terrorist charges for social-media posts critical of the invasion. “People who classify this as a war”, as opposed to a counter-terrorism operation, Turkey’s interior minister, Suleyman Soylu, has said, “are committing treason.”

When backed up by Western air power in the fight against IS the YPG had been a pretty effective force, though the Kurds still lost 11,000 fighters in the struggle. With neither air support nor armour, the militia was no match for Turkey’s army, the second largest in NATO. Turkey quickly took a section of the M4, an east-west highway about 30km south of the border, cutting the YPG’s supply lines. Much of the advance has been led by ill-disciplined Syrian rebels, a tactic which both reduces Turkish casualties and provides deniability when it comes to crimes such as the murder of Hevrin Khalaf, a Kurdish politician, and the roadside execution of prisoners.

Following the deal with Mr Assad, YPG forces are now under the command of the Syrian army’s Fifth Corps. This is said by the YPG to be a purely military arrangement. The Kurds purport to believe that the bits of Rojava to which government forces have returned can continue to be run as they were before, with “the self-administration’s government and communes intact”, in the words of one official. But Mr Assad’s regime does not have a history of forbearance with populations returned to its control. Promises of local autonomy made when it retook the southern province of Daraa were quickly broken. “Reconciliation” deals with the locals ended with people jailed or pressed into military service.

In the north-east, Kurds and Arabs who worked with the Americans will be particularly vulnerable to such reprisals. The hasty withdrawal left no time to whisk them out; more than one official likened the situation to the fall of Saigon in 1975. Nor is it easy for people to leave under their own steam. Iraqi Kurds have closed their border to Syrians, Kurdish or otherwise, unless they are sick. Most of the 160,000 people estimated to have been displaced are heading south.

The departing Americans did manage to exfiltrate some of the most notorious IS prisoners being held in north-eastern Syria. But they left behind a great many more. More than 70,000 prisoners taken from the former caliphate—a mix of IS fighters, their families and civilian refugees—are held in camps dotted across north-east Syria. The Kurds who have been guarding them now have other priorities. On October 13th over 800 IS-linked detainees escaped from Ain Issa camp in the chaotic aftermath of Turkish shelling. More will follow.



The Economist

Jailbreaks will give the battered rump of IS fresh manpower. Mr Assad’s return will give it a new rallying cry—IS will be able

to present itself as a pre-eminent adversary. The bits of IS still running a low-level insurgency in northern and western Iraq may be revived, too. All of this is a return to form. IS has been “defeated” before, only to regroup in ungoverned spaces with angry populations. Its blitz across Iraq in 2014 was made possible by massive jailbreaks.

### Perfidious America

If IS does rise again, Mr Trump will blame the Kurds. Most others will blame him. American allies in the region felt let down by President Barack Obama, who made a deal with Iran and refused to strike Syria. They hoped Mr Trump would suit them better. King Salman of Saudi Arabia gave him a gilded reception in Riyadh in June 2017. Binyamin Netanyahu, Israel’s prime minister, all but anointed him the messiah.

The welcome given to Russia’s president, Vladimir Putin, when he arrived in Saudi Arabia on October 14th did not have all the bells, whistles and ceremonial swords accorded to Mr Trump two years ago. But his visit, and his promise “to reduce to zero any attempt to destabilise the oil market”, were still significant. So was his subsequent trip to Abu Dhabi. Despite their differences on Syria—differences which are fading as Arab states quietly reconcile with Mr Assad—Gulf leaders have noted that it was Russia, not America, that stood by its partner. They also note that, for all Mr Trump’s bellicosity, he has done little to stop Iran becoming more assertive—and indeed attacking major oil installations. The 1,800 American troops deployed to Saudi Arabia on October 11th do not lay those worries to rest, though they do show that Mr Trump’s aversion to foreign entanglements is untroubled by consistency.

Israel is distinctly fretful at the sight of an American ally so swiftly thrown aside. Mr Netanyahu did not mention Mr Trump directly when he condemned Turkey’s attack and warned against “the ethnic cleansing of the Kurds”. Some of his ministers are less cagey. The purpose of America’s remaining deployments in Syria, in the south-east, is to stop the creation of a permanent supply line between Iran and the Hizbullah forces it supports on Israel’s borders. Should those troops leave too, Israel will be yet more alarmed.

Seeing America’s stock fall so precipitously has alarmed many in Washington. Democrats were quick to make hay. Republicans in Congress were vocal, too. They have frequently made foreign policy an exception to their general rule of not criticising the president’s breaches of decorum and reason. Even given that track record, though, the dissent from Mr Trump’s decision was striking. Lindsey Graham of South Carolina, a national-security hawk and erstwhile Trump whisperer, called in to one of the president’s favourite television shows to berate him. “I fear this is a complete and utter national security disaster in the making,” Mr Graham later tweeted.

Congressmen from both parties argue that, although they realise that Americans have had enough of foreign wars, abandoning brave allies and letting IS regroup are beyond the pale. On October 16th a measure condemning Mr Trump’s decision passed in the House by 354 to 60, with 129 Republicans voting against the president.

That enraged Mr Trump, who maintains that his decision was “strategically brilliant”. The White House has released a letter threatening Mr Erdogan with the destruction of the Turkish economy if he were to take bloody advantage of the opportunity Mr Trump had provided him with: “Don’t be a tough guy. Don’t be a fool!” If this was sincere it was somewhat belated, being sent on the day of the invasion.

Mr Trump has dispatched Mike Pence to Turkey to press for an immediate ceasefire, though his boss’s professed lack of interest in the fate of the Kurds seems likely to undercut the vice-president’s position. On October 14th he also announced penny-ante sanctions. Mr Graham and Chris Van Hollen, a Maryland Democrat, have crafted a more muscular package.

The crisis has also triggered another threat to Turkey’s economy, albeit indirectly. On October 16th prosecutors in New York unsealed an indictment against Halkbank, one of Turkey’s biggest state lenders, accusing “high-ranking” Turkish officials of operating a scheme to bypass American sanctions against Iran. Mr Trump is reported to have tried to stymie aspects of this case at Turkey’s bidding. According to Timothy Ash, an analyst at BlueBay Asset Management, the fact that the prosecutors have now made their move shows that “developments in Syria and impeachment have broken the dam.” The news had an immediate impact on Turkey’s banking sector. The bank index dropped by 4%, with Halkbank shares down 7.2%. The government banned short-selling in the stock of Halkbank and six other banks.

Mr Graham also talks of suspending Turkey from NATO. This is nonsensical: the North Atlantic Treaty offers no mechanism for suspensions or expulsions. What is more, Turkey really matters to NATO; its well-trained forces, on which it has been spending a lot, are woven deeply into the alliance’s fabric. The NATO land command is hosted in Izmir; one of its nine “high-readiness headquarters”, which could command tens of thousands of troops in a crisis, is just outside Istanbul. Turkey’s navy plays a key role in the Black Sea, a priority since Russia seized Crimea. It has almost 600 troops in NATO’s mission in Afghanistan. Radars on its territory scan the skies between Iran and Europe for missiles. And it hosts American B61 nuclear bombs as part of NATO’s nuclear-sharing scheme.

Turkey and its NATO partners have been increasingly at odds over the past few years. America’s embrace of the YPG was one factor. So was the dismissal of thousands of Turkish officers after the attempted coup against Mr Erdogan in 2016; “A drastic de-NATO-isation of the Turkish armed forces” as a report for the Clingendael Institute, a Dutch think-tank, puts it. Turkey’s purchase of the S400 air-defence system from Russia made matters worse.

An EU arms embargo enacted on October 14th will hurt Turkey: about a third of its arms imports come from Spain and Italy. But if such actions push it towards a negotiating table, it will be a table supplied by the Russians—who will be quite happy to supply arms, too, as part of an eventual deal. While it will remain part of the alliance, Turkey may start fielding ever-less-interoperable weapons, and sharing ever fewer goals.

It may also rethink its attitude to Syrian refugees. Part of Turkey’s justification for its excursion into Syria is the creation of a safe space to which Syrian refugees can return—or, if necessary, be sent. If stymied, it might yet decide instead to let them through into Europe.

Some, though, will not go anywhere. In Akcakale on the Turkish-Syrian border, Ahmet Toremen, a construction worker, walks past the broken window-frames, burnt mattresses and bloodstains covering the bottom floor of his ramshackle house. It was hit by Kurdish mortar fire from Syria. At least 20 civilians have died in such attacks, according to officials in Ankara. For Mr Erdogan their deaths offer a chance to show that the war was a matter of necessity, not choice. He can rely on no Turkish newspaper pointing out that there were no such attacks before October 9th, just as they do not report the civilians being killed in Syria. On October 16th the Syrian Observatory on Human Rights put this toll at 71, along with 15 killed in an air strike on a humanitarian convoy.

Mr Toremen's family was next door when the shell landed in the corner of their living room; the house had been rented out to a Syrian family. One woman was blinded, one wounded and the family's baby was killed. "They escaped war", says Mr Toremen, "and war found them here." ■

**A century of betrayal****Kurdish dreams of a homeland are always dashed***Little has gone right since the end of the Ottoman empire*[Print](#) | [Briefing](#) Oct 17th 2019

AFP

THE TREATY OF SEVRES, signed in 1920, carved the carcass of the Ottoman Empire into a number of nation states, including a “Kurdish State of the Kurds...east of the Euphrates, south of the southern boundary of Armenia as it may be hereafter determined, and north of the frontier of Turkey with Syria and Mesopotamia.” It would, said Winston Churchill, Britain’s minister of colonies, be “a friendly buffer state” between Turks and Arabs.

Three years later, the Treaty of Lausanne ditched the idea. Britain was too spent by the first world war to fight another battle with Turkey, resurgent under Kemal Mustafa Ataturk. Iraq’s new Hashemite king needed the Kurds, who were Sunnis, to dilute his Shia majority. And some of the Kurds, who were new to the idea of nationalism, rebelled, demanding the restoration of Ottoman rule. That led to bombings by the newly formed Royal Air Force.

The Kurds were to spend the next century strewn across four states, each determined to crush their nationalist dreams. Occasionally someone would seem to help. In 1946, the Soviet Union stood up a Kurdish Republic of Mahabad in an attempt to create a client state and keep control of northern Iran, which it had said it would leave. Western pressure brought about its collapse in less than a year. In the early 1970s the American secretary of state, Henry Kissinger, instructed the CIA to help Israel and the Shah of Iran stoke a Kurdish rebellion in Iraq as a way to sap the Baathist regime’s aspirations for Arab hegemony. But in 1975 the shah cut the Kurdish lifeline. “Fuck [the Kurds] if they can’t take a joke,” shrugged Mr Kissinger. Saddam Hussein’s Republican Guard obliged.



The Economist

In the later part of Saddam's war with Iran, his cousin Ali Hassan al-Majid waged a genocidal campaign against the Kurds, emptying 80% of the Kurdish villages in Iraq's three northern provinces as the West looked the other way. Still, when President George Bush called on Iraqis "to force the dictator to step aside" during the 1991 Gulf war the Kurds obligingly rose up. This time, the West imposed a no-fly zone in the skies of northern Iraq and encouraged an autonomous Kurdish government beneath it. But when in 2017 those Iraqi Kurds held a referendum to press their demands for statehood, the West ignored it.

To be the underdog is not to be blameless. The Kurdish record features internecine conflicts, smuggling, sanctions-busting and banditry. Armenians remember them as the Turks' foot-soldiers in the genocide. Arabs in parts of Iraq and Syria captured by Kurds champ at their second-class status. The Middle East has few saints. But it also has few peoples more regularly betrayed than those now fleeing the Turks in Syria. ■

## Homelessness

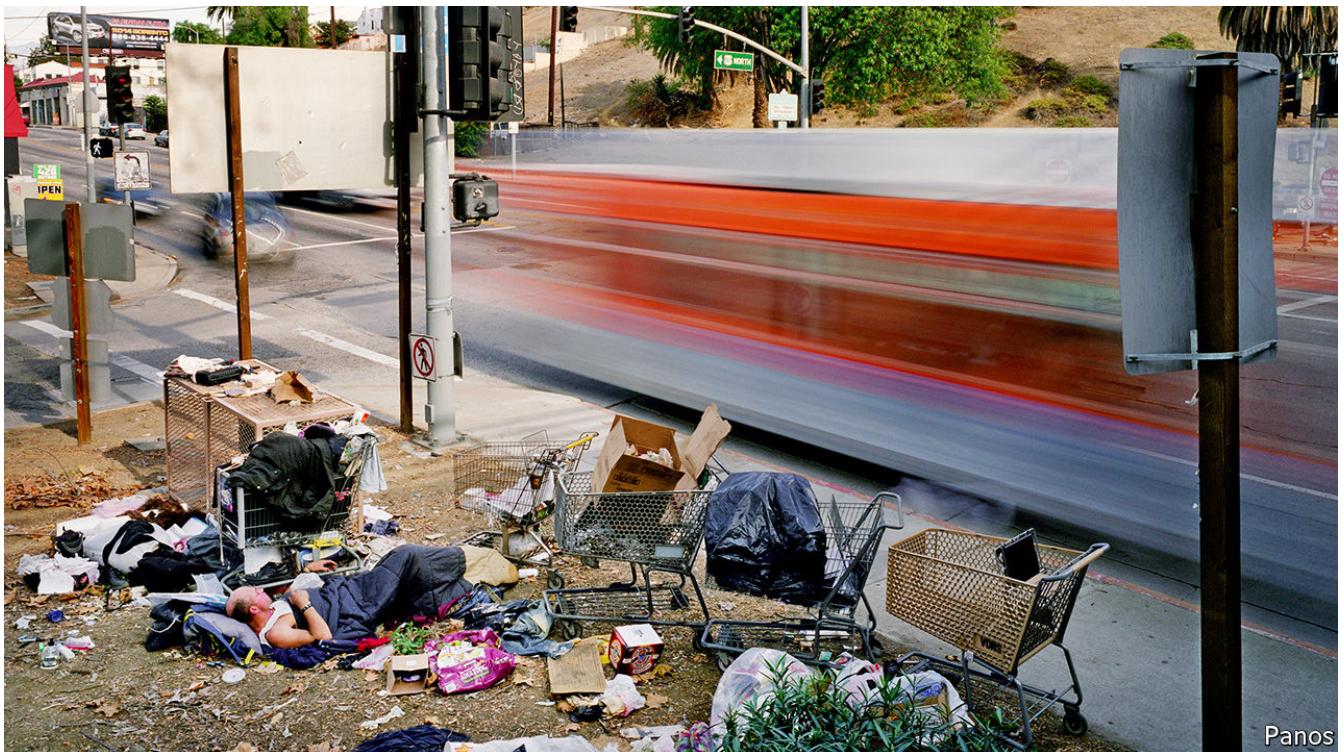
### Urban myths

#### Urban myths

## Homelessness is declining in America

*But it is worsening in the country's most prosperous cities*

[Print](#) | United States Oct 19th 2019



Panos

FIFTEEN-HUNDRED rubbish bins fill a room that stretches the length of an entire city block. Each one of the 60-gallon containers is neatly labelled and arrayed in a perfect line. Each holds the possessions of a homeless person or family. The facility, fittingly called The Bin, was set up by Chrysalis, a charity, to provide free storage for those living on the streets of Skid Row in Los Angeles.

There are few harsher vistas of America's homelessness problem than this neighbourhood, which adjoins a flourishing downtown and arts district. The city says that 4,800 homeless people live there, of whom 23% have an addiction and 43% have a mental illness. They are a fraction of the 50,000 homeless people estimated to live in the Los Angeles area, who are seen not just in Skid Row but also on the bustling pier of Santa Monica and along Venice Beach, where a peaceful-looking woman in her 50s wears plastic bags for shoes and a young man clothed in too many layers gestures to himself on the sand.

Despite significant public efforts—such as a surcharge on sales tax directed entirely towards homeless services and a \$1.2bn bond issue to pay for affordable housing—the problem of homelessness is worsening in Los Angeles. It has emerged as the greatest liability for Eric Garcetti, the mayor, and may have hindered his ambitions to run for president. After spending hundreds of millions, the city was surprised to learn in July that the number of homeless people had increased by 12% from the previous year (city officials point out that this was less than in many other parts of California). Though it can be found everywhere, homelessness, unlike other social pathologies, is not a growing national problem. Rather it is an acute and worsening condition in America's biggest, most successful cities.

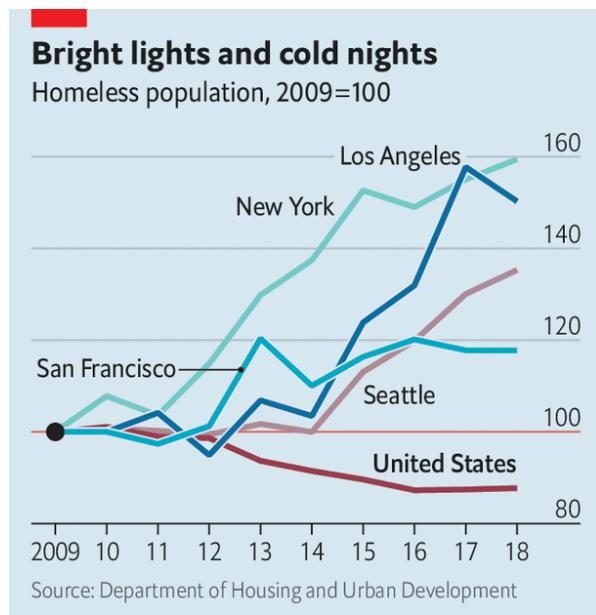
Every year in January, America's Department of Housing and Urban Development mobilises thousands of volunteers to walk the streets and count the unsheltered homeless. Along with data provided by homeless shelters, these create an annual census of types of homeless residents. Advocates think that the methodology produces a significant undercount, but they are the best statistics available (and much higher quality than those of other developed countries). Since 2009 they show a 12% decline nationally, but increases of 18% in San Francisco, 35% in Seattle, 50% in Los Angeles and 59% in New York.

On the surface the problem of homelessness looks intractable. This prompts policy misadventures. In September, just before the Trump administration was subsumed by impeachment chaos, the White House began publicly flirting with intervening in California's homelessness predicament (one in four homeless Americans lives in the state). However, the suggestions they floated—more arrests, and warehousing those living on the streets in unused aeroplane hangars—would not have been helpful. The real aim seemed to be more to embarrass prominent Democrats than to help. Around the same time, the Council of Economic Advisors put out a report suggesting that spending on shelters would incentivise homelessness.

The pessimism is the result of three widely believed myths. The first is that the typical homeless person has lived on the street for years, while dealing with addiction, mental illness, or both. In fact, only 35% of the homeless have no shelter, and only one-third of those are classified as chronically homeless. The overwhelming majority of America's homeless are in some sort of temporary shelter paid for by charities or government. This skews public perceptions of the problem. Most imagine the epicentre of the American homeless epidemic to be San Francisco—where there are 6,900 homeless people, of whom 4,400 live outdoors—instead of New York, where there are 79,000 homeless, of whom just 3,700 are unsheltered.

The second myth is that rising homelessness in cities is the result of migration, either in search of better weather or benefits. Homelessness is a home-grown problem. About 70% of the homeless in San Francisco previously lived in the city; 75% of those living on the streets of Los Angeles, in places like Skid Row, come from the surrounding area. Though comparable data do not exist for Hawaii—which has one of the highest homelessness rates in the country—a majority of the homeless are ethnic Hawaiians and Pacific Islanders, suggesting that the problem is largely local.

The third, and perhaps most pernicious, myth is that nothing can be done about it. Much of this results from conflating temporary, sheltered homelessness—the majority of cases—with chronic street homelessness. Most bouts are short and sheltered, driven chiefly by an inability to pay rent and likely to stabilise after rapid rehousing and time-limited housing vouchers. For the most challenging cases of triple affliction—homelessness, addiction and mental illness—more exhaustive interventions are needed.



The Economist

One promising approach is the “housing first” model. This seeks to place people in supportive housing without preconditions, such as sobriety, and to provide social services afterwards. Although America pioneered this approach, it has not been scaled up. Instead, the Finns have adopted it and nearly halved their homelessness rates in the past decade. Homelessness among ex-servicemen in America has been cut substantially by dedicating federal funding to this sort of service, suggesting that the approach can work outside the Nordic countries. Houston also credits the approach with reducing its homeless counts by more than half in less than a decade. A study of Denver’s programme suggests that permanent supportive housing, though costly, ultimately saves public dollars because it avoids the huge costs of policing, hospitalisation and providing emergency shelter for the homeless.

All this obscures the chief culprit, however, which is the cost of housing. Even among the poor—of which there are officially 38m in America—homelessness is relatively rare, affecting roughly one in 70 people. What pushes some poor people into homelessness, and not others, remains obscure. So too are the reasons for the sharp racial disparities in homelessness; roughly 40% of the homeless are black, compared with 13% of the population. But remarkably tight correlations exist with rent increases.

An analysis by Chris Glynn and Emily Fox, two statisticians, predicts that a 10% increase in rents in a high-cost city like New York would result in an 8% increase in the number of homeless residents. Wherever homelessness appears out of control in America—whether in Honolulu, Seattle or Washington, DC—high housing costs almost surely lurk. Fixing this means dealing with a lack of supply, created by over-burdensome zoning regulations and an unwillingness among Democratic leaders to overcome entrenched local interests.

Unaffordable rental markets make homelessness harder to fix, because housing vouchers go only so far. High housing costs

also erase signs of progress. If the engine driving homelessness is left running, the problem in high-cost cities only gets worse. “We effectively remove 133 people from the streets each day, only to be met by an inflow of 150 people each day,” says Mark Ridley-Thomas, of the Board of Supervisors for Los Angeles County. “Our homelessness budget is \$462m, which is 25 times what it was in 2015,” says Christina Miller, the deputy mayor of Los Angeles for the issue.

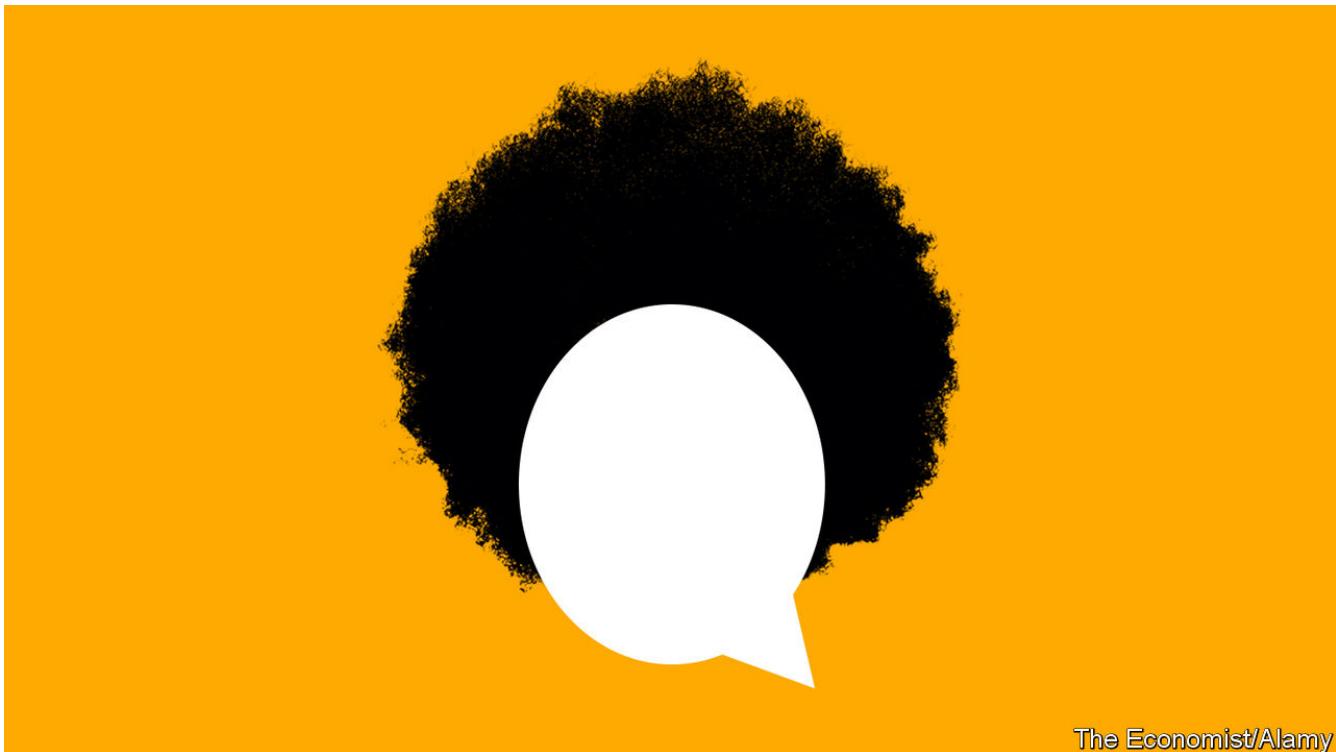
The ideal way to get stable housing, as is the case with most anti-poverty programmes, is a stable job. But that proves difficult. Chrysalis, the charity that runs The Bin, also maintains an entirely voluntary job-skills-and-placement programme, which they say helped put 2,100 people to work last year (of whom 70% were still retained six months later). One of them is Marshall May, who was recently promoted to a manager’s job at The Bin after years of prison and homelessness. With the bigger pay cheque comes greater financial stability, but also a new source of angst. The rent, he says, is worryingly high. ■

Twi for two

## The other African-Americans

*The African-born migrant population is doubling every decade*

[Print](#) | United States Oct 19th 2019



The Economist/Alamy

**I** JUST CAME to hustle,” explains Gabriel, a recent migrant, as he wields an electric razor to sculpt an impressive structure from a teenage customer’s hair. During shifts at Afrikiko Hair & Fashion Boutique, in northern Chicago, he gets the chance to display a range of skills. Not least, his gift for languages: he speaks four, all from Ghana, besides English. Mostly he chatters in Twi, the most popular tongue in the west-African country.

Twi is spreading in Chicago. Nearby is WGHC, an FM radio station housed in a gloomy third-floor room above an African hair-braiding shop (“Human Wigs, 100% virgin”). It broadcasts African music and talk in Twi, and other languages, largely to African-born listeners in the city. Its shows play, for example, from speakers mounted in the Makola African Supermarket. The shop’s owner says customers usually speak Twi too, although Nigerians who come for palm oil, okra powder, foufou, yams and beans rely on English.

African languages are growing rapidly, especially in bigger cities, mostly because the influx of migrants is so recent. Swahili and other central, eastern and southern-African languages are the fastest-growing in America, according to the Census Bureau, albeit from a low base. The number of speakers increased by 22% between 2016 and 2018. Nigerians, Ethiopians and Ghanaians are settling in the largest numbers: by last year the stock of migrants from the three countries numbered 850,000. The overall African-born population, meanwhile, has been doubling in every decade of the past half-century: census officials last year estimated the stock had reached 2.4m, from just 80,000 in 1970.

Yoruba is the most widely spoken tongue among Nigerian migrants. Vicky, the co-owner of African Wonderland Imports, who arrived from Nigeria in the 1960s, says her copies of Yoruba dictionaries, teach-yourself books and Yoruba-English Bibles sell well. Solomon Abebe, a former refugee who owns Selam Ethiopia Kitchen and a butcher’s, also in the Uptown part of the city, says Amharic is commonly used at home, at weddings, online, on television and at restaurants. Both say it is hard, however, to get children (let alone grandkids) to pick up more than the basics. “They don’t speak outside the house,” he says.

African migrants typically do well in America, though different nationalities do not mix much. (And in Chicago, at least, the migrants also shun predominantly African-American neighbourhoods.) Many are highly educated and benefit when their countrymen help each other out, especially on arrival. Census estimates, from 2017, suggest 77% speak a language other than English while at home, which reflects how many have arrived recently. Most are employed, notably in health and education jobs. Some sustain their language—and try to motivate children to learn—with trips to see family in Africa.

Will the influx go on? Researchers from Pew, a think-tank, who looked at more than 400,000 African migrants in the seven years to 2016, say nearly half arrived thanks to family ties. The rest, mostly, were resettled as refugees or won a lottery for hugely popular “diversity” visas. Since then President Donald Trump has all but ended the refugee resettlement route and, with several proclamations, tried to block poor applicants from seeking visas or green cards (though courts are delaying those efforts). The result: Africans will not stop coming entirely, but the dramatic growth in the number of speakers of Amharic, Twi and Yoruba is set to slow. ■

**The bigger sleep**

## California gives teenagers a lie-in

*The move may boost grades, cut truancy and even improve road safety*[Print](#) | United States Oct 19th 2019

The Economist/Alamy

**SCHOOL STARTING** times in America vary from an average of 7.48am in go-getting Mississippi to 8.31am in late-rising Connecticut. According to a survey by the National Centre for Education Statistics in 2017-18, only in two states—Alaska and Connecticut—do schools tend to start after 8.30am, the earliest recommended by a number of medical organisations. That may soon change. On October 13th Gavin Newsom, California's governor, signed legislation which cuts 2.7m of the state's schoolchildren some slack, setting a limit on starting times of half past eight for high-schoolers and eight o'clock for middle schoolers, in the hope that pupils will benefit from the extra time in bed.

There is plenty of reason to think they will. Puberty alters circadian rhythms, meaning adolescents are more alert in the afternoon and require more sleep in the morning. A research review by epidemiologists at the Centres for Disease Control finds that later school starting times correspond with improved attendance, less tardiness, less falling asleep in class, better grades and even fewer crashes involving youngsters driving themselves to school. The RAND Corporation estimates that moving to a half-past eight start across the country would boost the economy by more than \$80bn within a decade.

In response to the evidence, school districts across the country have begun to move start times back, but California is the first state to take the leap. Parents and unions are often bitterly opposed. The California Teachers Association vociferously resisted the change, citing the financial burden on schools as they adjust to the new hours, as well as the burden on parents who work as labourers or in the service industry, and cannot start work later. Last year Mr Newsom's predecessor, Jerry Brown, vetoed similar legislation, saying the decision should be left to school districts. “We should not set the bell schedule from Sacramento,” implored one Californian assemblyman this time round.

Supporters argue that it is appropriate for the state to set a minimum health-and-welfare standard, as it does in other areas. The legislation includes carve-outs for schools in rural areas and at least a three-year implementation period. It will be up to school districts to decide whether to end the day later, or cut its length. Anthony Portantino, the Democratic state senator who introduced the legislation, believes evidence of the change's benefits will soon win over opponents in rural areas. “There really is no significant reason not to do this,” he says, “other than an overwhelming resistance to change from adults.” Which is an attitude many teenagers will be wearyly familiar with. ■

## Capital punishment

# In defence of America's prison-industrial complex

*The arguments for abolishing private prisons are confused*

[Print](#) | United States Oct 19th 2019



Ed Kashi/VII/Redux/Eyevine

**O**N A CLOUDLESS October day, the early autumn sun still scorching, prisoners line up outside the education building of Saguaro Correctional Centre in Eloy, Arizona. They joke with the corrections officer on duty as she inspects their books. Her uniform does not sport the badge of the state of Arizona or the federal government but rather of CoreCivic, America's largest private-prison provider.

After decades of growth, the private-prison industry is under threat. On October 11th the governor of California signed a bill designed to phase out private-prison contracts. Banks, city pension funds and universities have announced their intention to divest. Most Democratic presidential hopefuls want to dismantle the industry. Wary that the public mood is turning, private-prison firms are diversifying into parole services, electronic monitoring, mental-health care and halfway houses. However, although private prisons have indeed profited from America's obsession with incarceration, they did not cause it. The case for their abolition is much weaker than it might seem.

America has used private prisons since the early 19th century, but they took off in the 1980s. Between 1978 and 2014, inmate numbers quadrupled. Private companies promised safer, more innovative prisons at a fraction of the cost. Neither advantage has materialised. Direct cost comparisons are difficult, but there is little compelling evidence of increased savings or innovation. Nor do the data make clear which type of institution is worse in terms of abuse, according to Lauren-Brooke Eisen, author of "Inside Private Prisons: An American Dilemma in the Age of Mass Incarceration".

Opponents offer a number of criticisms beyond the industry's failure to make good on its promises, but the main one is that the profit motive creates incentives to skimp on services, put minimal efforts into curtailing reoffending, save money by employing a less well-trained workforce and take only prisoners who are cheaper to house. Critics also allege that private prisons lack transparency and accountability. But these criticisms must be put in context. Private prisons may fail in myriad ways, but the question is whether they are worse than state institutions. Budgetary constraints already lead public prisons to cut costs, often by contracting out services to private companies. Data on reoffending, which is hard to define and measure, are inconclusive. Some public prisons are violent and poorly managed. It is not clear that privatisation causes such problems.

Better governmental oversight, restructuring contracts to specify desirable results, and more public transparency would improve the industry. More competition would help, too. Fear of losing contracts should improve quality, but 96% of private prison beds are owned by three companies and often a state has only one provider.

Practical concerns aside, many opponents take it as read that private prisons are immoral and therefore ought to be shut down. Their reasoning is rarely spelt out, but three arguments seem to be in the air. The first suggests that prisoners should be treated like people, not profit centres. But this is hardly unique to private prisons.

The second argument claims it is immoral to profit from suffering. But companies have always been allowed to profit from permissible forms of suffering, as anyone who has ever missed a loan repayment knows. Finally, some argue that the state should not contract out its core functions. Yet government agencies outsource essential functions, from legal arbitration to war. One salient difference is that private prisons are often permitted to use deadly force against citizens. But if the argument for abolition is primarily moral, it must be made more carefully than it often is.

None of this suggests that private and public prisons are equally good—better data or clearer moral arguments are needed to reach that conclusion—but it does weaken the case for abolition. One source of opinion, too rarely considered, is that of the prisoners. Evidence here is also mixed. When California brought prisoners back from out-of-state private prisons, some lamented the move. Dean, a prisoner at Saguaro who spent time in state-run facilities in Hawaii, enthuses about CoreCivic's programming, especially "Go Further", a cognitive-behaviour therapy course. "For 30 years I've been a tyrant," he reports. "[The programme] allows me to step back and see things through different eyes."

### **Folsom Inc.**

Politicians, especially presidential hopefuls, often jump from criticism of over-incarceration to commitments to close private prisons, implying that private prisons are the problem. This is a non sequitur. As Michael Jacobson, of City University of New York's Institute for State and Local Governance, points out, "it's not like if you end private prisons the prisoners disappear." Closing private prisons without reducing prisoner numbers would mean increasing public-prison capacity. In any case, the number of prisoners in private facilities is only 8% of the total prison population. And the Department of Justice can close only federal prisons. Twenty-seven states have contracts with private-prison companies. In 2017, only 23% of private prisoners were in federal prisons.

Critics of mass incarceration should focus on the number of prisoners, not where they are held. Many Democratic candidates have ambitious criminal-justice plans; but there is a danger, given the difficulty of reform, that they will do no more than abolish private prisons and claim victory, leaving the underlying problem untouched. ■

Tips for troglodytes

## How to await the apocalypse in style

*The business of preparing for disaster is still going strong*

Print | United States Oct 19th 2019



Magnum Photos

**R**ON HUBBARD sells high-end fallout shelters, and business is booming. Just \$144,999 (fiat currency, not gold), buys a 500-square-foot, sandblasted, tar-coated, modular fallout shelter with a bulletproof hatch, decontamination shower, gas-tight interior doors, L-shaped entry “to attenuate gamma radiation”, kitchen, bathroom, sleeping space for a family and, of course, the chance to upgrade it as far as the buyer’s wallet will allow. Shouting down the phone in his Texas twang, Mr Hubbard says that “people are buying [my shelters] because they think the shit’s going to hit the fan in this country! Eventually a hard-core socialist liberal’s going to take control, and they’re not going to let that happen. People are preparing for civil war.”

Preparing for disaster—“prepping”, as practitioners tend to call it—is nothing new. At the height of the cold war, people built fallout shelters in their yards, and governments installed them under public buildings. Moscow’s immense subway stations double as fallout shelters; Switzerland’s network of shelters can house the country’s entire population.

But the prepping business is still going strong, even as the threat of great-power nuclear conflict has receded—and the difference now is that disaster no longer need mean discomfort. Former nuclear-missile storage facilities across the Midwest are being refurbished and sold as places to wait out disaster with plush couches and screening rooms. Websites flog years’ worth of freeze-dried gourmet meals to those who quail at the thought of surviving on tinned beans and lukewarm water (though the post-apocalyptic bar for “gourmet” is low—your correspondent sampled some freeze-dried sausage, and found it hauntingly reminiscent of dried cat food).

Fifty years ago, Americans feared nuclear fallout or destruction; today, the list of disasters to be prepared for is much longer. Over the course of four seasons, “Doomsday Preppers” became the then-highest-rated show on the National Geographic channel; it featured people preparing for electricity-grid failures, the collapse of America’s food-distribution system, martial law, Fukushima-style irradiation, earthquakes and other catastrophes.

Some see prepping as a mainly right-wing, male phenomenon. On first glance, the recent Panhandle Preparedness Expo—held in northern Idaho, the heart of the American Redoubt, a region that attracts people who believe civilisation’s collapse is fast approaching—did nothing to alter that view. Many of those attending carried handguns jammed in their waistbands or in holsters wrapped around their legs. Preppers could buy little plastic bags of bullets and shotgun shells, bone-handled knives (“imported from Pakistan,” admitted the vendor), T-shirts reading “My gun is lubricated with liberal tears” and, alongside a picture of Donald Trump in sunglasses, “Two Terms—Deal With It!”

Bucking that stereotype was a left-leaning scientist from Washington, who bought a palletful of rice, beans and water. He watched New Orleans “descend into anarchy” after Hurricane Katrina in 2005, and his brother barely made it out of New York as Sandy approached in 2012. Those disasters piqued his concern about “a period of relative societal collapse...It would be utterly unprecedented in terms of human history and biologically in terms of species on Earth not to have a downturn. The question is when. I think it’s not that likely in my lifetime. I think I won’t have to use those rice and beans. But do I think it passes the 2-3% threshold that I buy home insurance for? Yes.”

Several dozen well-armed folk packed a seminar on home canning and food preservation. A stall selling essential oils would not have been out of place outside a Jill Stein event, though the vendor warned: “You need to know how to use this stuff, because after the collapse the pharmacies will all be robbed; all the businesses will be shut down.”

Other well-attended talks centred on communication and community-building. One speaker referred to a “Map My Neighbourhood” initiative from the Federal Emergency Management Agency (FEMA), which encourages people to know their neighbours and have an emergency plan. The speaker noted that he “trust[s] FEMA as far as I can throw them, but they’re not collecting data on this”. John Jacob Schmidt, a pseudonymous podcaster who gave one of the emergency-communication talks, stressed that he was “pro-government—they have the bulldozers; they’ve got the resources. We’re just supplementing it.”

### **Patiently awaiting the collapse**

Prepping means different things to different people. The liberal scientist, for instance, is particularly exercised about “eco-prepping”—prepping in ways that minimise his carbon footprint while restoring land he owns in West Virginia, where his family has a tiny, solar-powered home, to forest. What shone through in Idaho was a deep distrust of political systems and a mild, pervasive pessimism about human nature—or more specifically, the nature of unknown humans—but a devotion to community. Mike Bullard, a retired pastor now active in disaster assistance, says, “If my neighbour doesn’t have food or a way to take care of himself, I’m not safe. Being able to trust your neighbour is the most important preparation.”

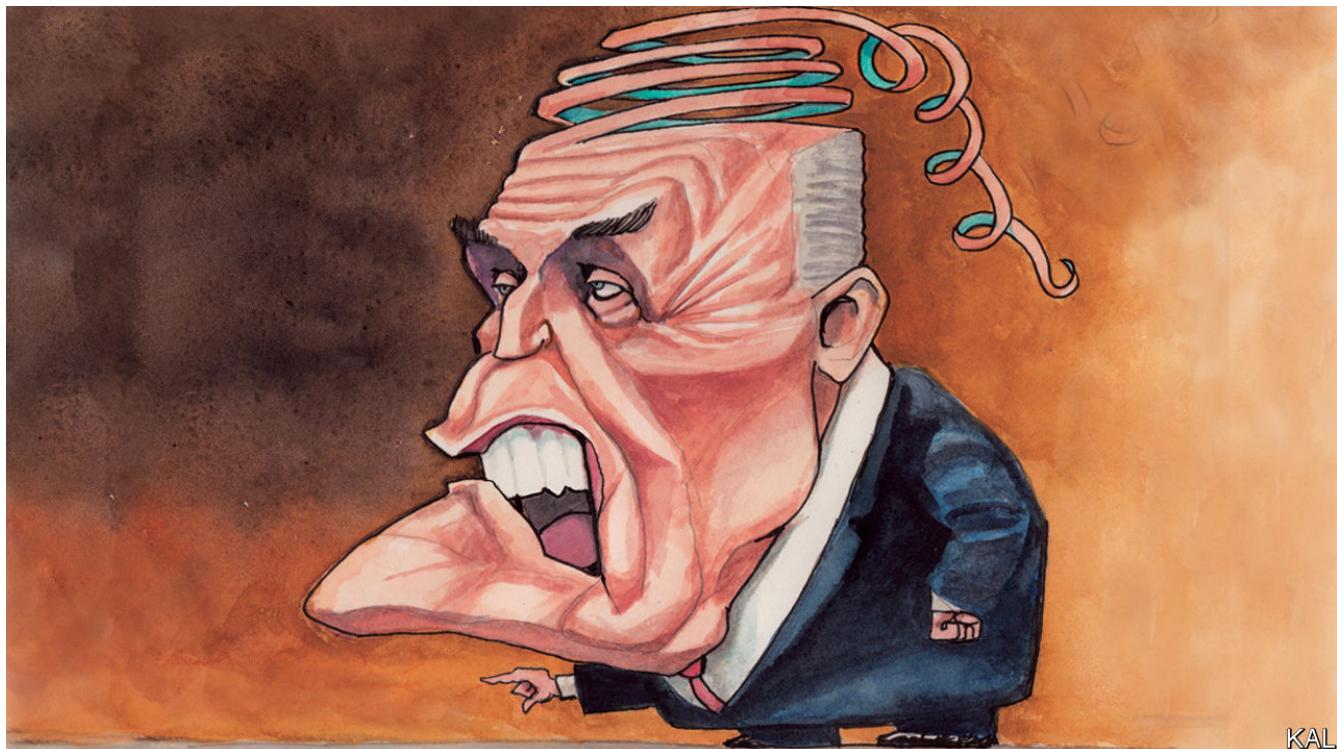
And because someone might not believe that collapse is imminent does not mean they may not want a shelter—just for fun. Pressed on whether enthusiasts for imminent bloody conflict might perhaps comprise an inadequate customer base, Mr Hubbard’s voice grows quiet, and his accent seems to soften. “I have a new shelter out...It has this incredible temperature of 56 degrees; that’s perfect for wine.” ■

Lexington

## The unravelling of Rudy Giuliani

*No one member of Donald Trump's coterie has fallen further than "America's mayor"*

[Print](#) | United States Oct 17th 2019



KAL

HAD LEXINGTON'S 2007 incarnation been informed that the next Republican president would be a pro-gay, pro-choice, thrice-wed New Yorker, the name of Donald Trump would not have leaped to his august mind. Rudy Giuliani led the Republican primary by a big margin throughout that year. There were, to be sure, doubts about whether the former New York mayor was too socially liberal for small-town conservatives. He had once shared a house with two gay people and a Shih Tzu and, what was worse, acted in a comic skit alongside Mr Trump, that symbol of louche metropolitanism. Moreover America was not given to electing "abrasive" New Yorkers, Lexington cautioned then. But, like many others, he suspected Mr Giuliani's dynamism and the broad support he enjoyed for his calm leadership after 9/11 and record of crime-fighting could compensate for such handicaps.

It has been pretty much downhill ever since for Mr Giuliani—culminating this week in what appears to be the worst crisis of his increasingly scandal-plagued career. In his role as the president's old mucker and personal lawyer, he is alleged to have run a parallel foreign policy in Ukraine for the main purpose of spreading bogus allegations against Joe Biden, Mr Trump's most feared Democratic rival. He is also reported to be under investigation—by a federal agency he once led—for breaking lobbying laws, apparently related to the same plot. Two of his business associates in Ukraine are under arrest. How much legal trouble he faces is unclear—though his decision to defy a congressional subpoena related to the Ukraine plot, for which Mr Trump is likely to be impeached, seems unlikely to help.

Politically, he is already busted. His defiant—at times almost unhinged—support for Mr Trump over the past three years has made him loathed in his old New York base and, because no one loves a dissembling lawyer, won him few friends outside it. And much good has it done him. Asked whether Mr Giuliani was still his lawyer, the president said he didn't know. Perhaps not even Mr Trump's previous personal lawyer, who is serving a three-year jail sentence, has lost more from his association with the president than the once admired Mr Giuliani stands to. Where did he go so badly awry?

One answer—popular in New York—is that his mayoral successes were significant but exaggerated, and weighed by character flaws that have worsened over time. New York's drop in crime during his tenure turns out to have been much less to do with the changes to policing he oversaw than was once assumed. Moreover those reforms had many authors—including his African-American predecessor, David Dinkins, whom Mr Giuliani defeated in a campaign remembered for his racist dog-whistling (the contest was dubbed the "Race race"). Mr Giuliani's social liberalism, mandatory in New York, now looks less central to his

politics than his willingness to play the race card to win power and to bend the rules to keep it. He even tried that after 9/11—which he sought unsuccessfully to use as an excuse to extend his second term. On both crime-fighting and 9/11, it is argued, Mr Giuliani was essentially in the right place at the right time.

Another (not necessarily contradictory) answer is that he was in the right place at the wrong time. In other words, before Barack Obama's presidency and the reactionary backlash it triggered on the right, Republican voters were not yet ready for the blend of pugnacity and quiet bigotry Mr Giuliani offered. Or else why did they object to his residual New York liberalism but, a decade later, give Mr Trump's a pass? Mr Giuliani once said that "the anti-immigrant movement in America is one of our most serious political problems." In 2007 he ran much more on his record than demagoguery. But the fact that he could have done otherwise had he chosen to, his subsequent performance suggests, is itself an indicator of the nativist change that has swept the brash New Yorkers' party. And no one appreciated that change better than Mr Giuliani.

Grasping hold of Mr Trump's coat-tails, he made a political return brimming with resentful craziness. He implied that Mr Obama hated America, that Hillary Clinton was grossly corrupt and told Americans they had one last chance to save themselves: "There's no next election! This is it!" When Mr Trump's lawyers later struggled to defend the president against Robert Mueller's obstruction probe, Mr Trump knew just where to turn. Mr Giuliani has been ubiquitous on cable TV ever since, generally defending the indefensible. Though sometimes hazy on the details of Mr Trump's scandals, he has compensated by lambasting the president's enemies, exaggerating the powers of his office and, when all else fails, spouting nonsense.

The haziness—which has led to Mr Giuliani confirming that Mr Trump did various things, such as paying off a porn star, that he had previously denied—may even be calculated. It has added to the air of surrealism, fuelled by endless distraction and absurdity, from which Mr Trump draws his impunity. Amid the mayhem, it becomes hard to know which scandals matter most—though it appears Mr Giuliani's Ukraine plot against Mr Biden has met that mark. An ever-increasing scandal, it allegedly involved the president's lawyer illegally trying to influence a foreign government to falsely accuse the former vice-president of illegally influencing the same foreign government.

### **Rootin'-tootin' Rudy**

In truth it is hard to find any altogether convincing explanation for Mr Giuliani's behaviour. He was once a serious politician prone to indiscipline; now he is wild. Yet a former colleague of his, who knows both men, suggests resentful envy of his old co-star Mr Trump—whom he must secretly disdain—may be eating him alive. If so, Mr Giuliani is going to really hate it when the president and his entire party flatly disown him. That looks like the inevitable next stage in his disgrace. ■

## Argentina's elections

The two faces of Peronism

### Practising Peronology

## If the Peronists win in Argentina, which Fernández will be in charge?

*Alberto is a uniter. Not so his running-mate, Cristina, an ex-president*

[Print](#) | The Americas Oct 17th 2019



AP

TRES DE FEBRERO, a grimy industrial suburb of Buenos Aires, is named for the date of a battle that took place nearby in 1852. The victorious general, Justo José de Urquiza, went on to promulgate Argentina's federalist constitution. Today the district is a battleground in a national election whose result could be nearly as momentous. It pits President Mauricio Macri, a reformer who has failed to modernise Argentina's economy, against Alberto Fernández, whose Peronist movement is the reason the country needs so much reform.

In 2015 Tres de Febrero voted for Mr Macri, helping end 14 years of Peronist rule in Argentina. But his mistakes helped bring about a recession, an inflation rate of more than 50% and a \$57bn bail-out agreement with the IMF, the fund's largest ever (see chart). Argentina's poverty rate of 35.4% is its highest in more than a decade. Now voters in Tres de Febrero are swinging back to the Peronists. "I voted for Macri, but not again," says Carlos, a worker at a biscuit factory. "After four years I can barely pay my bills or feed my family." He backs Mr Fernández, who has a commanding lead in the polls nationwide. Mr Fernández could win in the first round of voting, scheduled for October 27th.

What stirs hope in Tres de Febrero inspires fear in the financial markets and much of Argentina's middle class. That is largely because Mr Fernández's running-mate is Cristina Fernández de Kirchner (no relation), who preceded Mr Macri as president and created the economic mess that he tried, but failed, to clean up. During her eight-year presidency, she vastly increased welfare, subsidies and public employment. She warred with foreign creditors and hobbled exporters with high taxes and an overvalued exchange rate. Her tenure ended with a stalled economy, a fiscal deficit of 5.9% of GDP and high inflation.

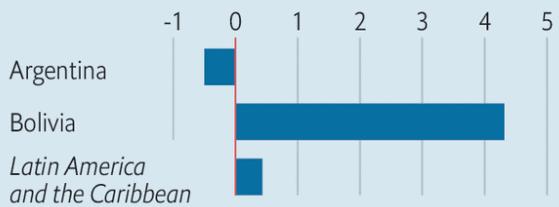
## Liberty or growth

### Freedom House democracy index score

2019, 100=most free



### GDP, average annual % change, 2015-19\*



Sources: Freedom House; IMF

\*2019 forecast

The Economist

Memories of that era spooked the financial markets on August 11th, when Mr Fernández decisively won a primary vote that is considered to be a dress rehearsal for the election. The peso plunged by 25% against the dollar, propelling inflation higher. Most Argentina-watchers assume that Mr Fernández will win the presidential election. Their main question is whether he will bring back *kirchnerismo*—Ms Fernández’s left-wing sort of Peronism—or plot his own, more moderate course.

He fulminates against Mr Macri’s “neoliberal” policies, including the IMF agreement, while reassuring voters that he is not like his divisive running-mate. The coalition he leads is called Frente de Todos (Front for All). “Alberto is a bridge-builder, always looking for dialogue rather than confrontation,” says Jorge Argüello, a former diplomat who has known him since university days. Once a goalkeeper on a university football team, Mr Fernández portrays himself in television ads as a seasoned crisis manager and a regular guy, who loves playing catch with his collie, Dylan. As chief of staff for the late Néstor Kirchner, who was Ms Fernández’s husband and preceded her as president, he oversaw negotiations with the IMF and creditors after the country defaulted in 2001. Mr Fernández is “totally non-ideological”, says Federico Sturzenegger, who was a central-bank governor under Mr Macri.

But will he be in charge? According to a recent poll, more Argentines believe that Ms Fernández, rather than Mr Fernández, would be de facto leader of the government, were they victorious. To counter that impression, other than in places where she remains popular, the Peronist campaign has kept her out of the limelight.

Some Peronologists think her only ambitions now are personal, not political. She faces prosecution in half a dozen corruption cases. Because she is now a senator, she cannot be sent to prison; as vice-president, she might hope for a pardon. Her frequent visits to Cuba are probably not motivated by ideology: her daughter is undergoing medical treatment there.

But Ms Fernández’s alignment with the movement’s left wing suggests that, should she be in effective charge, the consequences would be more than personal. One of the left’s most powerful organisations is La Cámpora, a Peronist youth group with cells throughout the country, which was founded by her son, Máximo Kirchner. The Peronist candidate for mayor in Tres de Febrero, Juan Debandi, is a member. In the next congress, which will also be chosen on October 27th, perhaps 40 deputies in the 257-seat lower house will be from Ms Fernández’s wing of Peronism. The views of La Cámpora will prevail, predicts a gloomy businessman. If that happens, hyperinflation will be a “high probability”.

To avoid bending to the Peronist left Mr Fernández is expected to seek alliances with Peronist governors, most of whom have no sympathy for La Cámpora, and perhaps with Mr Macri’s defeated coalition, Juntos por el Cambio (Together for Change). Sergio Berensztein, a political consultant, thinks Mr Fernández could form a “government of national unity” with the opposition.

### Avoiding triumph and disaster

His government would probably be less radical than Ms Fernández’s was, but less reformist than Mr Macri had hoped his would be. It would seek a revised agreement with the IMF. It would probably need a more aggressive rescheduling of Argentina’s debt than Mr Macri has proposed. It would try to control the budget deficit, in part by omitting to raise pension benefits in line with past inflation, and to forge a “social pact” with unions and businesses to help contain inflation. Mr Fernández would be friendlier than was Ms Fernández to exports, which should get a boost from the peso’s devaluation. Another win could come from fast-rising production from the Vaca Muerta shale oil and gas deposits in northern Patagonia. Mr Berensztein thinks Mr Fernández would “do the minimum reforms to get the country going”.

But he might not do much more. He has given little sign that he means to overhaul an overgrown state that undermines the productivity of its citizens and enterprises. His coolness towards a trade accord agreed in June by Mercosur, a trade bloc dominated by Brazil and Argentina, with the European Union is discouraging. The agreement, if ratified, could be a “total game shifter”, says Mr Sturzenegger. To win its battles, Argentina needs to compete. ■

**Morales' hazard****Bolivia's Evo Morales faces his toughest re-election battle yet***After 13 years of his rule, voters are getting restless*[Print](#) | **The Americas** Oct 17th 2019

Reuters

**B**OLIVIA IS AN insurrectionary nation,” declares Norma Berno, a tiny woman with piercing eyes at a “rally for democracy” on October 10th in La Paz, the administrative capital. In the early 2000s she demonstrated in favour of nationalising Bolivia’s large gas reserves, a cause whose popularity paved the way for Evo Morales, a coca farmer and union organiser, to become the country’s first indigenous president in 2006.

Now some insurrectionists are turning against him. At the democracy rally, held on the 37th anniversary of the end of military dictatorship, Ms Berno joined tens of thousands of demonstrators in Plaza San Francisco to toot vuvuzelas and hurl insults at the absent president. Among her chief complaints are the poor quality of public services, the lack of formal jobs and the president’s decision to run for a fourth term, in defiance of the constitution and a referendum vote in 2016. “I thought he was going to change the country for the better,” she says. “I was wrong.”

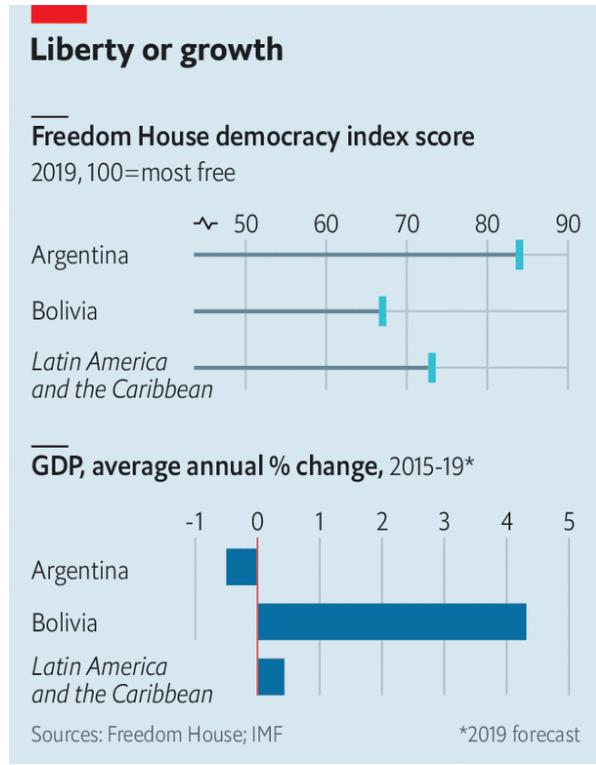
Mr Morales has certainly brought change. Profits from exports of gas, which he nationalised at the start of a global commodities boom, were redistributed to the poor. Since he came to power, the share of the population living on less than \$1.90 a day has dropped by two-thirds, to 6%, according to the World Bank. A new constitution expanded the rights of indigenous people, who make up perhaps half of the population. Women now occupy half the seats in congress. The government built highways, airports and *teleféricos*, cable cars that criss-cross La Paz. Eli, an indigenous woman selling anti-government flags at the democracy rally, is grateful, despite the message on her wares. She says the *teleféricos*—and the government’s leniency towards vendors selling smuggled goods—allow her to eke out a living.

The president is counting on voters like her to re-elect him on October 20th, when legislative elections will also be held. He won the past three elections with more than half the vote in the first round. His Movement to Socialism (MAS) has a majority in congress. Now polls suggest he may not meet the threshold needed to avoid a runoff, which would be held on December 15th: 40% with a ten-point lead over his nearest rival.

His defeat would be catastrophic for Bolivia, says the vice-president, Álvaro García Linera. He calls the president “a weaver” of different social, regional and economic groups. “The absence of Evo would generate a kind of social dismemberment and convulsions that are characteristic of Bolivia’s history,” he says.

His absence is now thinkable for a mix of reasons. Many Bolivians take their prosperity for granted. That prosperity is now under threat. Above all, many worry that Mr Morales aims to make himself president for life. He is “the path toward authoritarianism, and we are the path toward democracy,” says his leading challenger, Carlos Mesa, a bookish former president.

Bolivia's economy has grown by an average of nearly 5% a year since 2006. Unlike left-wing presidents in Argentina, Brazil and Ecuador (see [Bello](#)), Mr Morales did not indulge in the sort of spending binge that results in brief euphoria followed by inflation and recession. "We're responsible not because the IMF tells us to be, but because inflation attacks the poor the hardest," says Luis Arce, the economy minister. Growth has remained strong in Mr Morales's current term (see chart).



The Economist

But his magic is losing potency. Income from gas exports has dropped. The fiscal deficit this year will be nearly 8% of GDP. The government trumpets a plan, called Agenda Patriótica, to encourage private investment in industries such as plastics and lithium batteries. But the state still invests more than the private sector. "Bolivia wants to join the first industrial revolution, but the world is already on the fourth or fifth," says Gonzalo Chávez, an economist at the Catholic University in La Paz.

A push to expand soya and beef production to feed demand from China encouraged farmers to burn swathes of the Bolivian Amazon. Since August these fires have destroyed 5m hectares (12m acres) of forest, an area larger than Costa Rica. This contributed to indigenous voters' disenchantment. Scores of protesters walked 450km (280 miles) from Chiquitania, a region in eastern Bolivia, to Santa Cruz, the country's agricultural hub. Joaquín Orellana, one of their leaders, credits the president for forcing elites "to take us into account". But, "he has abandoned us now."

He could hold on to power despite voters' disappointment. In part that is because the opposition is fragmented and lack-lustre. Mr Mesa, his main opponent, is little known in remote rural areas. "He has barely gone out in public in the past eight months," gripes a member of his inner circle. Mr Morales's ever tighter grip on the state and other institutions adds to his advantage. He has the backing of trade unions and uses government advertising to boss the media. The judiciary does his bidding. Billboards with the president's image, paid for by the government, are ubiquitous. In recent weeks it has been handing out free food, computers, ovens and even tractors across the country.

International monitors will watch Bolivia's vote, so widespread fraud is unlikely. But that does not mean it will be fair. The members of the electoral court are loyal to Mr Morales. They recently banned publication of a poll that showed him with only a narrow lead over Mr Mesa. Supporters of both the president and opposition candidates have promised to take to the streets if they lose. "I'm worried about the day after the elections," the German ambassador, Stefan Duppel, told the Bolivian press. The MAS is likely to lose its absolute majority in congress. If the president is re-elected, he will find it harder to govern. Ms Berno would welcome an end to his monopoly of power. "Bolivia is no longer a bastion of Evo Morales," she says. "We're sick of him."

**Bello**

## The cost of Ecuador's surrender on fuel subsidies

*President Lenín Moreno will find it hard to recover*

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IT IS BECOMING a familiar story. In the aftermath of the South American commodity boom, a centrist president has to repair economic damage caused by a leftist populist and, either because of technical or political mistakes, botches the job. The IMF is blamed for measures that would be even more painful without its money. It has happened in Argentina. And now it is happening to Lenín Moreno in Ecuador. After a fortnight of protests, rioting and looting, on October 13th he withdrew a decree eliminating fuel subsidies. His government will find it hard to recover.

Mr Moreno was elected in 2017 as the successor of Rafael Correa, an autocratic populist. Ending a period of instability which had seen five presidents come and go in ten years, Mr Correa ruled successfully for a decade, thanks to the commodity boom. Higher oil revenues, plus expensive and opaque Chinese loans, allowed him to build roads, hospitals and schools while also squandering billions. He doubled the size of the state. But after the oil price plunged in 2014 the economy fell into recession. Mr Correa stepped aside, but backed Mr Moreno, his former vice-president, who has used a wheelchair since he was shot in an attempted robbery in 1998.

Mr Moreno broke with the policies of his predecessor. He had little choice. In 2000 Ecuador adopted the dollar after its people abandoned a currency rendered valueless by hyperinflation. So the authorities can't print money to cover budget shortfalls, or devalue. Inflation quickly undermines the competitiveness of businesses. To make matters worse, Ecuador has a poor reputation in financial markets. Investors have not forgotten that Mr Correa defaulted on bonds in 2008.

Mr Moreno inherited a fiscal deficit of 8% of GDP, and few means of financing it. This year the government turned to the IMF, in a deal that unlocked \$10bn in cheap money. In return, it committed to cutting the deficit by five percentage points over three years, to make Ecuador's public debt sustainable. While some spending cuts were easy, meeting the target meant also raising 1.5% of GDP either by increasing VAT or by cutting fuel subsidies.

The government chose the latter. There were good reasons to do so: subsidies on fossil fuels, which cost \$1.4bn a year, are environmentally damaging and socially regressive. As officials pointed out, much of the benefit goes to the better-off, to those who smuggle fuel to Peru and to Colombian drug-traffickers who use it in making cocaine.

But the price increases were steep—for diesel, from \$1.04 to \$2.27 per gallon, and for higher-octane petrol from \$1.85 to \$2.39. This was hard on remote rural areas, which depend on road transport. The government failed to prepare the ground in advance by consulting people and mitigating the impact on the poor. After the price hikes had taken effect, the cash-transfer payments which go to the poorest 20% of the population were increased; but by then the damage had been done.

The measure united disparate opponents: the indigenous federation (called Conaie), bus owners, students and supporters of Mr Correa. The ex-president's allies, according to the government, caused much of the violence. Pickup trucks of thugs patrolled Quito, the capital. In two weeks of mayhem, at least six people died, more than 1,400 were injured and more than 1,100 arrested. The economic damage may have reached \$1.5bn (or 1.4% of GDP). The damage to Ecuador's social and political fabric is harder to calculate, but substantial.

Mr Moreno gave in and scrapped the decree. He will work with Conaie on a new package that involves targeted subsidies, he said. That may involve forfeiting around half the proposed savings, reckons Siobhan Morden of Amherst Pierpont, a securities firm. A weakened government will have to find the rest in other ways.

Latin Americans have a tradition of blaming the IMF for unpopular measures their governments would have to take anyway. The populist left, which is largely silent on Venezuela's economic and humanitarian disaster, has now seized on the setbacks in Ecuador and Argentina to argue that it was right all along. In fact, a return to policies it advocates would lead to yet another round of painful adjustment.

Mr Correa once boasted, "Because we are bad pupils of the IMF things are going well in Ecuador." If Mr Moreno's failure helps populists back into power in 2021, they may find that the opposite is true. ■

**Japan's monarchy**

Slave to the tortoise shell

**Slave to the tortoise shell****Japan's emperor is a prisoner in his own palaces***Stifling bureaucracy and ritual are making Naruhito irrelevant to his subjects*

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Getty Images

**I**N HIS MEMOIR, “The Thames and I”, Prince Naruhito, as he was when he wrote it, recalls his brushes with greasy kippers and dingy pubs as a student at Oxford University in the 1980s. He recounts how doormen at a disco turned him away because he was wearing jeans—not the sort of reversal a Japanese royal often experiences. The picture above shows him dressed in his student gear. The two years he spent at Merton College researching transport on the Thames river in the 18th century were perhaps “the happiest time of my life”, he writes.

Prince Naruhito became the 126th emperor of Japan in May when his father, Akihito, abdicated because of age and infirmity. He will be officially enthroned on October 22nd, in a ceremony which the many grand guests, including the vice-president of China and the prime minister of South Korea, will watch only by video monitor from another part of the palace. At the conclusion, they will shout “Banzai!” (Literally “10,000 years!”; ie, “Long live the emperor!”). The video link marks an improvement from April, when Emperor Akihito announced his abdication to the sun goddess, from whom he is supposed to be descended, in a ritual observed only by his son, Shinto priests and chamberlains.

The life of Japan’s monarchs is absurdly formal and arcane. Emperor Naruhito’s cheery reflections on life in Britain nearly did not see the light of day. The Imperial Household Agency, the bureaucracy that dictates what Japanese royals can and cannot do, did not want the book published because they feared it would invite familiarity and ridicule. Its mandarins go to extraordinary lengths to protect the imperial family’s image. When Emperor Naruhito’s brother, Fumihito, got married, in 1990, a photographer was banned from the palace for taking a picture of his bride brushing hair out of his eyes, rather than in a formal pose. The family, says Shihoko Goto of the Wilson Centre, an American think-tank, is so tightly bound by rules that it makes “the House of Windsor seem positively lax”.

**Misogyny, not prurience**

The Japanese press, by and large, is respectful of the boundaries set by the Imperial Household Agency. It was foreign publications, for instance, that broke the news first of Naruhito’s engagement in 1993 and then of his wife’s depression in 2004,

even though lots of Japanese journalists were aware of both. Unlike in most European monarchies, there is no prurient tabloid coverage of the royals' love lives—although there is frequent criticism of royal wives and daughters whenever they are perceived to be shirking their duties.

The royal family's relatively limited personal wealth, meanwhile, means that there is little scope for playboy princes or tear-away princesses. The emperor's main interest is the management of water. Most of the royal family's assets were confiscated after the second world war. The palaces and estates it uses are owned by the state, which also pays for their upkeep and for the maintenance of the royal household. One expert estimates that Akihito, now styled "emperor emeritus", had only about ¥5m (\$46,000) a year to spend on personal purchases and activities. His father, Emperor Hirohito, left an estate of less than ¥2bn when he died in 1989.

That leaves the royal family as a species of cosseted but absurdly circumscribed civil servant, their lives arranged in minute detail by bureaucrats, their public statements carefully vetted to ensure they do not overstep their role as constitutional figure-heads. Although the emperor and empress, much like monarchs from other countries, undertake goodwill trips abroad and encouraging visits to schools and charities at home, traditionalists see the emperor's main job as performing obscure Shinto rituals. Next month he will offer rice from two regions of Japan (chosen based on priests' interpretation of the cracks in a burnt tortoise shell) to the gods to thank them for the harvest, flanked by torch-bearing priests. He also has to grow his own rice, with a little help, presumably, from the imperial gardeners. Empress Masako's tasks include tending to the silkworms of the Imperial Cocoonery, feeding them mulberry leaves and weaving structures from rice straw on which they spin their cocoons. Both emperor and empress compose classical poems to be declaimed to the court several times a year.

Whether Emperor Naruhito wants or would be able to modernise his role is uncertain. He battled on his wife's behalf after she was upbraided for tiny infractions of sexist palace protocol, from speaking marginally longer than he did at their first joint press conference, to walking—gasp—a step ahead of her husband in public. Naruhito complained in 2004 that Masako, a former diplomat, "had completely exhausted herself" trying to adapt to life in the palace, where her "personality" had been stifled. But if he would like to be succeeded by his daughter, rather than his nephew (current law bars women from the throne, although there have been reigning empresses in the past), he has not given any hint of it.

Emperor Akihito discreetly pushed back both against the dated rituals of royal life and against the tub-thumping nationalists who revere them. He gave the first televised address by a Japanese emperor after the tsunami and nuclear accident of 2011. Shortly afterwards he visited some of those made homeless by the disaster, sharing a cup of tea with them while sitting on the floor. He also appeared to question, albeit obliquely, the plan of the prime minister, Shinzo Abe, to amend the clause of the constitution that commits Japan to pacifism. In 2001 he brought up a distant Korean ancestor at a press conference—a snub to those who cling to ideas of racial purity, notes Ken Ruoff of Portland State University. More recently, he persuaded the obviously reluctant government to pass a law to allow him to abdicate.

Constitutionally, the emperor is "the symbol of the state and of the unity of the people". But the imperial cocoon in which he is kept risks making him more of a relic. Much like his father, Emperor Naruhito is relatively informal when touring the country, petting dogs and chatting with schoolchildren. But younger Japanese seem to have little interest in the royal family—and the royal family has scant leeway to make itself more relevant. ■

Forced smiles

## The leaders of China and India pretend to get along

*In fact, the only thing Narendra Modi and Xi Jinping agree on is the importance of posturing*

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D RAGON AND tiger, or panda and elephant? As Xi Jinping, the Chinese president, and Narendra Modi, India's prime minister, met for an "informal summit" on October 12th, the *masala* of metaphors in the Indian press was telling. Strongmen on their own political turf, the two men ambled as tourists through the eighth-century rock carvings of Mamallapuram on India's south-eastern coast before banqueting at a romantic seaside temple, the last vestige of a once-thriving port that traded with China 1,300 years ago. Yet their countries, jointly home to more than a third of humanity, are not the best of pals.

The list of mutual irritants is long. Each side claims land the other controls. China asserts a right to the entire Indian state of Arunachal Pradesh. Both have friends the other hates. China is an increasingly vital financial, military and diplomatic lifeline for India's eternal, nuclear-armed foe, Pakistan, while India has for decades hosted prominent Tibetan exiles, including the Dalai Lama. China grates at India's blunt opposition to its Belt and Road Initiative, aimed at integrating Asia through infrastructure built with Chinese loans. India is annoyed by China's \$53bn surplus in the \$96bn trade between the two. It shows its disapproval by, among other things, rebuffing Chinese proposals to deepen "people-to-people" contacts, suspecting that the offer of things like research collaboration is just a cover for more insidious aims. For its part, China sends a minuscule 250,000 tourists a year to India, out of some 149m who travel abroad.

India also fears the growing disparity between China's military might and its own. With an economy that is now five times bigger, and with an industrial base and defence budget to match, China is rapidly outstripping a neighbour that still relies on imported weapons. Nor is it just China's warships and submarines that are pushing into what India sees as its ocean. Dollops of Chinese money have impressed, and in some cases heavily indebted, smaller states that India sees as part of its backyard, such as the Maldives and Sri Lanka.

China, meanwhile, casts a wary eye at India's growing closeness to adversaries such as America, Australia and Japan. Partly because India views itself as a superpower-in-waiting, and partly from a desire not to provoke its bigger neighbour, India has shied away from formal alliances. But even under the erratic Trump administration India's ties with America, which include a growing number of defence agreements, have continued to strengthen. "Nobody in Delhi is under the illusion anymore that China is a reliable partner, or even an alternative to an increasingly shaky relationship with the United States, a deepening partnership with Japan and stronger engagement with other middle powers across Europe and South-East Asia that are equally concerned about China's unfettered and increasingly assertive rise," says Constantino Xavier of Brookings India, a think-tank.

Given so many sources of tension, what did Mr Xi and Mr Modi find to talk about? “It’s almost like the deal is, we will not discuss the real issues in the relationship,” says Jabin Jacob of Shiv Nadar University in Delhi. “It’s an example of diplomacy without accountability, and largely meant to impress domestic audiences.” India says very little about China’s controversial policies in Hong Kong and Xinjiang, and has notably curbed the exiled Tibetans it hosts. In return, it hopes China will pipe down on the issue of Kashmir, which India recently stripped of autonomy. In that respect, at least, Mr Xi has signally disappointed, saying shortly before his visit that he was concerned about the situation in Kashmir and supported Pakistan’s stance.

A similar shadow-play of competing influences goes on in India’s near-abroad. After meeting Mr Modi, Mr Xi flew to the Nepalese capital, Kathmandu. It was the first visit by a Chinese president in 23 years. The largely Hindu republic has strong historic and cultural ties to India, but its government has tilted northward in recent years. Both countries are run by communists, after all, and many Nepalese resent India’s occasionally bullying policies towards their country.

Mr Xi signed some 18 bilateral agreements in Nepal, offering promises of Chinese investment in roads and railways. But the deal he wanted most, an extradition pact that might have targeted Nepal’s large community of Tibetan exiles, remained elusive. Considering the size of the mountains and the weakness of Nepal’s economy, the planned infrastructure links to China will take years to materialise. India, meanwhile, says it will strengthen road and rail links from its side.

Another area of competition is Sri Lanka. China muddied its own pitch there by signing too many murky deals for ports and other infrastructure, causing a political backlash that favoured India. Now the pendulum is swinging back. Presidential elections in November look likely to return the pro-China Rajapaksa family to power. India has contributed to various development projects, but cannot match the scale of China’s largesse. The Chinese ambassador last year handed Sri Lanka’s outgoing president, Maithripala Sirisena, \$300m as a gift from Mr Xi, to spend as he wished. “Unfortunately, staying power and the capacity for the long haul are missing from the Indian playbook,” laments Mr Jacob. ■

**About a boycott****For the sake of workers, Uzbekistan is privatising its cotton industry***The hope is that the private sector will pay cotton-pickers, instead of simply forcing them into the fields*

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UNDER THE blazing sun in a cloudless blue sky, green foliage droops with unfurling white cotton bolls. In the Fergana Valley in the heart of Central Asia, in the shadow of snow-dusted mountains, the cotton is ripe for picking. If the Uzbek authorities have their way, it will become T-shirts and skirts, to be sold around the world. Uzbekistan, already the world's seventh-biggest producer of cotton, wants to become a force in the garment industry, too, on a par with the likes of Bangladesh, China and Vietnam.

Output from Uzbekistan's apparel industry rose by 80% between 2014 and 2018. Exports of raw cotton have plunged as the crop is turned into fabric and clothes instead. In 2016 half the country's output was exported; last year only 16% was. Uzbekistan's textile factories can now get through 720,000 tonnes of cotton a year—roughly as much as its farmers produce. Next year the government hopes to eliminate the export of raw cotton altogether. It is aiming for a 340% rise in the value of exports to \$7bn by 2025. The mood is “very optimistic”, says Ilkhom Khaydarov, the head of the Textile and Garment Industry Association.

But Uzbekistan has an image problem. Over 300 Western clothing brands and retailers, including international giants such as Disney, Nike and Walmart, boycott Uzbek cotton in protest at the massive, state-organised system of forced labour that until recently was used to harvest the crop. As a result, most exports of textiles go to the countries of the former Soviet Union and elsewhere in Asia, not to the most lucrative customers in the rich world.

The use of forced labour was a legacy of Soviet days, when more or less everyone in cotton-growing regions—schoolchildren, civil servants, doctors—was dragooned into picking cotton at harvest-time. The government insists that this is a thing of the past. The president, Shavkat Mirziyoyev, has spent his three years in office trying to stamp out the practice, as part of a big overhaul of the cotton industry.

Mr Mirziyoyev took power following the death of Islam Karimov, the strongman who had ruled Uzbekistan since it became independent from the Soviet Union in 1991. Mr Karimov had not only forced people to work in the fields; he had also maintained the government's monopoly on the cotton trade. Farmers had to grow a certain amount of cotton, which they could sell only to the state, at a price that it fixed. Most still labour under this system, and can lose their land, which is leased from the state, if they do not meet their quota. But Mr Mirziyoyev has allowed farmers in designated areas to sell their cotton directly to private enterprises, at a mutually agreed price—although the farmers still have little bargaining power, notes Yuliy Yusupov, a local

economist. The plan is to eliminate all the quotas and state purchases by 2023, leaving the industry in the hands of the private sector.

It is “a real revolution”, says Mullajon Mansurov, who is inspecting cotton growing near the town of Uchqorgon. Mr Mansurov oversees cotton-growing in the Fergana Valley for Uztex, one of Uzbekistan’s biggest textile companies. Cutting out the middleman and dealing directly with farmers to cultivate cotton to the right specifications is “a huge plus”, echoes Fazliddin Sirojiddinov, Uztex’s boss.

At one of the firm’s ten factories, on the outskirts of the capital, Tashkent, cotton is piled in shaggy bales. It chugs through gins and whirrs around spinning machines to become yarn. By the end of the production line, the yarn has been transformed into T-shirts, socks, towels and linen—to be exported to 45 countries. The firm is keen to show off how well it treats its workers: they earn seven times the minimum wage, with perks like free health care thrown in.

The government, too, is keen to tout the country’s respect for workers. “Are you forced to pick cotton or do other work?” ask billboards advertising hotlines to collect reports of abuse. Officials found guilty of coercion are fined and fired. The government is determined to erase this “shame”, says Erkin Mukhiddinov, a deputy labour minister. Like many officials toiling to end forced labour, he has first-hand experience: he had to pick cotton as a student.

Since 2017 pickers’ wages have increased by over 70%. Labourers must still pick around ten kilos—perhaps an hour’s work—to earn a dollar, but that is comparable to other menial jobs. Forced labour is still widespread but no longer “systemic”, says the International Labour Organisation, which the government has invited to monitor its progress.

But the government continues to present cotton-picking as a civic duty. In September bureaucrats rewarded a 92-year-old woman with a television for picking 70kg. Local officials, who do not want to be blamed if quotas are not met, still have an incentive to press people into helping in the fields. The Uzbek-German Forum for Human Rights has collected a series of complaints from both workers in the public sector and employees of private firms who say they were ordered to join the harvest this year or to pay for replacement pickers. The Responsible Sourcing Network, which co-ordinates the international boycott of Uzbek cotton, says it will only be lifted if there is “substantial and sustainable” progress.

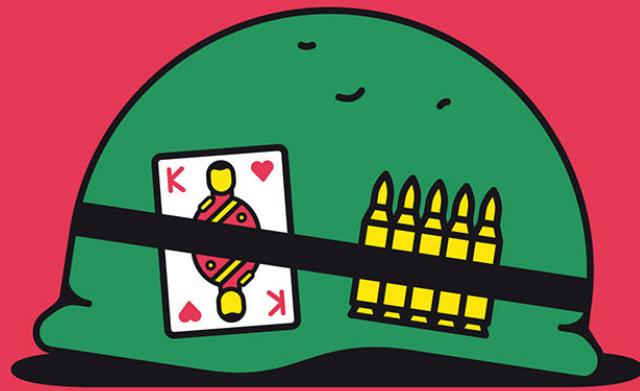
To prove the government’s good intentions, Mr Mukhiddinov, among others, has been meeting with campaigners for workers’ rights. Last month he debated the reforms with a group of them over a pot of tea. That in itself was striking: one of the activists in attendance was Azamjon Farmonov, a former political prisoner who spent 11 years in a notorious prison camp, Jaslyk. The authorities ordered his release two years ago, and have since announced Jaslyk’s closure.

The government and activists alike hope the impending privatisation of the industry will help to relieve the pressure on lowly officials and thus allow cotton prices to rise high enough to cover the costs of picking it without coercion. On Uztex’s factory floor, a smiling seamstress holds up a T-shirt emblazoned with a slogan that seems to speak to the industry’s aspirations. “Ready to be different,” it reads. ■

## Thailand's army chief sees a commie conspiracy to topple the king

*He is helping to set the country on a course for further division and rancour*

Print | Asia Oct 17th 2019



Till Lauer

IT WAS A speech worthy of Dr Strangelove. In a 90-minute lecture-turned-rant at the army headquarters on October 11th, Apirat Kongsompong, the head of Thailand's armed forces, accused academics and other leftists of implanting "communist chips" in the minds of brainwashed youths. Opposition politicians such as Thanathorn Juangroongruangkit, leader of the Future Forward Party, were involved in the conspiracy, too, the general added—how else to explain Mr Thanathorn's meeting with a democracy activist from Hong Kong? The aim of their plotting, General Apirat confided, was nothing less than the toppling of Thailand's sacred monarchy.

To foreigners all this may sound like an absurd spoof, but to democratically minded Thais, it was ominous. Similar talk preceded a notorious massacre at Thammasat University in Bangkok in 1976, when soldiers and police casually fired into a crowded campus of student protesters, their work finished by a right-wing lynch mob. Perhaps 100 students died. Moreover, General Apirat's father, who was also head of the army, led a junta that overthrew an elected government in 1991.

If nothing else, General Apirat's railing gives the lie to the claim that the army has returned to barracks. It last seized power in a coup in 2014. Elections in March were meant to mark a return to civilian rule, but instead saw the coup leader, Prayuth Chan-ocha, carry on as prime minister. Despite his considerable efforts to rig the election, Mr Prayuth's army-backed party required the help of nearly a score of tiny parties to form a government. In an apparent message to politicians who might be tempted to take the supposed restoration of democracy seriously and make life difficult for Mr Prayuth, General Apirat says he will not hesitate to launch another coup if "political chaos" demands it.

Mr Thanathorn, a wealthy, telegenic 40-year-old, is fast replacing Thaksin Shinawatra (the former prime minister, now in exile, whose parties have long dominated democratic politics) as state enemy number one. Mr Thanathorn's message resonates, especially among the young: trim the army's power, rewrite the constitution and foster an open politics that serves all Thais, not just the elites around the royal court. He has already been barred, on a technicality, from taking up his seat in parliament. Worse awaits. His party is likely to be disbanded. The authorities are looking for excuses to lock him up. But with Mr Thanathorn's reputation for probity (in contrast to Mr Thaksin), they would only create a martyr.

General Apirat's approach, then, only divides an already polarised society further. Why does he pursue it? Read his lips: absolute loyalty to King Maha Vajiralongkorn. The sovereign, a playboy martinet, demands nothing less. Even his queen and consort have had to undertake military training—in the queen's case in his own personal guard. Not only has he made clear

his disdain for democratic norms, he has also asserted direct authority over the army, putting various units under his personal command. This means that any future coup would be seen to carry King Vajiralongkorn's imprimatur.

Perhaps General Apirat hopes that his stern lectures will make future coups unnecessary, by helping to keep all Thais in their place in King Vajiralongkorn's cosmic hierarchy. Yet even among the elites, not everyone is happy. Mid-level army officers are grumbling that the king's demands—he has sent top units he distrusts out of the capital—are messing with their careers. Ordinary Thais, meanwhile, gripe about the traffic jams caused when the streets are cleared to make way for royal motorcades.

The more immediate problem is that General Apirat's kind of rhetoric, endlessly repeated by army-backed media, does not cow those who want change. His lecture received a barrage of criticism from academics and journalists. Young netizens said they were old enough to make up their own minds, just as they did when the king urged them to vote for the right sort of politician. If he intended to generate fear, he failed.

Survivors of the massacre at Thammasat later moved into academia, or became senior figures in politics under Mr Thaksin. Mr Thanathorn himself was a (later) head of the university's student union. Nobody claims that General Apirat will resort to grenade-launchers, which the army used in 1976. But many observers worry that an absolutist king and his courtiers are putting Thailand on course for a fresh round of protest—and the inevitable bloody put-down. ■

## Home schooling

Well read v well red

### Well read v well red

## More Chinese are home schooling their kids

*Officials fear they may not learn enough party propaganda*

Print | China Oct 17th 2019



Sébastien Thibault

**A** SIGN ON the door of Yuan Honglin's ocean-front townhouse in the southern city of Xiamen says "study at home". To Mr Yuan that means "instead of going to school". That is what he decided was best for his daughter, Xiaoyi, when she grew bored with kindergarten in 2002. He withdrew her and became her full-time teacher for the rest of her school career. It was a radical choice. In the West home schooling, once regarded as eccentric, has become more popular in recent decades. In China officials are wary. They say schools play a vital role in turning children into "builders of socialism". But growing numbers of Chinese parents are rebelling.

It was not easy for Mr Yuan, a think-tanker turned businessman. Official permission is required for home schooling during the nine years of compulsory education, which usually spans the period between the ages of six and 15. It is given only in rare circumstances, such as when a child suffers from a medical condition with which schools cannot cope. As a precaution, Mr Yuan moved home several times to avoid attention. His tactics worked. Last year Xiaoyi graduated from university with a self-taught degree. Mr Yuan still teaches at home, though his dozen full-time students are from other families.

Home schooling remains highly controversial. In 2017, for the first time, the education ministry openly attacked the practice, calling it "very unfavourable to a child's lifelong development". It reminded parents that home schooling without authorisation was banned. In March the ministry threatened parents with unspecified "legal action" if they failed to comply.

Some parents are undeterred. In 2017 a Beijing-based think-tank estimated that about 56,000 children were being home schooled or were about to be withdrawn for that purpose. It said the number had nearly tripled since 2013. Many home-schooling parents say it is far higher. One such person in Beijing reckons there may be "hundreds of thousands" of families like hers. Some share their experiences on home-schooling chat groups, which have sprung up in recent years on WeChat, a messaging app. Most do not have permission for home schooling. They do not even bother applying, assuming the answer will be no. Despite the government's warnings, home-schooling has continued to grow in the past two years, albeit more slowly, says Wang Jiajia of Jiangsu University.

There are several reasons why parents risk it. In Mr Wang's surveys, by far the commonest is dislike of the "ideology" and "teaching methods" of state schools (Mr Yuan stresses independent thinking and open debate). Another is contempt for "school culture", such as the adulation of pupils who swot day and night. A few prefer home education for religious reasons. China's schools promote atheism.

Most of the parents are urban and well educated. They usually came of age in the relatively liberal years of the mid-to-late 1990s. Some are inspired by home schooling in America, where it was illegal in 30 states until the 1980s and now about 3% of school-age children are educated this way. (Even if there are hundreds of thousands of children in China being home schooled, that would still be less than 1% of the total number aged between six and 15).

Home schooling in China takes two main forms. The first involves one parent, typically the father, quitting work or working part-time to take up teaching. Su Nan, a 17-year-old in the central province of Shaanxi, dropped out of school when he was ten. His father, a lecturer, became his full-time teacher. But now that Nan (not his real name) is older, his father has returned to his former work. Nan sets his own schedule, a mix of independent study, online courses and volunteer work. Parents who want their children to attend university in China must ensure they learn party ideology—knowledge of it is essential for the entrance exam. But Nan, like many children being home schooled in China, is aiming for a university in the West.

The second, less usual, form is the "collective home school" such as the one now run by Mr Yuan in Xiamen. The teacher often charges a fee—in Mr Yuan's case, about 50,000 yuan (\$7,070) annually per pupil.

So why are parents getting away with it? It may be that the government, while trying to discourage the practice, does not yet see it as common enough to pose a serious threat to its political grip. Some officials may even sympathise with home schoolers. Before the education ministry began issuing its warnings in 2017, state media reported on the rise of home schooling with a hint of approval, suggesting it might help to reduce children's stress.

It is also possible that officials, for now, are more intent on curbing fake home schooling, involving parents who pretend to be doing it while illegally sending their children to work. Anecdotal evidence points to this. One parent in Shanghai whose pre-teen daughter is home schooled says she received a surprise call a few months ago from the local education department. The parent was asked where her child was enrolled. She told the truth and has not been contacted since. She says several other home-schooling families in Shanghai have had the same experience—suggesting officials are turning a blind eye (the notice on Mr Yuan's door is a sign he expects them to). Wang Dong, a lawyer in the southern city of Kunming who specialises in education, has yet to hear of any parent being prosecuted for home schooling.

But amid an ideological chill, some are still nervous. In July the education ministry urged schools to step up efforts to inculcate the virtues of "loving the country" and "following the party". In August state media recalled the words of China's leader, Xi Jinping, that schools must ensure "the seeds of core socialist values take root and grow" in children's hearts. Officials may wonder whether home-schooling parents are complying. Xu Xuejin, the founder of an online club for such people, is playing safe. He recently took down his website to protect the identity of its members. ■

Moving the goalposts

## China's football fans ask what it takes to become Chinese

*The answer matters when you are desperate to qualify for the World Cup*

[Print](#) | [China](#) Oct 17th 2019



AFP

WHEN HE WAS still vice-president, in 2011, Xi Jinping declared three goals for Chinese football: to qualify for, host and eventually win a World Cup. China had appeared only once in the tournament, in 2002, and failed to score a single goal. The consistently embarrassing performance of the national team touches a sensitive nerve in a country striving for great-power status. China's squad is ranked 68th in the world, just above that of North Macedonia (population 2m). Mr Xi, an avid football fan, insists the country can do much better.

No one expects China to lift the ultimate trophy any time soon. But it may at least qualify to play in the next World Cup competition, due to be held in Qatar in 2022. Its prospects may have improved thanks to a new strategy adopted by China's football federation: recruiting talented foreigners to the team and giving them Chinese citizenship to ensure they comply with the World Cup's nationality rules.

China's own law on citizenship does not allow dual nationality, so someone becoming Chinese has to renounce any other passports. But some are ready to take up the offer. Last month Elkeson, who is originally from Brazil and goes by one name, became the first player without Chinese ancestry to don the Chinese jersey. He joins Nico Yennaris, a British-born player whose mother is Chinese, as the team's second naturalised citizen. A gifted striker, Elkeson might be its best player. He scored two goals in his debut match in September and another in his second game on October 10th. That is one quarter of all China's goals in its current World Cup campaign.

Under the rules of FIFA, football's global governing body, naturalised players must have strong links with the country they represent. This might include having a parent or grandparent born in that country, or having lived there oneself for five years continuously since the age of 18. China's Super League, the equivalent of England's Premier League, has several foreign players who would pass the residency test. As many as seven are being naturalised, says China's football federation.

More problematic is the way they are regarded by native Chinese. Normally it is virtually impossible to acquire Chinese citizenship unless one is the child of a Chinese national. At the time of the most recent census in 2010 fewer than 1,500 people had managed it. Comments on social media suggest many Chinese fans believe Chinese ethnicity is essential for players on the national team. "We are not a country of immigrants," said an angry fan on Weibo, a Twitter-like service, after Elkeson announced he had become Chinese. Another wrote: "You don't love China. You only love Chinese yuan."

Some were more explicitly racist. “At least he’s not black,” said one commentator. Hao Haidong, a former national player who is the country’s most prolific scorer of all time, said the use of naturalised citizens in Team China was “very scary”. In response to such criticisms, the football federation has promised not to recruit foreign-born players on a “large scale”.

China’s chances of playing in Qatar are still not promising. On October 15th it suffered a humiliating scoreless draw against the Philippines, ranked 127th. Yet many fans noted how well Elkeson played. “I support naturalisation” was a common refrain on Weibo in the hours that followed. ■

## Anger in the chamber

### In Hong Kong's legislature, pro-democracy members heckle Carrie Lam

*The territory's leader aborts her speech and releases a video instead*

[Print](#) | [China](#) Oct 17th 2019



Reuters

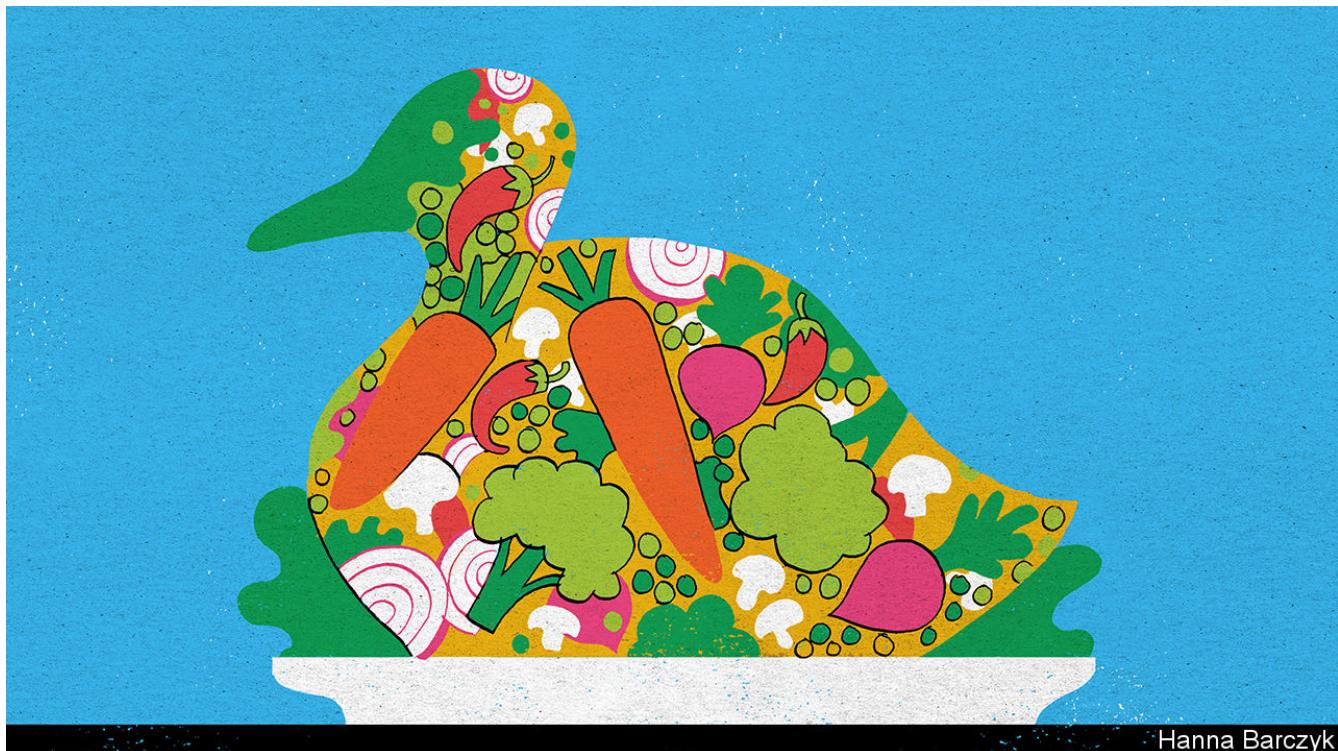
UNUSUALLY, PROTESTORS stayed away from Hong Kong's Legislative Council when it reopened on October 16th after a break of more than three months. Inside the chamber, however, pro-democracy legislators were in a feisty mood. They heckled the territory's leader, Carrie Lam (pictured), when she arrived to give her annual policy address. Some wore masks—recently banned at public protests—and held placards showing Mrs Lam with bloodied hands, demanding that she resign. She withdrew minutes later and released a recorded video of her speech instead. In it she promised more public housing and support for poor families but offered no political solutions to the turmoil that has roiled Hong Kong for more than 18 weeks. ■

**Chaguan**

## The planet needs China to curb its appetite for meat

*Persuading its citizens to do so will be tough*

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Hanna Barczyk

**T**HE PLANET needs China to curb its appetite for meat. In the first three decades of the “reform and opening” era the number of farmed animals in the country tripled. Raising them polluted water supplies and gobble up scarce arable land. Around the globe, China’s growing hunger for red meat, specifically, has seen its beef imports grow 40-fold between 2010 and 2018. The boom threatens Latin American forests and Arctic ice caps alike, as cattle-rearing prompts land-clearing and emits greenhouse gases.

To be fair, China’s 1.4bn people are being asked to show a self-restraint unknown in the gluttonous West. Even now, in a China where children yawn at dishes their grandparents once saw only at weddings and high holidays, meat consumption per person is only half of America’s. But China’s government, too, wants its people to eat less meat. Obesity, type-2 diabetes and high blood pressure are taking a growing toll. To curb such afflictions, guidelines issued in 2016 urge adults to eat just 40-75 grammes of meat a day, or about half the current national average. Market signals are also pushing shoppers to cut back. China’s most popular meat, pork, is nearly 70% costlier than a year ago because herds are being wiped out by African swine fever, a disease harmless to people but lethal to pigs.

Even before this latest animal epidemic, Chinese living in wealthier cities were having qualms about excessive meat-eating. In 2017 a survey of big-city residents found 36% of respondents intending to eat less pork, red meat and poultry in the year ahead. They cited concerns about their health, the environment and food safety, in that order. But a solution common in other countries—declaring oneself strictly vegetarian or vegan—remains strikingly rare. Less than 2% of the Chinese population is vegetarian, the food industry estimates. The proportion is 10% in neighbouring Taiwan, an island with centuries of shared Chinese culture and history. Its contrast with China in terms of attitudes to vegetarianism reveals much about the mainland’s society, and how it either embraces or resists change.

In the West, angst about animal welfare or disgust at the idea of meat are big motives for vegetarians. Chinese consumers are less squeamish. Few mention animal suffering in surveys about dietary choices, and fewer still a distaste for meat. This week Chaguan visited Number 8 Market, a bustling foodie’s delight in the coastal city of Xiamen. He found locals admiring butcher’s stalls resembling anatomy classrooms, with body parts from tongues to trotters laid out for inspection. Chen Zhiqiang, a young man giving a chunk of pork a discerning prod, concedes that some children claim to dislike meat. But it is necessary for their health, he declares, “so you have to sneak it into them with soup.”

Nor are Xiamen's market-folk greatly impressed by showy self-denial—another staple of Western vegetarianism. China was too poor, too recently, to indulge in that sort of virtue-signalling. A fishmonger nicknamed A Feng remembers her own impoverished, largely meatless childhood. Today, she says, people can pursue a balanced diet, which she defines as meat twice or three times a week, with fish as an “everyday necessity”. She is backed up by Ms Lin, a nearby seller of tofu, a staple of vegetarian Chinese dishes. Beancurd is nutritious stuff, says Ms Lin, but the human body “can't stand” a fully meatless diet. Some devout Buddhists go without meat on the first and fifteenth days of the lunar month, notes the tofu-seller, then “complain that they have no energy”.

Alternative lifestyles are a hard sell in China. Those who shun meat are generally shy about standing out, says Zhou Qiyu, a manager at Whole Perfect Foods, a company founded in 1993. It specialises in mock meat, from plant-based sausages to hamburger patties made of peas, soyabean, mushrooms and other vegetables. Even devoutly religious vegetarians want to be seen as part of society, he suggests, speaking at his company's stand at a vegetarian trade fair held in Xiamen's vast exhibition complex between October 10th and 14th. A desire to fit in makes mock meat “super appropriate” for entertaining non-vegetarian friends, he enthuses.

The Buddhist and Taoist faiths have long been pillars of Chinese vegetarianism. One reason for Taiwan's large number of vegetarians is that the island has never been ruled by the Communist Party and so was spared the Cultural Revolution, which from 1966-76 uprooted religious and cultural traditions on the mainland. Buddhist monks are meant to avoid any food that involves killing, though they may eat meat received as alms. The rules for lay believers are less strict but have still inspired several schools of Buddhist, meatless cooking, often involving elaborate mock-meat dishes, from fake ducks to fish carved from beancurd.

The vegetarian fair in Xiamen draws several Buddhist nuns and monks in grey or brown robes. Fa Man, a nun from Jiangsu province, sees a link between China's new prosperity and a greater interest in health, the environment and even in spiritual matters. All of that should strengthen vegetarianism, she beams.

### **Flexitarians of the world unite**

Religious faith led David Yin to stop eating meat in his 30s. In 2012 he founded King's Joy, a vegetarian restaurant in a lovely courtyard beside the Lama Temple in old Beijing. Mr Yin and his son, Gary, the head chef, have ditched the traditional Buddhist prohibition on garlic and chives, flavourings known as “small meats” and shunned as too stimulating. Traditional vegetarian cooking for the devout allows only ginger as a spice, and with such strict rules “you lose too much flavour,” says the elder Mr Yin. He hopes that clients—even if initially drawn by tree-shaded courtyards and famous guests—will see that plant-eating is healthy, tasty and respectful of the environment and animals. But, he admits, “My goal is aligned with reality, which is that 95% of our customers are not vegetarians.” It is a shrewd way to promote social change in today's China, a place skittish about non-conformity: pragmatic and tactful towards the majority culture, with good food as a reward. ■

**Cyril Ramaphosa**

The fuse is lit

Cleaning up the rainbow nation

### South Africa's president promises big results—eventually

*Cyril Ramaphosa tells *The Economist* it's not his job to arrest people*

[Print](#) | Middle East and Africa Oct 19th 2019



Getty Images

**S**OUTH AFRICANS are growing impatient with Cyril Ramaphosa, the former union boss, anti-apartheid activist and tycoon who is now their president. In his 20 months in office, no one has been prosecuted for the looting of the state that took place under his predecessor, Jacob Zuma. In an interview with *The Economist* in London on October 13th, Mr Ramaphosa gave a message to his critics. And it involves a rip-roaring second-world-war film.

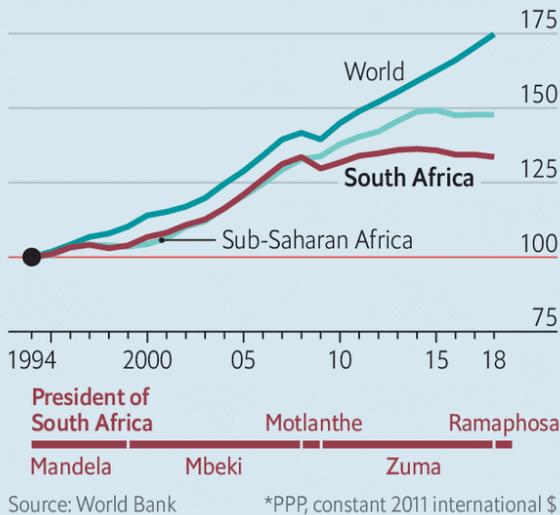
In "Force 10 from Navarone", explains Mr Ramaphosa, British commandos try to blow up a dam so that the water will sweep away a bridge that the Nazis want to use. When the explosives go off, nothing happens. The commandos are furious. "It didn't work!" they say. But the explosives expert tells them to wait. The dam is damaged and will soon collapse, he says. Once the fuse has been lit, there is no going back.

For Mr Ramaphosa that fuse is the National Prosecuting Authority of South Africa, one of several institutions he has sought to revive after their evisceration by Mr Zuma. The spectacular results people want may take time, but the process Mr Ramaphosa has set in motion "is irrevocable", he says. Arrests will happen.

A big bang is also what is needed in the economy. It has a long list of structural problems. These include a lack of competition, a low savings rate, lousy schools and cities where poor people can spend hours—and 40% of their pay—getting to work. Then came Mr Zuma. During his reign GDP per head barely grew (see chart). Public debt as a share of GDP doubled from 28% to 56%. Erratic policies put off investors. Africa's most industrialised economy became one of its most sluggish.

## The Zuma effect

GDP\* per person, 1994=100



The Economist

Under Mr Ramaphosa there has, as yet, been little sign of improvement. GDP growth has been negative in three of the past six quarters. The official unemployment rate has risen to 29%—even higher than under his predecessor. Eskom, the state-run electricity company, has spiralling debts equivalent to 8.5% of GDP and remains insolvent and unreformed.

The next few weeks will help determine whether Mr Ramaphosa can turn things around. A “growth strategy” is expected soon and a budget is due on October 30th. Both are urgent. In November Moody’s will decide whether to become the third big credit-rating agency to downgrade the country’s debt to “junk” status. That would force some bondholders to sell off their holdings, weakening the South African rand and delivering a blow to the president.

On August 27th, in an effort to nudge the president, his finance minister, Tito Mboweni, published a 77-page paper on the National Treasury website, replete with sensible ideas. If implemented they could bring the country closer to the 4-5% growth rate required to dent its horrifically high unemployment. So how many of Mr Mboweni’s suggestions does Mr Ramaphosa endorse?

“I endorse all of them,” says the president. Does that include some of the more controversial ideas, such as on migration? South Africa needs more skilled workers, yet it is all but impossible for foreign graduates or entrepreneurs to move there in search of work. Will he liberalise the visa rules so that there is an open-door policy for migrants with degrees? “Absolutely,” says Mr Ramaphosa, citing the benefits enterprising migrants have brought to Silicon Valley. “That’s precisely what we need.”

Another pressing area for reform is Eskom. It would help, for example, if municipalities paid their electricity bills. Many currently do not. Soweto, a township on the outskirts of Johannesburg, owes Eskom about 18bn rand (\$1.2bn). Mr Ramaphosa explains that non-payment stems partly from the era of apartheid when, as a union leader, he called for rent boycotts. “But now I’m saying the war is over, the struggle is over, we’ve now got to pay our way.”

Having people pay their bills is just one step towards putting Eskom on a sound financial footing. Another idea mooted by Mr Mboweni is to sell off power stations. Here Mr Ramaphosa is more cautious. There is “no way” that he would sell some of the new plants, but he would welcome buyers for old ones, so as to extend their lives. Even then, though, buyers would have to pledge that communities in coal-rich areas receive a “just transition”.

This sounds like classic Ramaphosism: reform, but only up to a point, and after a lot of jaw-jaw. He endorses Mr Mboweni’s tough ideas, but there is a crucial qualification: “Of course you can’t implement them all in one go.” So how determined is he really? Is he willing to pursue changes where there will be losers as well as winners?

“I prefer win-win solutions,” says Mr Ramaphosa, “but of course there comes a time when there will be losers along the way.” He believes that the skills he honed as one of the negotiators who ended apartheid will help ensure that “everyone rises from the table thinking they are a winner.”

But what about the people not at the table? The unemployed, say, or the pupils taught by one of the 80% of maths teachers who cannot do sums expected of 12- and 13-year-olds? How can South Africa have a good education system without reducing the power of the teaching unions, or create new jobs for the unemployed when the government is more concerned with preserving the pay of unionised workers?

Here the president says that he is trying to sway his “allies” in the unions. He likens the situation to having a rotten toe from diabetes: it is sad to lose it, but it would be worse to lose a leg. “It could well mean that your whole leg and your whole life could be at risk. You have to make choices.”

“So when is Dr Ramaphosa going to operate?” asks your correspondent. The president guffaws. “People are asking when the operation...,” he begins, before wisely deciding against continuing with the metaphor. He knows South Africans want action, whether on Eskom or prosecutions. “People are asking when are you going to arrest people? When are you going to put people into jail?” But it is not his job to arrest people, he argues. It is to “strengthen the institutions that must do their work”.

Will they be able to go after powerful people, such as Ace Magashule, the secretary-general of the ruling party, who has been accused of corruption? “Once the institutions are strengthened, they should be able to go after anybody—including the president,” says Mr Ramaphosa. And they must be allowed to do so “without fear, favour or prejudice”.

Nelson Mandela reportedly wanted Mr Ramaphosa to succeed him two decades ago, but his party chose Thabo Mbeki instead. Does Mr Ramaphosa wish he had got the top job sooner? “It’s a difficult one. It’s a tough job...being the president of South Africa at this time...I wish I had come in when the economy was better.” South Africans are hoping that it is better late than never. If their cautiously reforming president stumbles, the crooks who captured so much of the state under his predecessor might grab it again. ■



**How convenient**

## Why do one in ten ships fly tiny Liberia's flag?

*It's a good way to avoid taxes and regulations*

Print | Middle East and Africa Oct 17th 2019



Panos

**L**IBERIA'S ECONOMY is on the rocks. The aid money that held the country steady after its brutal civil wars is ebbing and inflation has surged to more than 25%. Many businesses are struggling to stay afloat. But one industry seems to be weathering the storm: shipping.

The tiny west African country, with a GDP of just \$2.1bn, has one of the largest seagoing fleets in the world. Over 4,400 vessels (about 12% of global shipping) fly its flag. And the number is growing.

The secret of this maritime success is an old practice known as the flag of convenience. In the 1920s shipowners began to register their vessels abroad for a small fee. This allowed them to avoid taxes and labour laws back home. Liberia had few regulations and made it easy to sign up. By the 1960s it had the largest merchant navy in the world.

But two civil wars in the 1990s and 2000s hit the registry hard. Charles Taylor, the president from 1997 to 2003, used some of the \$20m a year generated by the registry to pay arms dealers. His bloody reputation prompted many shipowners to switch to Panama. When the fighting ended in 2003, its registry was more than twice the size of Liberia's.

Liberia is striving to win back the ships it lost. Last year it renewed an agreement with China that makes it easier and cheaper to ship products into Chinese ports under a Liberian flag. The groundwork for that deal was laid in 2003, when Liberia dropped Taiwan and recognised China. (Panama has done the same; the Marshall Islands, with the third most popular flag, has not.) Efforts are paying off: measured by gross tonnage, Liberia's fleet grew by 8% in 2018.

Ordinary Liberians still see few benefits from the country's vast fleet. The state wastes much of the revenue generated by the registry (now thought to be over \$20m a year). Ships don't often call at Monrovia, the capital, a ghostly place littered with rusting hulks. On bad days the wrecks outnumber container ships. ■

**That shrinking feeling**  
**Congo's enormous rainforest is getting smaller**

*Poverty and bad governance are largely to blame*

**Print | Middle East and Africa** Oct 17th 2019



JAGGED, CHARRED tree stumps jut out of blackened earth in what was once part of the rainforest in the Democratic Republic of Congo. One man, Rafael, standing amid the devastation, reckons he has set fire to around 40 sections of the forest near the city of Bandundu in the past two months. He bags the scorched wood and flogs it as charcoal in the capital, Kinshasa, some 250km away. Most of the city's 12m residents, unable to afford gas or electric ovens, rely on charcoal for cooking.

The Congo basin rainforest is the second biggest tropical forest in the world, after the Amazon. It stretches across six central African countries (though more than half its trees are in Congo). Its absorbent peatlands hold the equivalent of three years' worth of global carbon emissions, mitigating global warming. But it is shrinking fast. Between 2001 and 2018 Congo lost 13m hectares of tree cover (around 6% of the entire rainforest), an area almost twice the size of Ireland.

The charcoal trade is partly to blame. Most of Congo's 85m people are poor. Entire villages subsist by selling burnt wood. The rainforest hugs the Congo river, so it is easy for sellers to pile charcoal onto boats and float it to Kinshasa. Farmers add to the problem. Over two-thirds of Congolese grow what they eat. Many chop down trees to make space for crops. The population is growing fast. More mouths will require more farmland—and less forest.

At the United Nations General Assembly in September the president of Congo, Félix Tshisekedi, said he was committed to saving his country's trees and asked for more money to do so. "Nature has made my country the depository of 47% of the continent's forests," he said. "It is incomprehensible that the forests of the Congo basin...capture only 1% of available financing."

But even if Mr Tshisekedi gets more money, he may not have the clout to fulfil his promises. The election that he "won" in December was widely deemed to have been rigged. He and his predecessor, Joseph Kabilé, are now glued together by a secret power-sharing deal. Mr Kabilé has allowed corruption to flourish. And he has done little to protect the forests. Shortly before leaving office he approved a contract that allows two companies to explore for oil in the peatlands. His government was also loose with logging permits.

Mr Tshisekedi may face more scrutiny. "We're watching him and we will remind him of his words at every possible occasion," says Raoul Monsembula of Greenpeace, an environmental group. More of the world is watching, too. In August, as fears over fires in the Amazon grew, people began checking NASA's satellite maps and noticed that there were even more conflagrations in central Africa.

In central Africa, though, fires in August are common, as farmers burn their fields to make way for new crops. Most of the fires appear to have been lit on purpose in savannah, outside of the rainforest. They were much smaller than those in the Amazon, which spread quickly into sensitive areas. Congo's rainforest is damp enough to stop blazes from tearing through it.

There are far fewer fires now in Congo (see map), but worries remain. As clusters of trees disappear and dry patches take their place, the risk of big fires increases. Hunters often burn grass to trap animals at the edge of the forest. These blazes can grow out of control. "There is no mechanism to stop those fires from taking down the forests," says Don Madikani, an environmental expert working for the Congolese government. "We don't have the technology to fight them."



The Economist

Using fires to hunt is forbidden, as is chopping down trees for charcoal without a licence. But both are common. Congo is enormous and its police are corrupt. The enforcement of forestry laws is lax. All along the muddy road from Bandundu to Kinshasa there are pockets of smoke and burnt trees. Tarpaulin bags filled with charcoal line the roadside. Until more jobs are created and governance improves, Congo's trees will continue to go up in smoke. ■

## The Nobel peace prize

Abiy wins a medal

A dilemma in the Horn

### Did Ethiopia's premier deserve the Nobel peace prize?

Abiy Ahmed made peace with Eritrea but failed to stop ethnic cleansing

Print | Middle East and Africa Oct 19th 2019



THERE ARE two types of Nobel peace-prize winner. The uncontroversial ones are often campaigners, such as Nadia Murad (who won last year for her work highlighting rape during war) or the Organisation for the Prohibition of Chemical Weapons (which won in 2013). The controversial ones are often the politicians who actually negotiate peace deals—think of Yasser Arafat or F.W. de Klerk. Politics in violent places is a nasty, messy affair, and peace deals don't always last. The award of the prize on October 11th to Abiy Ahmed, Ethiopia's prime minister, will spark more debate than most.

On the plus side, Abiy has tried hard to be a unifier since he took office last year. He often uses the Amharic word *medemer* (to add together) in speeches. Millions of Ethiopians have welcomed his promises of democracy, reconciliation and reform in a country that had long been oppressed.

In June 2018 he signed a historic peace deal with Eritrea, a smaller neighbour that seceded from Ethiopia in 1993. The accord brought to a close two decades of pointless conflict over a scrap of barren land. The war had led to tens of thousands of deaths, ripped apart families and severed the deep ties of blood, culture and language between the two countries.

Abiy broke the deadlock by promising to withdraw from the disputed territories, thus implementing the findings of a UN commission that Ethiopia had long rejected. He also took advantage of his close relationship with Saudi Arabia and the United Arab Emirates, whose financial largesse may have helped nudge Issaias Afwerki, Eritrea's president, to the table. After the agreement, families and friends were reunited and cross-border trade flourished.

Berit Reiss-Andersen, the Nobel committee's chair, said the prize recognised Abiy's "efforts to achieve peace and international co-operation, and in particular his decisive initiative to resolve the border conflict with neighbouring Eritrea." He has also been praised for helping to mediate a power-sharing accord between pro-democracy protesters and a military junta that took power earlier this year in Sudan.

But the peace he forged with Eritrea is far from complete. Earlier this year Eritrea once again closed all its border crossings with Ethiopia. A trade agreement drafted by Ethiopian negotiators has gathered dust in the Eritrean capital, Asmara, for almost a year. Physical demarcation of the border, the trickiest part of the deal, has not begun.

The lack of progress highlights some of Abiy's shortcomings as a peace-broker. Ahmed Soliman of Chatham House, a think-tank in London, notes his reliance on "charm and bold personal initiatives" at the expense of institutions. He bypassed Ethiopia's foreign ministry to strike his deal with Issaias (the details of which were never made public). And his attempts to

foster goodwill between Kenya and Somalia, at odds over their maritime border, as well as between warring factions in South Sudan, have yet to show results.

The prime minister's record as a peacemaker in Ethiopia is also mixed. He has released political prisoners and promised fair elections. But he has failed to keep order. In 2018 almost 3m Ethiopians were forced from their homes by ethnic conflict. The causes were complex and many of the tensions long predate his term in office. But his government was slow to react, and at times appeared more concerned with its public image than with tackling the spiralling humanitarian crisis in the country's south. For several months it blocked aid from reaching homeless shelters, and forced people to return against their will to areas that were not yet safe. This contributed to more violence, as well as starvation.

The Nobel prize will be a boost for the prime minister, who faces a national election next year. "At home we're always squabbling, but when it comes to the outside world, we'll stand with any Ethiopian," says a resident of the capital, Addis Ababa. Abel Abate Demissie, a political analyst, suggests that international recognition might keep Abiy honest, especially as his administration shows signs of reverting to the authoritarian tactics of its predecessor. "Hopefully, it will encourage him to live up to the prize," he says. "He knows all eyes will be on him now." ■

A new hope

## The election of Kais Saied gives Tunisians something to cheer

*The awkward law professor wants to shake things up*

Print | Middle East and Africa Oct 17th 2019



Getty Images

IT HAS BEEN a difficult eight years since Tunisia toppled its dictator and embraced democracy in 2011. The economy remains stagnant, corruption is still endemic, terrorism is a problem and politicians have disappointed. But the election of Kais Saied (pictured) as president on October 13th has brought a new sense of hope. After it became clear that Mr Saied had won, thousands of Tunisians gathered in the capital, many chanting the same slogans from eight years earlier. Mr Saied himself hailed his victory as a “new revolution”.

What that revolution will look like is hard to say. In both style and substance, Mr Saied defies easy political labels. The 61-year-old retired law professor was an awkward campaigner, delivering stiff speeches in formal Arabic. He says homosexuality is “an illness and foreign plot” and opposes equal inheritance for men and women. He also calls for radical changes to the democratic system. He has no political party, yet he won the backing of secular and left-wing groups, as well as Ennahda, a moderate Islamist party, which came top in the parliamentary election on October 6th.

Mr Saied trounced Nabil Karoui, a fiery businessman who ran a populist campaign aimed at the poor. That two political outsiders made it to the final round, over many more familiar faces, was a rebuke of the political elite. But many voters considered Mr Karoui, who is facing corruption charges, an opportunist. Mr Saied, by contrast, was seen as a monastic figure who will root out corruption and take on the establishment. He spent little on his campaign, yet he won 73% of the vote, including 90% of 18- to 25-year-olds, according to Sigma Conseil, a pollster. Nearly a third of his supporters did not vote in the parliamentary election.

The president-elect’s boldest proposal would do away with such elections. Instead, he says, Tunisians should elect local councillors, based on their character, not their ideology. These officials would pick regional representatives who would in turn choose members of a national assembly. “Power must belong to people directly,” says Mr Saied of his indirect-voting plan. Many like the idea of giving more power to local communities. But Mr Saied would need to convince two-thirds of parliament to alter the constitution. That is unlikely.

The parliamentary election produced a divided legislature, with some 20 parties represented. Ennahda won 52 of the 219 seats (down from 69 in 2014). Mr Karoui’s new party, Qalb Tounes, came second with 38. Nidaa Tounes (NT), the former ruling party, was nearly wiped out. Beset by infighting, many of its leading members started new parties. It was also hit by the death of its founder, Beji Caid Essebsi, Tunisia’s first democratically elected president, in July. As a result, NT won just three seats, down from 86 in 2014.

Ennahda will have the first opportunity to name a prime minister, who will then have two months to form a government. The coalition talks will probably be long and hard. Mr Saied may benefit from any bickering. The president usually has less say over policy than the prime minister, but Mr Saied received more votes than all MPs combined. His mandate is enormous.

So are the challenges he faces. The unemployment rate is about 15%. The government is up to its eyes in debt. The IMF wants it to show a little fiscal restraint, while the people want it to provide more jobs. Their faith in democracy is ebbing. But the election of Mr Saied shows that they have not given up on the system. They just want someone to clean it out. ■

**Spain**

Dreams and nightmares

**Dreams and nightmares****Catalan nationalists protest as their leaders are jailed for sedition***The Spanish Supreme Court imposes harsh prison sentences*[Print](#) | [Europe](#) Oct 17th 2019

EPA

**T**HE WHOLE of one's life is a dream, and dreams are nothing but dreams." So says Prince Sigismondo in a play by Pedro Calderón de la Barca, the great dramatist of Spain's Golden Age in the 17th century, currently being revived in Madrid. That, in effect, provided the question before Spain's Supreme Court in the long-running trial of a dozen Catalan separatist leaders for their role in the referendum and declaration of independence in October 2017. Was their unilateral implementation of a democratic "right to decide" on independence for Catalonia, one of Spain's largest and most prosperous regions, a mere pipe dream of political theatre; or was it a conspiracy to break up the country?

The court concluded that it was somewhere in between. Dismissing the more serious charge of rebellion, it found nine of the leaders guilty of sedition and four guilty of misuse of public funds. It sentenced Oriol Junqueras, who was vice-president of the Catalan regional government at the time, to 13 years in jail. Six other former officials were sentenced to terms of ten to 12 years; the leaders of two separatist mass movements each got nine years. The court found that they had "led the citizenry in a public and tumultuous rising" which prevented the application of law and court decisions. The court also issued a fresh European arrest warrant, for sedition, against Carles Puigdemont, the former Catalan president, who fled to exile in Belgium in 2017. An extradition request against him on the charge of rebellion was rejected by a German court last year.

Spanish conservatives were disappointed that the court dismissed the charge of rebellion. Others, abroad and in Catalonia, saw the jail terms as disproportionate. The defendants argued that they were merely carrying out a democratic mandate to seek a referendum on independence. Their supporters say they are "political prisoners" who faced a "political trial". In a joint statement, Quim Torra, the current president of the Generalitat (the regional government) and Roger Torrent, the speaker of the Catalan parliament, described it as "an insult to democracy and a show of contempt for Catalan society".

The sentence triggered days of protests in which masked demonstrators first blockaded Barcelona airport and then set dozens of fires and barricades in the centre of the city. Among more than 150 people injured were 72 police, most of them from the Catalan force. Contradictorily, Mr Torra at first encouraged the protests while the Generalitat's police was repressing them.

The protests mark both a radicalisation and fragmentation of the independence movement. Pere Aragonès, Mr Torra's deputy, warned against violence.

Spanish officials stress that the defendants were on trial for their actions, not their ideas. The cause of independence has never enjoyed clear majority support in Catalonia. Josep Borrell, the foreign minister, who is Catalan, accused Mr Torra of a "totalitarian attitude" in denying the Catalan-ness of those who disagree with independence. "The root of the problem is that Catalan society is divided in two and one of those parts excludes the other," said Mr Borrell, who is about to become the EU's new foreign-policy chief.

In 2017 the separatists used their narrow majority in the Catalan parliament to ram through laws tearing up the constitution and the region's statute of home rule. They deployed the resources of the Generalitat to organise their "binding referendum" on independence, which they then used to declare an independent republic. They did all this despite repeated warnings of the illegality of their actions.

In their unanimous verdict, the seven judges of the Supreme Court addressed not just the defendants' actions but also the political basis on which they rested. Far from being unique, Spain's constitutional protection of the nation's territorial unity is the European norm, they noted. "No European constitution exists that recognises 'the right to decide'." Especially given the chaos triggered by the Brexit referendum, no European national government looks kindly on the separatists' demands.

Mr Junqueras claimed that the heavy sentences will galvanise the independence movement, which has recently been losing steam, albeit slowly. A survey in July by the Catalan government's own pollster, the CEO, put support for independence at 44% (and only 35% when other options, such as greater devolution, are offered). A radical fringe is flirting with violence: last month the Civil Guard arrested nine people in Catalonia found with bomb-making equipment. But the CEO poll found that only 9% now support the unilateral approach pursued by the defendants in 2017.

The threat of Catalan separation has revived long-dormant Spanish nationalism and prompted the emergence of Vox, a far-right party. If the protests are sustained, they may cast a shadow over Spain's general election on November 10th, the fourth in four years. Pedro Sánchez, the Socialist leader, became prime minister in June 2018 following a censure motion against the then prime minister, Mariano Rajoy, backed by the Catalan nationalists. If, as seems likely, the Socialists are again the largest party, Mr Sánchez will seek—and probably gain—the acquiescence of the right to avoid relying on separatist support.

In Calderón's play Prince Sigismondo is freed from the prison to which his father has condemned him. No such happy ending seems in store for Mr Junqueras and the others. However, the court rejected a prosecution request that they be denied normal prison benefits. That means most could enjoy day release from prison within months. Even when the dust from the trial settles, the problem of Catalan separatism will remain. Mr Sánchez this week called for "a new era" to achieve "coexistence within Catalonia" through dialogue and the constitution. That may take a while. ■

No spoils for Viktor

## Why Hungary's ruling party lost Budapest

*Not all the capital's media are owned by the prime minister's cronies*[Print](#) | [Europe](#) Oct 19th 2019

Getty Images

**I**N MARCH TURKEY'S authoritarian president, Recep Tayyip Erdogan, suffered the huge embarrassment of losing control at municipal elections of Istanbul, Turkey's largest city and commercial centre, as well as Ankara, the capital, and a clutch of other big cities. Now in Hungary something similar has happened to someone similar. On October 13th Gergely Karacsony, the 44-year-old candidate of the (mostly) united opposition, won the mayor's race in Budapest, the capital, by 51% to 44%, over a 71-year-old incumbent backed by the ruling party, Fidesz. In the provinces, the opposition won ten out of 23 main cities, up from just three last time round. Most smaller towns and villages remain in ruling-party hands, just as they do in Turkey.

Mr Erdogan annulled the Istanbul vote, though much good it did him: his man lost even more heavily at a re-run in June. Viktor Orban, Hungary's prime minister, is unlikely to try anything so crass. But the loss of Budapest is a major blow for him, puncturing his image as an invincible and almost unopposed leader for the past decade.

"The power people", said Mr Karacsony in his victory speech on the night of October 13th, "have been defeated by the power of the people." The quip was not lost on those in the cheering crowd old enough to remember the Communist era. "The power" was a synonym for the one-party system before 1990 and all who profited from it. Today it means the nearly-one-party system Mr Orban has created by changing the constitution and electoral laws (admittedly through perfectly legal means), and by filling important posts throughout Hungary with his loyalists. What Mr Orban calls "the Fidesz community" and his opponents term "the Fidesz mafia" is held together by a mixture of blind loyalty, the personality cult which Mr Orban has built around himself, and not least by the economic prosperity and low taxes that many Hungarians have experienced under him (heavily subsidised by the European Union). But in Budapest, that is not enough.

The arrogance of many in his entourage, and the playboy lifestyle of some of the elite, seem to have alienated traditional conservative Hungarian voters. In the last week of campaigning, videos of the married Fidesz mayor of the western city of Gyor taking part in an orgy on a yacht in the Adriatic undermined Fidesz support—but only in urban districts where the independent media are still widely consumed. With Mr Orban himself out of the country on a European jaunt, the party failed to appreciate the impact of the scandal.

The result is likely to be felt far beyond the capital. It shows both that Mr Orban can be defeated, and how it can be done: most of the main opposition parties held a primary in Budapest to select a single candidate to contest the election. Elsewhere, though without primaries, parties that did not expect to win sometimes stood down.

"Fidesz has to face a very different kind of country today," says Andrea Virág of Republikon, a liberal think-tank. "Their power until now was based both on control of local councils and the media. Now the opposition will have more opportunities to communicate with the voters."

The result presents Mr Orbán with a dilemma. If he punishes the cities that spurned him, for instance by withholding cash from them, he risks alienating the remaining Fidesz voters there, still a substantial number. But if central government co-operates with them, as the prime minister suggested in the aftermath of the vote, that might undermine his combative style, which has done so much to cement his hold over Hungary since 2010.

Under Mr Orbán Hungary has become a workshop for illiberal nationalists in Europe, with a constant stream of visits from his admirers. Now Budapest may become something of a meeting place for those seeking an antidote to his brand of populism. But Fidesz supporters can take consolation from the fact that their party is still the strongest in most of Hungary, holding two-thirds of the seats in parliament. A lot would have to change for it to lose nationally in 2022. ■

Explosive

## A Nobel prize for a writer some call an apologist for genocide

*Peter Handke, the 2019 literature laureate, spoke at a warlord's funeral*

[Print](#) | [Europe](#) Oct 17th 2019



AP

IT SEEMS HARD to believe that the Swedish Academy, which awards the Nobel prize in literature, did not know that it would be fanning the flames of Europe's culture wars. On October 10th Olga Tokarczuk, a dreadlocked vegetarian feminist, won the prize for 2018. At the same time the 2019 award was given to Peter Handke (pictured), an Austrian whom many see as an apologist for genocide.

Last year the academy failed to award its prize because it was engulfed in a sex scandal. This year the two awards caused controversy which had nothing to do with the literary merits of either. One of Mr Handke's most notorious books is his 1996 "Journey to the Rivers: Justice for Serbia", which he published as part of his defence of Slobodan Milosevic and the wartime leaders of the Serbs. The award has sent shock waves through the former Yugoslavia and beyond.

Mr Handke has been a prolific and experimental writer since the 1960s. The Swedish Academy hailed him as "one of the most influential writers in Europe after the second world war". But few wanted to discuss his literary merits in the wake of the award. Edi Rama, the prime minister of Albania, tweeted a vomit emoji before penning a full-scale denunciation of a man he said provided "an implicit amnesty and apology" for Milosevic's "genocidal endeavour".

In 2006 Mr Handke gave an oration at Milosevic's funeral. During the wars he had repeated a Serbian propaganda line that Bosnian Muslims had killed their own people to elicit Western support. He also minimised what two international tribunals found to be genocide: the 1995 murder by Bosnian Serbs of some 8,000 Muslim men and boys at Srebrenica. Aleksandar Hemon, a Bosnian-American writer, called him "the Bob Dylan of genocide apologists".

The other laureate, Ms Tokarczuk, upsets a different group of people. A staunch opponent of Poland's nationalist ruling Law and Justice (PiS) party, she has been denounced as a traitor for supporting gay rights and suggesting that Poles should face up to unpleasant parts of their history, including the suppression of minorities and murder of Jews. Still, PiS ministers mostly managed to swallow their distaste. The minister of finance even said he was willing to waive the income tax due on her prize.

Zlotys for tots win lots of votes

## Poland's ruling populists win again

*Lavish welfare and a divided opposition keep Law and Justice in power*[Print](#) | [Europe](#) Oct 17th 2019

Getty Images

FOR THE past four years, the Law and Justice (PiS) party has seemed unstoppable. After coming to power in 2015, it set about reshaping Poland according to its nationalist and conservative vision, from the courts to the family. Despite a protracted conflict with the European Commission, which accused it of undermining the rule of law, the party remains remarkably popular. At parliamentary elections on October 13th it won a second term. But there are signs that second term will be more difficult than its first.

"We received a lot, but we deserve more," said PiS's chairman Jaroslaw Kaczynski, the country's unofficial leader, in his speech at party headquarters in Warsaw after exit polls were announced. His party received 43.6% of the vote, far ahead of its main rival, a centrist coalition led by Civic Platform, which ran Poland from 2007 to 2015. This time, the centrists got only 27.4%. With 235 out of the 460 seats in the Sejm, the lower chamber of parliament, PiS retains its majority, though only just. As the Polish economy starts to slow, that majority may be too narrow for comfort.

Given PiS's focused campaign, its result will probably have come as a slight disappointment. In the run-up to the vote, PiS courted voters with a combination of big handouts and social conservatism. It extended its flagship payment of 500 zloty (\$127) per month per child to all children, introduced a one-off pension bonus to retirees, abolished income tax for workers up to the age of 26 and, from October 1st, lowered the personal income-tax rate from 18% to 17%. It also tried to mobilise voters through fear, as it did in 2015 when it portrayed refugees from the Middle East as a danger to national security. This time, Mr Kaczynski identified a new threat: an "attack on the family" by gay people.

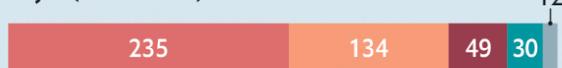
## They're back

Poland, parliamentary election results, seats

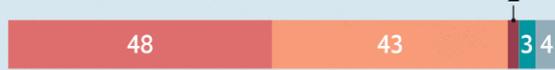
October 13th 2019

■ PiS (Law and Justice) ■ KO (Civic Coalition)  
■ Lewica (The Left) ■ KP (Polish Coalition) ■ Others

Sejm (total=460)



Senate (total=100)



Source: National Electoral Commission

The Economist

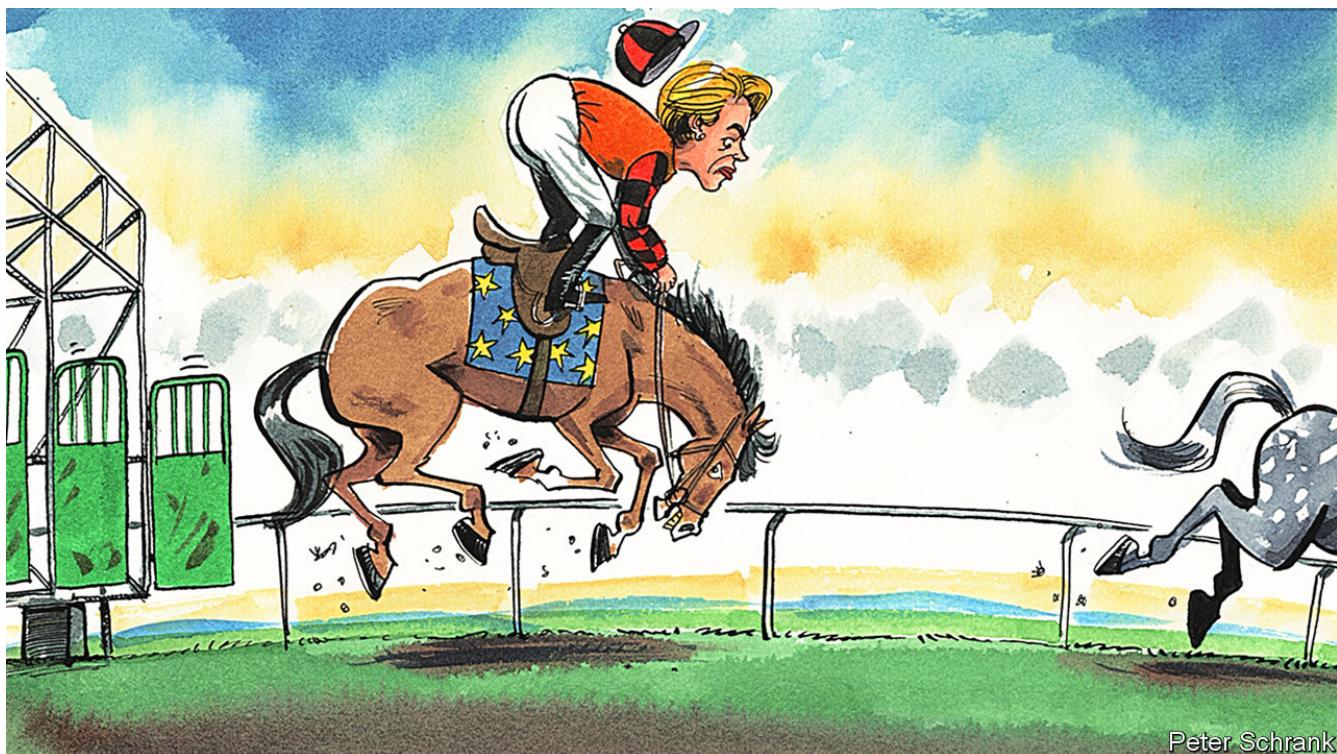
The new Sejm will be more diverse than the old one, ranging from the centre left to the far right. Unable to agree to form a single coalition, the opposition ran as three blocs: the Civic Platform-led centrists, who will have 134 MPs, the agrarian Polish Coalition, who will have 30, and the Left, which will have 49. After failing to cross the parliamentary threshold in 2015, the Left has reinvented itself as an alliance of the old social democrats and two younger progressive parties, with a platform that includes support for gay marriage, legal abortion and greenery. On the far right, Law and Justice faces a new rival: Konfederacja, a Eurosceptic alliance of nationalist movements, which will have 11 seats. Although it won just 6.8% of the vote, the exit poll suggests that this was much higher among young voters (20% in the 18-29 age group).

PiS's biggest problem was in the Senate, the upper chamber of parliament. After the three opposition blocs agreed not to run candidates against each other, the government narrowly lost its overall majority there. PiS will have 48 senators, down from 61 in 2015 (although it will try to poach a couple of independents). The Senate can amend and reject laws initiated in the Sejm, which should allow the opposition to stop PiS rushing controversial changes through parliament. But PiS will be able to overrule any amendments or vetoes, thanks to its absolute majority in the more powerful lower house. With next year's presidential election approaching, the dangers of failing to co-operate should not be lost on the opposition. ■

## Charlemagne

**Ursula von der Leyen's bumpy start***Why the incoming boss of the European Commission is struggling*

Print | Europe Oct 17th 2019



Peter Schrank

EMMANUEL MACRON was visibly angry. "I need to understand what was at play," he told journalists on October 10th, chopping the air with his hands. "I need to understand what was at play. Resentment. Pettiness perhaps. But I need to understand." The European Parliament had just rejected Sylvie Goulard, his nominee for the next European Commission. This had not been part of the plan. Mr Macron won a diplomatic triumph in the summer when he persuaded Angela Merkel and other leaders to help him manoeuvre Ursula von der Leyen, a German minister who shares his vision of a tougher and more thrusting EU, into the leadership of the union's executive. Mrs von der Leyen duly lined up Ms Goulard, a long-standing Macroniste, for a new mega-job overseeing industrial policy and defence.

Sadly, the members of the three parliamentary committees charged with assessing Ms Goulard's candidacy voted by 82 votes to 29, with one abstention, to reject it. Outside of her (and Mr Macron's) liberal group she received just 12 votes; in other words, very few from the centre-right European People's Party (EPP) and centre-left Socialists and Democrats (S&D) groups that Mrs von der Leyen will constantly have to rely on for majorities in the parliament. Both camps claimed afterwards that she had not contacted them to discuss the vote in advance. Mr Macron was not amused.

MEPs cited Ms Goulard's role in a past scandal over European parliamentary jobs and payments for her role at an American think-tank (she denies wrongdoing in both cases, investigations into the first of which cost her job as French defence minister after just one month in office in 2017). Wary of a "two-tier" EU, central and eastern Europeans in particular insisted that the French candidate not be subjected to lower standards of propriety than their own nominees. But a bigger factor in the rejection was the widespread sense in the EPP and the S&D that Mrs von der Leyen herself had been imposed on them. They would have preferred the next Commission president to be one of their own "lead candidates" who campaigned for the job ahead of the European elections in May. The apparent expectation that they defer to her and Mr Macron's choice of internal market commissioner prompted the revolt. "Guys, we are going to kill [Goulard] in the vote later but do not say until then," read an internal EPP memo accidentally tweeted ahead of the ballot. Mr Macron's Europe minister declared the result "a major institutional crisis".

That was and is an overstatement—for now. MEPs also threw out the Romanian and Hungarian nominees over conflict-of-interest concerns. With insufficient time to find and approve three replacement candidates, on October 16th the parliament postponed its up-or-down vote on the final line-up and thus pushed the new commission's arrival in office from November 1st to at least December 1st. It could all take even longer. Neither Mr Macron nor Mrs von der Leyen has the parliamentary muscle

needed to guarantee that the next French nominee will meet with the support that eluded Ms Goulard. The French president's power base there is not yet commensurate with his dominance among national leaders; he long dragged his feet on his party's incorporation into the liberal group, considering himself above the contest between the EU's party groups. Mrs von der Leyen hails from the EPP but is not considered "one of us" among its parliamentary ranks.

Some sympathy is due to both of them. The parliament's petty squabbles—and the grinding slowness of European initiative to which they contribute—is an indulgence the EU can scarcely afford. As *The Economist* went to press leaders were gathering in Brussels to discuss not just the Brexit drama but conflict in the Middle East, the new EU budget and unresolved EU carbon emissions targets. Mrs von der Leyen and Mr Macron, backed on some topics by the more cautious Mrs Merkel, want the continent to be a more decisive actor in such arenas and in Ms Goulard had a solid candidate for one of its crucial roles. Tit-for-tats and further delays are the last things they or Europe need.

### **The perils of politicisation**

Yet both also have lessons to learn. In past decades France and Germany dominated. They could more easily settle decisions, sometimes with the commission president mediating, and impose them on the rest of the club. The parliament was relatively toothless. All of that has changed. The EU is more plural, its diplomatic and political landscape more diverse and its parliament more powerful. More by necessity than by design, and partly under the stress of crises, the European project has become more political and less narrowly technocratic—one reason why Mr Macron, fearful of adding any fuel to the fires of populism, rather shortsightedly decided this week to veto the start of EU accession talks with North Macedonia and Albania. The European elections in May saw turnout rise for the first time ever, betokening the genuine Europeanisation of some political debates. It produced a more fragmented parliament of shifting, hard-won majorities; one with, moreover, a stronger sense of its own legitimacy and a heightened willingness to assert itself.

Both Mrs von der Leyen and Mr Macron have, in so many words, welcomed the trend towards a more confident and political European project. But if they are sensible, they will not merely treat that as a licence for technocrats and national leaders to ram through bigger things, faster. Irritating power games in the European Parliament are the manifestation of something important. In a more confident and political European project there may well be more opportunity to do big things, but the need to argue and win support for doing them is likely to be commensurately greater too. In future, European leaders will have to work harder to make their case, forge political bases, do deals and marshal coalitions. Whisper it softly, but "more Europe" will not make the EU easier to lead. Quite the opposite. ■

**Scotland**

The other referendum

**The other exit negotiations****Another Scottish referendum beckons—and this time the nationalists may win***Brexit, and the capture of Westminster by hardliners, has increased Scots' appetite for independence*[Print | Britain](#) Oct 17th 2019

IT IS A defining characteristic of the modern Scottish nationalist movement that it refuses to engage in extreme methods to advance its cause. This week, as Spain's supreme court jailed Catalan separatist leaders for between nine and 13 years for sedition, following an illegal referendum and unilateral declaration of independence in 2017, the Scottish National Party was gathering peacefully in Aberdeen for its annual conference.

Nicola Sturgeon, the SNP's leader and first minister of Scotland, was quick to condemn the Spanish court's decision as "dreadful". But the contrast between the two movements is stark. When it comes to radical activity, Scottish nationalists might engage in a boisterous march through the streets of Edinburgh or, if especially grumpy, wave some placards outside the "biased" BBC. But they obey the law.

This perhaps reflects the fact that Britain has been a union of choice for more than 300 years and has largely operated to Scotland's advantage. Even with the separatist SNP repeatedly elected to power at Holyrood, Scotland's devolved parliament, over the past decade, the nation has remained a reasonably relaxed part of Britain, voting 55-45 to stay in an independence referendum in 2014.

It is relaxed no longer. Polls in recent months have shown support for independence creeping up to 50% and above (see chart). One reason is Brexit, which Scots opposed 62-38 and whose implementation is proving to be messy. The other is the capture of Britain's two main political parties by ideological ultras. Neither Boris Johnson's Conservatives nor Jeremy Corbyn's Labour holds much appeal. A growing number of Scots are drawing the conclusion that the union is broken and that an independent Scotland inside the EU would be preferable to staying in an English-dominated, Brexit Britain.

## Coming yet for a' that

Scotland, voting intention for independence\*, %



The Economist

It may not be long before they are once again asked to make such a decision. Ms Sturgeon says she will request a Section 30 order from Westminster, enabling another referendum, by the end of this year. It seems unlikely that a Conservative government would oblige before the next Holyrood election in 2021. But should the Tories fail to win a majority in the general election that is expected soon, it may be that Labour is able to form a government with the support of the SNP. The price of its support would be a second referendum.

With their objective suddenly and unexpectedly looming into prospect again, some of the more excitable Scottish nationalists are growing impatient. In Aberdeen, the SNP's leadership had to fight off an attempt by rebels to force the party to adopt a Plan B for securing independence—for example, that it should treat winning a majority of Scottish seats at Westminster or Holyrood as a mandate to begin break-up negotiations.

Ms Sturgeon's critics say there is a sense of drift at the top. "Support for independence may be at 50%, but given the state of UK politics why isn't it at 60%?" asks one prominent SNP politician. "People don't have a clear sense of what the strategy is," says another. "The unhappiness is real and stronger than the leadership would like outsiders to believe."

The first minister has long had to balance the SNP's gradualists against its fundamentalists. The latter are often loyal to Alex Salmond, who led the party for most of the time between 1990 and 2014, and whose approach to politics was considerably more abrasive and divisive than Ms Sturgeon's. There is also the matter of Mr Salmond's trial, due early next year, for attempted rape and other sexual offences. No one is clear what the political consequences will be or what the voters will make of it; there is even talk that Ms Sturgeon herself could be forced to resign in the aftermath.

Privately, SNP strategists accept that the most likely—and, in fact, most desirable—route to independence is to win a majority in Holyrood in 2021. This, they know, would establish an undeniable mandate for a new referendum. Before then, they want to deepen support for leaving, and drive that 50% figure higher. "Our model isn't the Brexit vote, it's the devolution referendum in 1997 [which was won 74-26]," says a leadership source. "We want to make independence the 'settled will' of the Scottish people." In her conference speech Ms Sturgeon promised that "we will win our independence, but not the Brexit way...We will win by inspiring and persuading."

Despite the grumbles, SNP gradualists still have the upper hand. They believe their lifelong goal of Scottish independence has never been closer, and that playing by the rules will get them across the line sooner rather than later. And the truth is that Ms Sturgeon, like all clever democrats, doesn't want to have the fight until she is sure she can win it. ■

Ma'am's manifesto

## The Tories target health and crime in a political Queen's Speech

*The measures have little hope of getting though Parliament, but will feature soon in an election campaign*

[Print](#) | Britain Oct 19th 2019



PA

THE QUEEN glittered. Flunkeys wore regalia that made them look like Christmas crackers. The leader of the House of Lords stood bearing the “cap of maintenance”, which looks a bit like a Santa hat, on a stick. The state opening of Parliament on October 14th, in which the government lays out its policy agenda, was much like any other, but for one exception. With the government 45 seats short of a majority, the chances of its proposals passing into law this parliament are nil. They may, however, soon be adorning election posters.

Boris Johnson’s speech, read out by the queen, was an election pitch rather than a programme for government. The 26 bills introduced ranged from making it easier for leaseholders to install broadband to preparing for the Birmingham Commonwealth games in 2022. But the main themes of the speech were Brexit, health and crime. By happy coincidence, these are also the top three responses when voters are asked what are the three biggest issues facing Britain, according to Ipsos MORI. In short, a Conservative manifesto was outlined by the Crown.

Crime hogged the stage, with seven new bills laying out measures including longer sentences for violent criminals. Some were rather smaller than billed: a proposed crackdown on people breaching deportation orders, for instance would result in about ten extra deportations per year, according to the *Independent*. But with an election expected soon, such details do not matter. Voters are more concerned about crime than at any point since 2011, when England suffered riots in its big cities.

A focus on law and order, and crowd-pleasing but ineffective policies, jar with the insistence of Mr Johnson and his allies that he is really a liberal. So do the views of Priti Patel, the right-wing home secretary (see Bagehot). This hardline stance may prove temporary. After an election, Ms Patel may even end up being jettisoned, whispers one Tory adviser.

Law and order is home turf for the Conservatives. But they are now also picking fights on the National Health Service, normally a vulnerable point for the party. Mr Johnson rarely opens his mouth without a paean to the beloved but ailing NHS. The Queen’s Speech contained a plan for a new body to investigate safety problems in the service. The Tories have already promised the NHS another £20bn (\$26bn) per year in real terms by 2024. This may pale in comparison to the once-in-a-generation spending spree that Labour launched under Tony Blair. Funding is still far lower than the trend line suggested before austerity began in 2010. But the Tories are hoping that years of straitened spending have lowered expectations when it comes to funding health care.

The aim is to appeal to the people whom James Johnson, Downing Street’s head of polling under Theresa May, dubs “Conservative considerers”. These voters tend to be working class, female and northern. They voted Leave, but care more about

public services than Brexit. The Conservatives courted them in the 2017 election, to no avail. In that year's manifesto, aside from Brexit the Conservatives offered only a thin gruel of punishing reforms of things like social care and little in the way of extra spending. Now, the party paints policies in primary colours.

Still, the first words out of the queen's mouth this week concerned Brexit. She reiterated the government's pledge to leave by October 31st. Yet the Conservative Party itself does not seem sure it will manage it. Tory leaflets warning that the Brexit Party "could yet block" Brexit have already been circulated to election agents.

As for that election, one senior backbencher suggests voters could be left waiting until the spring. When it has at last been and gone, the queen will find herself back in Parliament, perhaps this time reading out a policy agenda that has a chance of making it into law. ■

*For coverage of the EU summit on October 17th and 18th, and the parliamentary sitting the next day, go to [economist.com/britain](http://economist.com/britain)*

Identity politics

## Britain plans to require that voters show photo ID

*The plan will fail to solve the much bigger problem of postal-vote fraud*

[Print](#) | Britain Oct 17th 2019



AFP

FOR MUCH of the 20th century, governments agreed on changes to electoral law with opposition parties, to calm fears of partisan gain. That is not quite how things work today. In the Queen's Speech on October 14th, Boris Johnson's government proposed a number of changes, including requiring voters to present photographic ID at the polls, to "protect the integrity of democracy". Jeremy Corbyn, Labour's leader, called the plans "clearly discriminatory". Angela Eagle, a Labour MP, said they were no less than "an attempt by the Conservative Party to suppress voting, and...designed deliberately to hit the poorest hardest."

Demanding papers at the polls is common in countries with ID cards (which Britain does not have). Photo ID has also been required in Northern Ireland since 2002, to combat a situation where polling staff "were willing to turn a blind eye when half the inhabitants of the local cemetery turned up to cast their vote," recalls Richard Mawrey, a former judge. But there is little evidence that in-person voter fraud is common in the rest of the United Kingdom. Thus Labour suspects the plans are designed to disenfranchise its supporters, who are twice as likely as Conservative voters to lack a driving licence. Under the plans, any voter without photo ID would be able to apply for a free "electoral identity document". Yet how many would bother?

In Northern Ireland, there was no sign of a fall in turnout when ID was required. Similarly, recent evidence from America suggests that, despite intense controversy, laws introducing identity checks have not reduced turnout among black voters. But a pilot in English local elections this year found, in two of the four wards with sufficient data, a correlation between the size of the Asian population and the number of people turned away. It is impossible to say whether this indicated fraudsters being thwarted or legitimate voters being disenfranchised, says Stuart Wilks-Heeg of the University of Liverpool. Another possible explanation is that turnout tends to be higher in Asian areas, which may be why a greater number of voters was rejected.

Whether or not the need for photo ID puts off legitimate voters, the reforms will probably fail to stamp out a bigger source of fraud: postal votes. In 2004 Labour candidates in Birmingham manipulated postal ballots in a case of "electoral fraud that would disgrace a banana republic", as Mr Mawrey, then sitting as an election commissioner, put it. Rules have since been tightened a bit. And the government now wants to ban "campaigners" from handling postal votes, put in place a limit on the number that can be handed in by one person, and make people reapply for a postal vote every three years.

But postal fraud will still be far from impossible. People have got used to the convenience of voting by mail, so there is little hope of returning to a system that allowed it only in special circumstances. As Eric Pickles, a Conservative peer who wrote a report on electoral fraud in 2016, notes: "Once the toothpaste is out of the tube, it's very tough to get it back in." ■

A saint for all seasons

## English Catholics rejoice over Cardinal Newman's canonisation

*He is an appropriate saint for an increasingly diverse country*

Print | Britain Oct 17th 2019



PA

**H**E WAS A towering intellectual, a friend of the poor, a stickler for religious dogma and a hero, at least posthumously, of the gay-rights movement. With the canonisation on October 13th of Cardinal John Henry Newman (1801-1890), English Catholicism has acquired its first saint who lived any more recently than the 17th century. For tens of thousands of compatriots who have campaigned for his spiritual and intellectual gifts to be recognised, this was one of the sweetest moments since the Reformation, when England's monarchy and ruling institutions broke with Rome and established a new church, leaving Catholics a somewhat embattled minority.

As behoves an unusual cleric from an ever more diverse land, the ceremony in Rome was full of peculiarities. The British state was personified by Prince Charles, who would lose his entitlement to the throne, and hence his future status as ceremonial head of the Church of England, if he were to become a Catholic. The cardinal's home town of Birmingham was represented by the lord mayor, Mohammed Azim, an adherent of the Muslim faith in which a plurality of the city's youngsters are being raised. All that may be apt. During his lifetime, Newman won friends, as well as adversaries, in a wide variety of circles.

"St John Newman pray for us," tweeted Jacob Rees-Mogg, the fervently Catholic leader of the House of Commons and hard-line Brexiteer, in response to the news. Meanwhile, Peter Tatchell, a campaigner for sexual freedom, said the church was guilty of homophobia in playing down Newman's companionship with fellow Catholic convert, Ambrose St John. Mr Tatchell has described as "sacrilege" the church's decision in 2008 to remove Newman's remains from the two men's common grave and place them in a more formal tomb. The church insists the pair's relationship went no further than friendship.

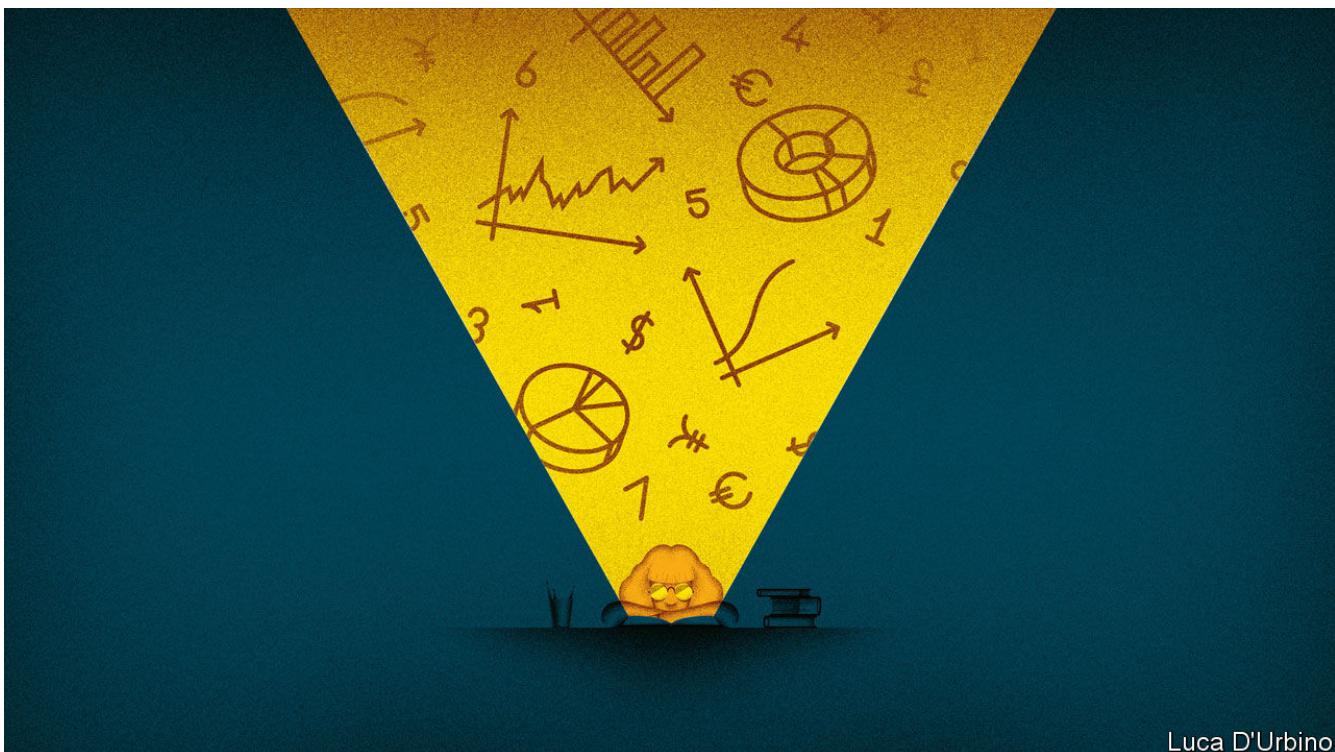
Whatever Newman would make of tinkering with his relics, he would probably have appreciated the diverse state of Catholicism in England. Since 1983 the share of people in Britain who call themselves Anglican has tumbled from 40% to 12%, while Catholics have slipped less drastically, from 10% to 7%. They have also done better at attracting people to church and retaining the young. About a quarter of British Catholics go to Mass most weeks. Peter Brierley, a religious statistician, says attendance in England ticked up last year.

Behind these numbers lie huge contrasts. Strongholds created by Irish migration to the north of England are in decline, while Polish, Filipino and Latin American migrants join older residents to pack out the churches of London. "At least half a dozen Catholic churches in the London area attract thousands every weekend and they'd be [called] mega-churches if they were Protestant," says Stephen Bullivant of St Mary's University. "But there are churches in the formerly Irish bits of Liverpool that are emptying out and can't find Catholic kids to fill their schools."

Cardinal Newman's Victorian world might seem remote to England's Catholic newcomers. But shrines and saints are something they relish. Catholics from southern India are now among the keenest venerateors of the shrine of the Virgin Mary in Walsingham, an ancient English pilgrimage site. The tomb of England's new saint, in Birmingham, will draw visitors from many places and persuasions. ■

**Sample bias****Economists try to broaden the appeal of the dismal science***Boys are three times as likely as girls to study the subject in British schools*

Print | Britain Oct 19th 2019



Luca D'Urbino

**A**LTHOUGH MORE than half of Britain's undergraduates are women, just a third of those studying economics are female. Only physics, engineering and computing are more male. Boys are three times as likely as girls to do an economics A-level. But dismal scientists are waking up to this dismal state of affairs. On October 15th the Royal Economic Society (RES) began Discover Economics, a campaign to widen the pipeline into the profession.

An economist might first want to be convinced that the disparity does not simply reflect differences in girls' and boys' preferences. But there are good reasons to think that students make their choices with limited information. Sarah Smith, an academic at Bristol University and one of the founders of the campaign, says many schoolchildren think economics is narrower than it is. Most 15- to 17-year-olds, when asked, associate the subject with money. Economists have much in common with other social scientists. But whereas girls make up half to three-quarters of those studying geography and psychology, they shun economics. Nor can an aversion to numbers explain the problem: economics is even less popular among girls than maths.

The subject's lack of diversity might itself be off-putting. When Ali Norrish of Economy, a charity that seeks to make the subject more accessible, asks children to draw an economist, most sketch older men in suits. An economist attending the campaign's launch recounted how his offer to speak to pupils at his old state-run school was rebuffed, because it would raise "unrealistic expectations". Perhaps that explains why a quarter of privately educated boys study the subject, compared with 16% of all boys.

All this means some young people are put off a career they might otherwise have found fulfilling—and which is relatively lucrative. Meanwhile the profession fails to attract the best talent, and the shedding of women and minorities at senior levels makes matters worse. That in turn narrows its appeal to students.

Confronted with these market failures, economists are seeking to explain better what it is they do. A website will outline the breadth of the subject. Undergraduate "ambassadors" to schools will teach economics-related lessons. Economists from organisations such as the Bank of England and McKinsey, a consultancy, will visit schools in poor areas. Budging entrenched opinions won't be easy. But this year's unusually diverse set of Nobel prizewinners may help (see article). And, as economists know, more information should lead to better choices. ■

**Keep digging****Sirius Minerals, Britain's first deep mine in decades, is in a hole***After bond investors got cold feet, the mine faces the prospect of closure before it has even opened*[Print](#) | [Britain](#) Oct 19th 2019

Getty Images

**S**INKING DEEP mine shafts is hard, says Graham Clarke, operations director at Sirius Minerals, a company digging the first properly deep mine—a mile down—in Britain for over 40 years. At a certain depth, earth movement can cause trouble, or an aquifer needs sealing. One of Sirius's shafts has descended 120 metres beneath the North York Moors on the way to a 260m-year-old, 2.69bn-tonne fertiliser deposit. Mr Clarke is surprised to have got so far. “Everyone said we would never get planning permission, then when we did they said we wouldn’t get our first funding.”

The naysayers may yet win. Last month the FTSE-250-listed firm cancelled a \$500m junk bond issue. It would have unlocked a \$2.5bn loan from JPMorgan Chase, or enough in all to finish the £3.1bn (\$4bn) project. Now Sirius could run out of money. Investors got spooked by market conditions, Brexit and the risks of shaft-sinking. Sirius also let it be known that the government in August refused a request to guarantee \$1bn of bonds in 18 months’ time, even though state backing via export credit agencies is common in project finance.

A challenge for Sirius, as well as the shafts, is getting its product, polyhalite, widely accepted by farmers. It is a speciality potash that is chloride-free (an advantage, since chlorine tolerance varies across crops). It has more nutrients that plants need than the two mainstream products, sulphate of potash and muriate of potash. Produced at scale, polyhalite has potential to disrupt the global fertiliser industry.

That explains why existing powerful players, such as EuroChem, a Russian-owned giant with revenues of \$5.6bn, have been talking down polyhalite, presumably adding to bond investors’ worries. Nevertheless, Sirius has struck multi-year sales agreements with customers to supply in total 13.8m tonnes a year at the peak. That will claim most of the mine’s initial production capacity. One is a ten-year deal announced on October 11th to supply polyhalite to Muntajat, a giant Qatari petrochemicals firm.

But Sirius’s current funding—it has raised over £1.5bn—will run out by March. It has slowed operations; eventually it would have to fill in and cap its shafts and close off the mile that it has already dug of a 23-mile-long tunnel to carry the polyhalite to Teesside to be processed and shipped off as “Poly4” to fertiliser firms around the world. Never before has a mine been joined to a long tunnel—the design avoids unsightly railway tracks over the moors.

At full capacity, Sirius’s positive impact on the local economy could be substantial. The company plans to ship £2.5bn-worth of polyhalite a year at full production and send an annual £470m to the exchequer. It employs 1,200, mostly local, workers and

will need 2,800 more. In Teesside its tunnel cuts into the earth from an old ICI site near shut-down steelworks; local politicians such as Ben Houchen, Tees Valley's mayor, are backers. So are around 85,000 retail investors, many from Yorkshire and the north-east, who piled into Sirius shares over the past eight years. Many lost out when Sirius's bond issue was cancelled.

One reason the government declined to back the financing—in addition to its fears about the risk to the taxpayer—was that politicians reckon there are other funding options, say people close to the firm. Sirius is to come up with alternative plans by the end of the month. One option could be a strategic partner with a hefty balance-sheet. Given the push that the government has put behind boosting the north, it might not let the project fail. Even for believers in Sirius, however, the light at the end of the tunnel is getting hard to make out. ■

### Making room

## Britain's housing paradox: overcrowding and underoccupancy are both rising

*As more young people share, more elderly rattle around alone*

Print | Britain Oct 19th 2019

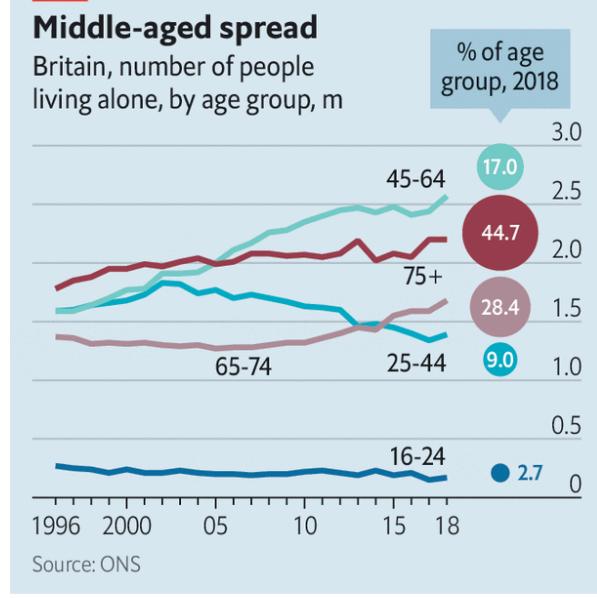


Getty Images

FOR PHILLIP ROUSE and his girlfriend, Martelle, both immigrants from Australia, home is a three-bedroom flat in south London. It is shared with two other people. That is not ideal, says Mr Rouse, who is 32. "When we were in Australia we lived by ourselves," he says. When sharing, "you're never quite grounded in your own space." But ultimately the couple decided they had little choice. Their monthly rent and bills come to about 30% of their joint income. If they rented their own flat, it would be twice that. "That is too many lifestyle changes we would have to make," Mr Rouse says.

About 100 miles north, in Birmingham, Britain's second-biggest city, Helen White, a 65-year-old retired charity worker, lives on her own in a three-bedroom house in an inner suburb. She bought it after a couple of relationships went sour and she felt she needed the security of her own place. Living alone is "great", she says, "because you do not have to compromise".

In recent years, Britain's housing shortage has seemed to relent. After a deep post-recession slump, construction has climbed back up towards previous highs. Homeownership rates, which had been steadily falling, have stabilised since 2014. Yet there is a huge generational imbalance. Older people are occupying ever more space. Indeed, there is a boom in older people living on their own (see chart). For most younger people, however, affordable housing remains scarce. They crowd into shared flats in the most expensive parts of the country.



The Economist

Last year the number of people living alone crossed 8m. But the increase has been entirely among those aged over 45. Between 2008 and 2018 their number rose by 810,000, or 14%. The number under that age fell by 340,000, or 18%. Some 746,000 homes were overcrowded last year, meaning that there were not enough bedrooms for each single adult, couple or pair of children to have one to themselves. That was a 14% increase on a decade before. Meanwhile the number of homes that were underoccupied, meaning that they had at least two spare bedrooms, also increased, by 10%, to 8.6m.

What is driving this? Some of it is simply growing life expectancy: people are most likely to live alone when they are in their twilight years. But divorce also plays a part. The number of marriages breaking up has fallen drastically in the past few decades, probably because fewer people are getting hitched in the first place. But the number of over-50s divorcing has increased sharply. Those newly single people need more space.

And they can afford it. Britain's tax system encourages people to "consume as much housing as they can afford", says Rose Grayston of Shelter, a charity. Property taxes are lower, proportionately, on bigger houses. Stamp duty, a tax on buying property, can make downsizing expensive. Recently older buyers' spending power has risen relative to that of younger people. In real terms, earnings have fallen since 2008 across the board, but most of all for the young. Rents have also fallen, but not by as much as interest rates or wages.

One consequence of this is that more and more young adults live with their parents. A quarter of those aged 20-34 are still at home, up from around one-fifth a decade ago. But not everyone has a family to live with. And the poorest young people are particularly exposed. In the parts of London where it is legal, there is a booming business in converting offices into tiny bedsits cheap enough for people on housing benefit. Someone under the age of 35 on welfare only gets enough to rent a room in a shared home, notes Ann Berrington of the University of Southampton.

Some housing wonks now think that Britain is building enough homes to go around. Projections of the growth in the number of households have been cut back, so that from now on the government expects demand to undershoot construction, for the first time in years. But even a surplus of homes may not be enough to stop the young and poor from having to play sardines, if the old and rich are incentivised to spread out. ■

## Bagehot

**Letting Priti Patel lead Britain's law-and-order agenda is risky**

*The right-winger may help the Tories win blue-collar votes. But the Home Office has a habit of generating scandals*

Print | Britain Oct 19th 2019



Nate Kitch

SHE IS PROOF of the enduring truth of Benjamin Disraeli's description of politics as a "greasy pole". At first her ascent was smooth—a place on David Cameron's "A-list" of candidates in 2006, a safe seat in 2010, a job in the Downing Street Policy Unit in 2013, a seat in the cabinet (as international development secretary) in 2016. But then came the great slide back down. On what she billed as a family holiday in Israel, she held unauthorised meetings with Israeli politicians, including Binyamin Netanyahu, and was summarily dismissed.

In normal times Priti Patel might have spent the rest of her career in the army of blowhards with a great future behind them. In fact, Boris Johnson not only hauled her back into the cabinet in July but gave her one of the great offices of state, that of home secretary. Ms Patel will thus play a central role in carrying out the most important part of the government's domestic agenda outlined in the Queen's Speech on October 14th: more "bobbies on the beat", more stop and search, more tasers and longer prison sentences.

Over the past few years the government has performed so dismally on law and order that it has ceded the initiative to, of all people, Jeremy Corbyn. Knife crime is spiralling. Last year a measly 5.5% of burglaries resulted in a charge. The thin blue line of the police has been stretched thinner than ever by a decade of austerity. Ms Patel's job is to reverse that unexpected political calamity.

Senior Conservatives believe she may also be a significant electoral asset. Ms Patel represents the beating heart of the new populist Tory party that is growing up alongside the old conservative version. Her parents are Gujaratis who fled Uganda shortly before Idi Amin's takeover in 1971 and founded first one newsagent and then a chain of them. She was educated at a comprehensive school (it called itself a grammar school but was non-selective) and redbrick universities (Keele and Essex). Gujaratis are a classic commercial minority that combines a fierce entrepreneurial ethic with social conservatism. Ms Patel is no exception.

In 1995-97 she left the Tories to work for James Goldsmith's Referendum Party as chief press officer. In 2012 she co-wrote a pamphlet, "Britannia Unchained", which argued that "the British are among the worst idlers in the world" and said leaving the EU would allow Britain to become "Singapore-on-Thames". (Two of her co-authors are now with her in the cabinet.) Ms Patel was one of the most vocal Leave campaigners in David Cameron's government.

Leading Tories think that she could do a lot to help win over working-class voters, whom they need to capture to make up for the exodus of liberal Tories over Brexit. Top of the list, of course, are Brexiteers. The Conservatives need to squeeze the

Brexit Party's vote down from its current share of 12% if they are to have any chance of securing a working majority. Ms Patel's personal credibility with Leave voters is further burnished by the fact that her father once stood as a UK Independence Party councillor. Her no-nonsense views on crime—in 2011 she came out in favour of capital punishment, though she has since modified her position—is likely to go down well in the blue-collar constituencies and seaside towns that the Conservatives are desperate to gain.

The Tories' list of target voters also includes socially conservative ethnic minorities. In the 2015 election the Conservatives got more than 1m votes from minorities. A post-election survey found that they enjoyed an eight-point advantage over Labour among Hindus and Sikhs. In 2017 lost ethnic-minority votes played a big role in denying the party a majority. Ms Patel is seen as the ideal emissary to aspirational minorities who want to build their own business, give their children a leg-up and fear crime and social breakdown. That a higher proportion of ethnic-minority voters voted for Brexit than for the Tories in 2017 only adds to her appeal.

Can this self-described “massive Thatcherite” live up to expectations? Talking tough on crime is one thing; translating tough talk into effective policy quite another. It is easy to see the promised 20,000 new police officers buried in paperwork and other policies sandbagged by the courts. Being home secretary demands relentless attention to often mind-numbing detail.

### **The Tebbit tendency**

Roy Jenkins, one of the great reforming home secretaries, wrote that, at its best, the department’s hallmark was “meticulous and precise administration”. Peter Hennessy, a historian of Whitehall, describes the Home Office as a “precedent-laden, case-work-driven institution”. A mistake can easily blow up in the home secretary’s face—Ms Patel’s predecessor but one, Amber Rudd, was forced to resign over the Windrush scandal—as well as destroy ordinary people’s lives. But attention to detail and protocol is hardly Ms Patel’s forte, as her Israeli adventure suggests. A supporter politely says, “Her administrative personality is much less developed than her political personality.” A striking number of critical Tories describe her as “thick as mince”.

Ms Patel’s populist version of politics is also a double-edged sword. Many traditional Tory voters have had their loyalty tested almost to breaking-point by the party’s recent mix of establishment-bashing and incompetence. A few tub-thumping words designed to appeal to the hang-’em-and-flog-’em crowd, or a scandal involving lax administration in the Home Office, might break them completely.

The normal rules of politics don’t seem to apply just now—in the past few months Mr Johnson’s poll numbers have ticked up even as he has piled defeat on defeat. Ms Patel’s hardline style might be just what is wanted when the public is fed up with the political class. Repeated reminders that she once supported capital punishment may prove a blessing in disguise. But putting this later-day Norman Tebbit in charge of the government’s central domestic agenda is one more dangerous bet for a prime minister who has already made more than his quota of such gambles. ■

## Remotest Russia and Arctic America

So near and yet so far

So near and yet so far

### Russia's Chukotka and America's Alaska are an era apart

*Despite being in spitting distance across the Bering Strait*

Print | International Oct 17th 2019



Sputnik

IT IS EASY to forget—if you ever knew—that Russia and the United States are less than three miles apart, across the icy waters of the Bering Strait (see map). From America's Little Diomede Island, which is indeed very little, you can cheerily wave or glower, depending on your attitude, at Russia's Big Diomede Island. Little Diomede has a hundred Alaskans on it, mainly Inuit; Big Diomede has a few military installations and some transient Russian soldiers. The two countries' mainlands are only 55 miles (89km) apart at their closest. Far-sighted or foggy-minded engineers have long fantasised about building a connecting tunnel that would be only twice the length of the one that links England and France.

Yet the two regions, joined by a land bridge perhaps as recently as 13,000 years ago, feel as if they are on different planets. Their differences, and perhaps even more importantly, their similarities, provide a lens through which to view the differing fortunes of both countries.

Alaska is a vibrant state with a swelling population, a humming economy and a vigorous democracy—zinging with Democrats' abuse for the present governor, a President Donald Trump-loving Republican. There exists a proud sense of federal statehood (achieved only in 1959) that belies its distance from Washington, DC. So too is there a sizeable minority of Inuit and other indigenous peoples who are volubly demanding greater cultural and financial rights after generations of discrimination.



The Economist

Chukotka, by contrast, has shrunk from 148,000 people when the Soviet Union collapsed in 1991 to fewer than 48,000 today, and on practically every front is struggling. Its standard of living is vastly inferior to that of its American counterpart across the water. Its government is far more tightly controlled by remote bosses in distant Moscow—even farther than Alaska is from Washington. The economy depends almost entirely on gold (managed by a Canadian firm), coal (managed by an Australian one) and meagre subsidies from Moscow. The local indigenous population has a far harder time trying to assert its rights. Russia's main native association has been neutered by President Vladimir Putin.

In the late 1980s, at the height of hopes that the “ice curtain” between the two old adversaries would melt under the warm gaze of Mikhail Gorbachev and Ronald Reagan, cross-channel friendship flowered. The tiny coastal Alaskan frontier town of Nome, created around a century earlier in a gold rush, reached out across the waves to Provideniya, the nearest Soviet port. In 1988 a bunch of prominent Alaskans, headed by the state governor and accompanied by a clutch of Alaskan natives (as Alaskans of pre-Colombian heritage happily call themselves), took a “friendship flight” across the narrow trough of sea from Nome to Provideniya to herald a new era of co-operation in the fields of science, environment, commerce, culture and diplomacy.

### Separated twins

Optimists, especially in Alaska, still seek to rekindle that friendship. But today they face two obstacles: the divergence in fortunes between the two places, and the re-emergence of the ice curtain, despite Mr Trump's seemingly jovial relationship with Mr Putin in the Kremlin.

The starting point of a cross-channel relationship in the 1980s was the re-establishment of visa-free travel for indigenous people on both sides of the channel. Many spoke the same language. Large numbers are cousins who had not met since 1948, when the cold war ended fraternisation across the strait. After 1988 there were joyful reunions and talk of open borders.

The two peninsulas, that almost rub noses, have much in common. Their climates are among the harshest on the planet: the temperature in Chukotka once tumbled to -61°C. The scenery on both sides is a desolate but beautiful mix of tundra, lake and mountain, frozen for eight months of the year. Chukotka is the least densely populated chunk of the Earth, bar Antarctica and stretches of the Sahara.

Alaska's northern half is almost as empty, its climate barely less brutal. Its Bering Strait Region, looking across at Provideniya, has around 20,000 inhabitants. The coastal waters on both sides freeze for most of the year. Alaska belonged to Russia until 1867, when America bought it—foolishly, as many in Washington, DC, sneered at the time—for a mere \$7.2m. (That is \$125m in today's money, roughly what the state's oil wells generate in revenue in four days.)

Other similarities abound. Even in the summer, road connections in western Alaska are almost as sparse as in Chukotka. You can travel from Nome to Anchorage, the state's commercial capital 864km away, only by air or, if you have a week to spare

in the short-lived summer, by sea. Chukotka has no all-weather road network, though its *zimniki*—its winter ice-and-snow roads—do miraculously function.

On both sides of the strait, permafrost means that houses are built on stubby stilts that in theory can be adjusted as the ground shifts between the long freeze and the fleeting thaw, offering passers-by a view of ungainly pipes and rubbish underneath. Permafrost also means that nothing can easily be buried or hidden, so an array of discarded cars, boats, fridges and toilet bowls disfigure the villages and surrounding tundra on both sides of the sea.

Chukotka's outposts are particularly dismal. Provideniya, once a humming port with 10,000-odd inhabitants in and around it, including a military-cum-naval base, has shrivelled to 2,000 or so. The town feels like a cracked shell. A huge, grey, tumbledown coal-fired power plant with smashed windows looms over the potholed, muddy main street largely devoid of traffic; it shuts down in July or August.

The town has no proper hotel, just a corridor of five rooms with communal washing facilities on the third floor of a dilapidated block, entered via a smelly, unlit, unmarked stairwell. There is just one tiny restaurant called "Uyut" ("Cosy"), valiantly living up to its name but often empty. The town is served by a dismal state airline. Your correspondent was stranded for three days. "You were lucky it wasn't a fortnight," said a cheery local. A 36-hour boat ride to Anadyr was the only alternative.

By contrast Nome, still officially twinned with Provideniya, runs far more smoothly, even though it suffers from some of the same problems—a terrifyingly cold and long winter climate, an excess of alcoholism, and a similar feeling among the local Inuit, who make up more than half the town's populace of 3,700, that their language and culture are under threat. There is a shortage of housing, and sewage in some outlying villages still consists of primitive "honey buckets".

But, though it still has the rough flavour of a frontier town, Nome has a good hotel (owned by the local native corporation), several lively restaurants (two owned by Koreans), three radio stations, energetic churches, a superb library and museum, a local newspaper called the *Nome Nugget* edited by a couple originally from Germany, a brace of shops legally selling cannabis, and two big supermarkets, one of them Canadian-owned. Though Alaska's natives were once horribly discriminated against (shops and inns sometimes had notices saying "No dogs or Eskimos"), native rights nowadays are vigorously promoted. "If you're a racist in Nome," says Diana Haeker, the *Nugget's* editor, "you wouldn't live here long."

A big Boeing jet flies back and forth to Anchorage every day, providing easy onward worldwide connections. An efficient private local airline, Bering Air, flies daily throughout the year to no fewer than 32 villages, some of them tiny, in the Bering Strait Region. Nome's ebullient mayor, Richard Beneville, originally a New Yorker, is hoping for a federal investment of \$500m to develop Nome's port, since it is becoming increasingly ice-free as Arctic temperatures rise and cruise-liners are more frequently sailing past.

On both sides of the strait threats to the indigenous way of life are similar. In Chukotka around 14,000 Chukchi hunt whales and walruses, or herd reindeer. Another 1,500 or so Yupik also live mainly off the sea, sharing many of the beliefs and language of their fellow Inuit peoples in northern Alaska, Canada and Greenland.

The collapse of the Soviet Union in 1991 threw the entire region of Chukotka into the deepest despond, even starvation, as subsidies dried up, the administration fell apart and most of the ethnic Russians, who comprised the population's majority along with their Ukrainian brethren, cleared off. Nowadays many of the ethnic Russians sign contracts with salaries two or three times higher than in western Russia because of the hardship, then go back home after a few years. Others stay because they love the challenge of living in a desolate but beautiful wilderness, and express the same frontier spirit, coupled with patriotism, as their counterparts in Alaska.

### **From Chukotka to Chelsea**

Chukotka was saved from catastrophe by a minerals billionaire, who is now the owner of Chelsea Football Club. Roman Abramovich was elected the member of the Russian state Duma for Chukotka in 1999, and then served as governor from 2001 to 2008. A decade on, he is still revered in the region. When Mr Abramovich arrived, he was so horrified by the plight of his constituents that he poured in \$2bn of his or his company's cash, providing a modicum of health, education, housing and even sanitation to a desperate populace.

Oddly, the collapse of the Soviet system of subsidies and the sudden end of its often clumsy efforts to turn the reindeer herder and whale hunter into *homo sovieticus* boosted traditional ways of living, since subsistence again became the sole means of survival. Though the International Whaling Commission bans whale-hunting worldwide, it exempts indigenous peoples on both sides of the Bering Strait, letting them have quotas to sustain their livelihood. In winter the people survive largely on whale and walrus meat.

Hunters are given handouts of equipment, petrol and sometimes salaries by the state, but even so, many people drift away to Anadyr or western Russia—or lapse into sloth and alcoholism. Your correspondent had to wait a day for the village's star hunter to appear. The explanation was blandly matter of fact: "He's drinking." According to the Russian Red Cross, the average male lifespan during the 1990s slumped to 34. Two years ago Russia's health minister put Chukotka's alcoholism rate at nearly six times higher than elsewhere in Russia, itself no paragon of sobriety.

### **Long hard winter**

Some are trying to beat their demons. At a meeting of Alcoholics Anonymous (AA) in Lorino, a whaling village in Chukotka, a dozen members describe their efforts. Some are coy, others are keen to share. The mood is warm. There is laughter amid tears, as the Russian saying goes.

One participant, a whale-hunter with a scarred face, tells how he fights to be honest in order to have an alcohol-free, better life. Another, a striking Russian woman in her 40s who is visiting from Moscow with the Red Cross, describes the redemptive

joy in her life since renouncing the bottle. Three amiably bored children, between five and eight years old, loll around for lack of baby-sitters. On the wall a portrait of Mr Putin looks severely down.

The natives of western Alaska suffer from many of the same troubles, especially alcoholism and poverty: Anchorage, Alaska's commercial capital, has no fewer than 33 AA meetings. So too do they struggle to retain their culture and language, which Christian missionaries once tried to squash. More and more speak only English.

In Nome the mayor bemoans a dire shortage of adequate housing. Half a dozen of the villages in the Bering Strait Region have no proper sewage. Natives' average incomes are still far below those of white Alaskans. At 15% of the Alaskan population, they are underrepresented in the state legislature, with four out of 40 in the state house and two out of 20 state senators. Only one of Nome's city councillors is a native. But native rights are far more respected than they once were.

Recent comparative social statistics between Chukotkans and Alaskans are hard to come by. Mostly this is because the Russians bottled out after the most comprehensive joint analysis, the Survey of Living Conditions in the Arctic (SLiCA), was published in 2007 as a project of the Arctic Council, a forum for all eight Arctic countries. If SLiCA were reapplied today, Chukotka would probably come off even worse, since a sense of drift has followed the philanthropic Mr Abramovich's departure.

SLiCA's last report exposed a dramatic difference in attitudes. Asked how satisfied they were with their "influence over management of natural resources such as fish, game, oil, mines and environment", 83% of Chukotkan natives said they were dissatisfied, versus 32% of the Alaskan natives in the Bering Strait Region. Only 4% of native Chukotkans were satisfied compared with 35% of Bering Strait natives. In the more northerly bit of Alaska, flush with oil, 66% expressed their satisfaction.

Native Chukotkans were two-and-a-half times more likely to feel depressed. Some 97% of them considered suicide a social problem versus 60% of Alaskans. Only a fifth of Chukotkans versus half of Alaskan natives reckoned their own health was good. Twice as many Alaskan natives as Chukotkans thought indigenous culture and history were well taught in school.

Alaskan wages, for people of every ethnicity, are vastly higher than in Chukotka, while living costs are fairly similar. The Russian federal minimum wage of \$174 a month is a fraction of the Alaskan minimum of \$1,582. Even when Russia's "regional co-efficient" is applied to Chukotkan wages, pushing many of them up to around \$462 to compensate for the hardship of the extreme north-east, Alaskan wages are mostly four or five times higher.

But the most obvious difference is in access to opportunity. Chukotka is horribly inaccessible, whereas any part of Alaska can be reached at the drop of a fur hat. Chukotka still has no proper internet connection, let alone good infrastructure.



Getty Images

With no real roads on either side, Alaska's incomparably superior airline network enables anyone to move around with ease. Alaska has more than 8,200 licensed pilots, the highest proportion in any American state, perhaps in the world. A score of private planes, as well as Bering Air's fleet, are parked on the edge of Nome.

If the same freedom of the air existed in Chukotka, prospects for the region's much-touted upmarket tourism would be transformed. But Chukotka was until recently a "closed zone" to which even Russian citizens had limited access. When it was suggested that small private planes would benefit the Beringia National Park, intended as a showpiece of conservation, a local guide laughed: "The bureaucrats would never allow it." She was referring obliquely to the ubiquitous Border Guards who come under the successor body to the KGB.

### Bering comparisons

The other big difference is democracy. Despite Mr Abramovich's efforts, Chukotka has yet to recover from nearly a century of political repression and brutally crass communist mismanagement. Today's officials defer to Mr Putin. The only regional

newspaper, the weekly *Krainii Sever* (“Extreme North”), edited in Anadyr, is state-owned. There is no independent radio or press. Chukotkans elect their own representatives but the main shots, including decisions on the size and distribution of subsidies, are called in Moscow.

Under Mr Putin, Russian associations of indigenous people have been shorn of independence. Muscovite twitchiness that non-Russian nations will demand further, or even full, autonomy extends even to Chukotka. When your correspondent explained the rights of self-determination exercised by Alaska’s natives to a professor in Anadyr, she exclaimed, “Thank God we don’t have anything like that here!”

Western Alaska is palpably jollier. Despite its isolation, it is an open society. Nome has a lively council with tax-raising powers. The lot of Alaska’s indigenous people, though still far from universally happy, was transformed by the Alaska Native Claims Settlement Act of 1971, which distributed nearly \$1bn in compensation for past wrongs and allocated a tenth of the state’s territory directly to the natives. Some of Alaska’s 13 native corporations drive hard bargains with oil and other companies.

It is a tragedy for Chukotka that it has once more been cut off from Alaska. In the current political climate the ice curtain will not melt again soon. Once upon a time, Governor Abramovich told his counterpart across the water that he would like to emulate Alaska’s model. If only. ■

## British Airways

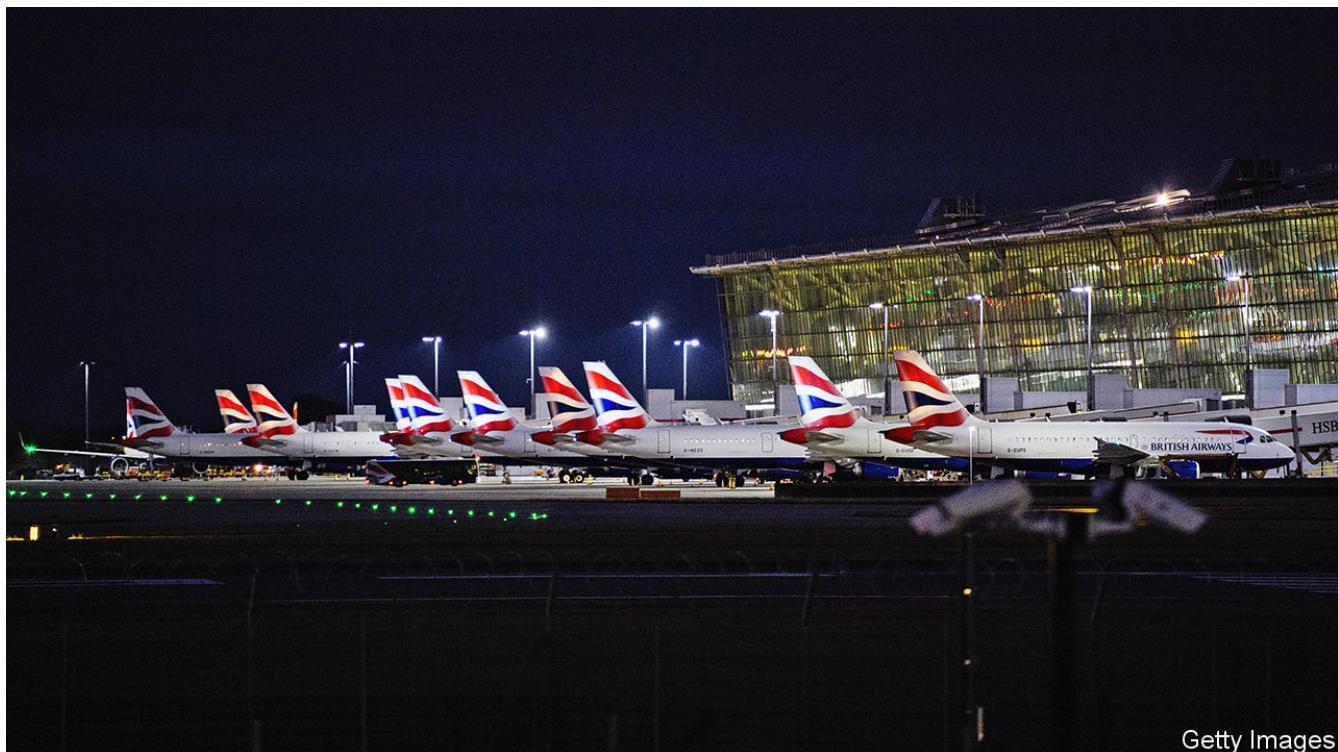
The world's 19th-favourite airline

The world's 19th-favourite airline

### British Airways' profits may not fly high much longer

*On top of shabby service, doubts are emerging over the flag carrier's dominance of Heathrow airport*

[Print](#) | [Business](#) Oct 19th 2019



Getty Images

**B**RITISH AIRWAYS (BA) hoped that 2019 would be a year of celebration. The airline that carries its kingdom's flag traces its roots back 100 years to a flight between London and Paris which transported one paying passenger and freight that included clotted cream and several brace of grouse. But another date in its corporate history chimes more loudly. In 1924 the British government, reckoning that air connections might help hold together the empire, created Imperial Airways, another forerunner of BA. Before any of its planes took off, its pilots went on strike.

A two-day walkout by BA's airmen in September 2019 put another dent in a reputation already under strain. As in the 1920s, pay and conditions were a gripe. But the pilots voiced a wider concern. As Brian Strutton of BALPA, their union, puts it, they are frustrated with the "dumbing down" of BA's service after years of cost-cutting. True, profits are piling up. But doubts are growing over BA's ability to sustain its financial success and dominant position in Britain.

BA once justifiably advertised itself as the "world's favourite" airline. Until the mid-2000s it was known for its innovative edge, says Peter Knapp of Landor, a brand consultancy. Its Concorde pioneered supersonic travel and its introduction in 2000 of the first business-class seats that turned into flat beds revolutionised premium flying. A merger with Spain's Iberia in 2011 created International Consolidated Airlines Group (IAG), which has taken Ireland's Aer Lingus, as well as Vueling and Level, a pair of low-cost carriers, under its wing. IAG's boss, Willie Walsh, previously ran BA. IAG brought economies of scale and consolidation of back-office functions. Its constituent parts prospered—none more so than BA. IAG declined to make an executive available for an interview.

A system where each airline competes for capital from the parent company has kept all of them on their toes. The group offers Vueling for low-cost short haul and Level for the equivalent in long haul. In Aer Lingus, it has a thrifty full-service airline. BA and Iberia lead the way with South American services from Europe. And IAG has more lucrative seats available between Europe and North America than any rival.

Financially, IAG comfortably outperforms Lufthansa and Air France-KLM, Europe's other big legacy airlines. BA is the main reason. Its return on capital has risen and it makes most of IAG's operating profits. In 2018 it accounted for €2.7bn (\$3.1bn) out of a total of €3.7bn. Its margins exceeded those of easyJet and Ryanair, the carriers that once seemed to threaten the existence of Europe's big legacy carriers.

In other ways, though, BA has declined dramatically. IT meltdowns caused severe disruption worldwide in 2017 and at three London airports in August. A data breach in 2018 affected 400,000 customers and led to a fine of £183m (\$229m). Computing problems were compounded by deliberate downgrading of services. Ending free food on short-haul routes, ancient video screens, evasive call centres, cramming in more seats, charging for bags and seat allocation on shorter routes and other money-saving measures looked like penny-pinching and have hurt its upmarket image. These budget-level—or worse—service standards take place on old aircraft. The average age of BA's fleet is 14 years, compared with eight years for both Ryanair and easyJet, according to Airfleets.net, a website.

Two years ago BA plummeted to 40th place in an annual ranking of passenger satisfaction by Skytrax, a consultancy. It has since climbed to 19th—far below the lofty heights of 2006, when it came top. Another recent survey of airline reputation by Alva, a research firm, placed BA in 55th position out of 65 airlines.

Other airlines, like America's Delta and Southwest, have suffered IT problems without as big a backlash. Most legacy airlines have had to compete with low-cost rivals. But perhaps because its planes are emblazoned with a Union Jack, BA, which was privatised in 1987, is subject to intense public scrutiny. The country's prying press and disgruntled passengers see its shortcomings as an affront to Britishness itself.

Ten years ago it was investors who felt short-changed. BA was loss-making and struggling in the wake of the financial crisis. Low-cost carriers like Ryanair and easyJet hurt its business on short-haul routes in Europe, which feed its lucrative long-haul flights from London. On longer routes BA was challenged by Gulf carriers and Asian ones such as Singapore Airlines. Their business- and first-class cabins set new standards BA could not afford to match.

Faced with a choice of chasing the premium carriers or competing in no-frills flying, BA tried to do both—satisfying neither group of customers. The airline now acknowledges that it needs to up its game to regain some of its former lustre. Its current boss, Alex Cruz, who earned his low-cost spurs at Vueling, would doubtless claim that the bulk of the cost-cutting is done and BA can now invest in improving its service. Spending £6.5bn on new planes to update an ageing fleet may help. Upgraded business-class cabins, which now trail even European rivals, let alone the Gulf and Asian carriers, are in the works.

## Weakening tailwinds



The Economist

The main reason BA has so far managed to keep investors happy despite irritating passengers is its chokehold on London's Heathrow airport. (Lord Deighton, the chairman of *The Economist*'s parent company, is also chairman of the holding company that owns Heathrow.) It may no longer be the world's favourite airline but it is still the world's "most favourably situated", says Andrew Charlton of Aviation Advocacy, a consultancy. London is the world's biggest and most lucrative aviation market. Dominating the city's hub has ensured that BA made it through tough periods and allowed it to cash in when times were better.

Heathrow is ideally positioned to serve the money-spinning North Atlantic routes. According to OAG, an airline-intelligence firm, BA flights between Heathrow and JFK in New York alone generated nearly £1bn in revenues last year. The other 200-odd destinations served by the airline raked in £12bn between them. Some 30% of those Heathrow-JFK seats were in business- or first-class cabins, where margins are as plush as an Emirates fold-out bed.

With American Airlines, its joint-venture partner, BA controls almost half the total seat capacity between London and New York, according to CAPA, another consultancy. No surprise that fares are consistently high. Four in five flights across the

North Atlantic are controlled by three main airline groups which have long proved reluctant to engage in any serious price competition. And BA has scrapped to keep other rivals out. A “dirty tricks” campaign in the 1990s aimed at the loudest critic of its position at Heathrow, Virgin Atlantic, ended with its then boss, Sir Richard Branson, winning a libel action against BA.

When airlines were state-owned companies it served the national interest to maintain connections with the world through a flag-carrying monopolist. At privatisation BA’s control of valuable slots at Heathrow was a big selling-point. Around two-fifths were carried over to the privatised firm, which has added more through the reallocation of existing unused slots, purchases in the secondary market and, under IAG’s wing, the acquisition in 2012 of BMI, a smaller British carrier. BA now has over half the landing and take-off slots at Heathrow (rising to 55% for IAG as a whole). The next largest airline, Lufthansa, has 8%.

### **Hard landing?**

Now that BA is privately owned and part of a multinational business, its falling standards and dominant position at Heathrow are harder to stomach. A lack of competition is hurting passengers. Around 18.5m of them, a quarter of Heathrow’s total, fly on a route served only by IAG. In a report commissioned by Virgin, the rival most vocal in its calls to break BA’s hold on Heathrow, consultants at WPI Economics estimate that this costs travellers up to £170m a year. It may be much higher.

Britain’s government is reviewing slot allocation in readiness for a third runway at Heathrow, which would increase capacity by over 50% once ready in 2026. Slots currently change hands for between \$25m and \$75m. Slot ownership at any airport is legally murky. But the right to use them is well established, governed in Europe by EU regulations which are themselves based on guidelines drawn up by the International Air Transport Association, a trade body. Airlines retain a “grandfathered right” to a current slot for the next year as long as they used it for 80% of the previous year. So entrenched is this right that Virgin raised £220m in 2015 from a slot-backed bond (legal complexities were one reason BA pulled out of a similar transaction in 2012).

Any attempt to reshuffle current slots by the government, which could probably assert legal ownership, would be challenged in the courts. Expansion has ignited a row over divvying up new slots. Today’s rules say that half should go to new entrants and the rest distributed in proportion to current allocation. That would give IAG around 100 new ones. But these rules were drawn up to redistribute incremental increases in capacity, not a windfall.

Post-Brexit Britain would not be bound by EU rules. Britain’s government wants to improve competition and boost connections to international and domestic destinations, which means ensuring airlines have enough faith in long-term prospects to invest the large sums required to open new routes. Virgin spies an opportunity to become a second hub carrier at Heathrow, with enough short-haul routes to create a long-haul network that would not make sense without transfer passengers. WPI reckons that a new hub airline would need at least a third of the new capacity. Virgin recently laid out plans to serve up to 84 new destinations in Britain and abroad, compared with the 19 long-haul ones it will serve from Heathrow in 2020, if it gets what it wants. The government is set to publish its allocation scheme next year.

Mr Charlton sums up BA’s attitude to the third runway: “the only new infrastructure BA wants to see at Heathrow is a moat”. Though IAG nominally supports the expansion, Mr Walsh often moans about the £14bn project, which he does not trust Heathrow to bring about on time or on budget. IAG says Britain needs a “competitive hub airport that enhances the country’s global trading links” but adds that it has “absolutely no confidence in [Heathrow’s] ability to deliver cost-effective expansion”. John Holland-Kaye, Heathrow’s boss, has called efforts to talk down a new runway as “a blatant attempt by Mr Walsh to maintain a dominant monopoly for BA at Heathrow”.

Keeping that fortress is critical for BA. IAG’s years of rapid rise may be over. On September 26th it warned that operating profits would be €215m, or nearly 8%, lower in 2019, largely owing to the BA strike. Underspending, which has propped up margins but contributed to multiple snafus, looks increasingly unsustainable. Transatlantic competition is stiffening at last. BA’s exposure to booming Asia is weak—it barely scrapes into the top ten European airlines flying to China. IAG’s share price is down by 30% since a peak in mid-2018. Without its privileged position at Heathrow, BA could risk joining Imperial Airways as a dimly remembered part of aviation history rather than its future. ■

Bartleby

## The usefulness of managers

*A study finds that bosses can be useful but also sneaky*

Print | Business Oct 17th 2019



**I**S YOUR MANAGER really necessary? It is not always clear to workers how much their supervisors are contributing to the success of an organisation. It may not even be clear to the managers themselves. After a long day filled with meetings, many bosses must wonder what they have actually achieved.

Finding a way to measure the direct contribution of managers can be difficult. But Stephan Billinger and Stephen Rosenbaum, two academics from the University of Southern Denmark, have made a brave attempt. Their study\* used a variation of a common laboratory experiment, known as a public-goods game, to test the impact of managers on worker collaboration.

In the public-goods game, participants are awarded a number of tokens which generate a level of earnings in each round. They can choose whether or not to reinvest their earnings at each stage. All reinvested earnings are doubled and the gains divided among the members, whether or not they contributed. The game is a test of the willingness of participants to collaborate, in a situation where some people can gain by free-riding.

The academics varied the game by dividing the group into "managers" and "workers". The managers did not do any managing. But they were bound by different rules. In some games, they were permitted to contribute in each round, in others they were forbidden from doing so. In certain versions of the game, the managers were paid a fixed proportion of the returns; in others they had discretion over how much of the return they received. The academics compared the results with a game in which there was no hierarchy.

There is good news and bad news for those who believe that managers matter. On the plus side, contributions were higher when team members were divided into managers and workers than when they were not. The mere presence of managers, it seems, even notional ones, encouraged workers to collaborate.

However, managerial incentives can make workers suspicious. The end results were much better when the managers were allowed to contribute than when they were not. Understandably, workers who feel that they are doing all the work are reluctant to chip in.

Just as predictably, managers react to incentives. They do so in sneaky ways. Where they had discretion over the returns they received, they either made payments or skewed the rewards to workers in the early rounds, when the sums were small, thereby encouraging underlings to stump up. They then awarded themselves a higher proportion of the bigger pot in the later rounds, when it was too late for the workers to react. The managers, in other words, worked out how to game the system and to short-change the workers in the process.

Of course, the paper describes a laboratory experiment in which the gains were trifling; participants received just over \$15 on average. But it lends even more weight to the idea that managerial incentives can have distorting effects on business performance. That is certainly the view of Andrew Smithers, a British economist and author of a new book, "Productivity and the Bonus Culture". He believes that the way that managers are incentivised has led to sluggish growth in business investment, which in turn explains the poor recent productivity record of America and Britain.

The problem, he argues, is that managers are incentivised with share options. That encourages them to pay spare cash to investors in the form of dividends and buy-backs, which tends to boost the share price in the short term. In contrast, new investment tends to lower earnings per share immediately afterwards—and with them the share price.

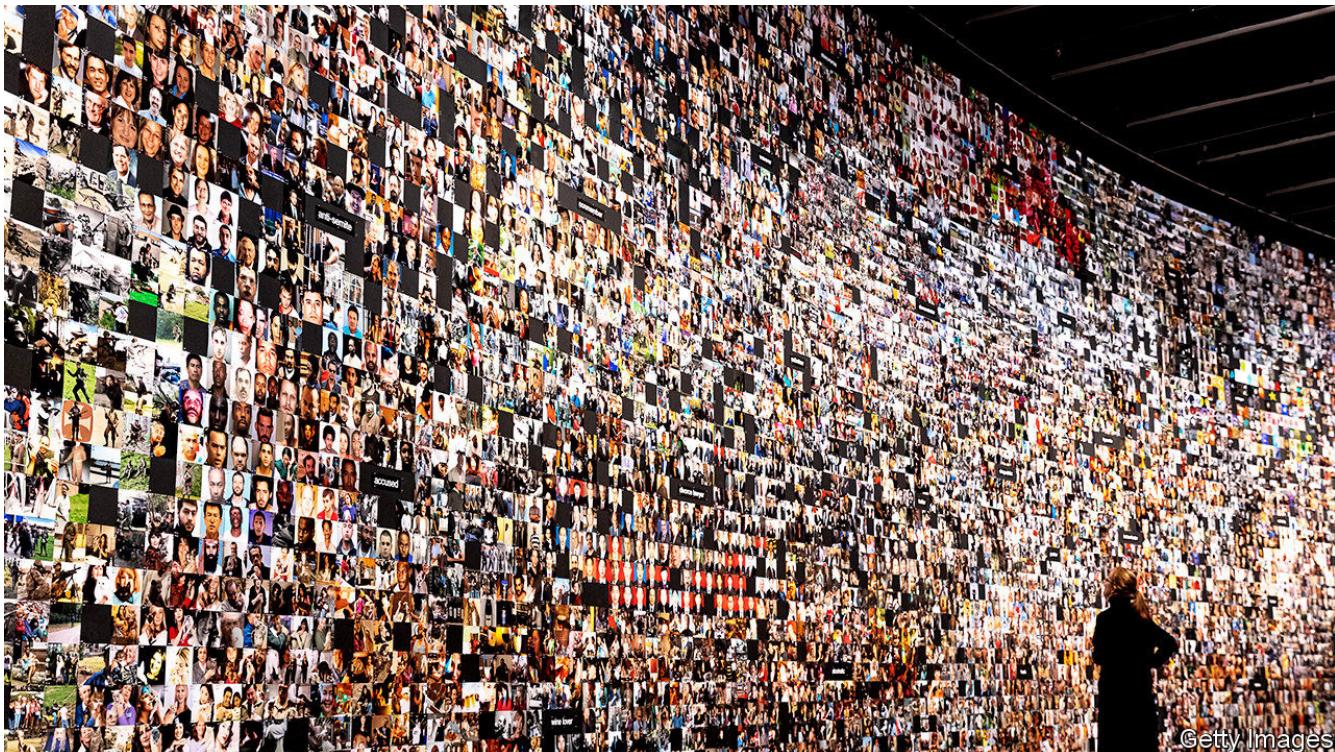
The proportion of cash paid out to shareholders by non-financial American companies was 40.7% from 2000 to 2017, when share options became popular. Between 1947 and 1999, when they were not, it was 19.6%. As a corollary, the proportion used for investment fell.

All organisations need management. But when it is difficult to measure what managers do, it can be tricky to design incentives to reward them. And as the Danish study and Mr Smithers's work suggest, managers will game whatever incentive scheme they are offered. Managers are necessary. It is also necessary to watch them closely.

"Discretionary mechanisms and co-operation in hierarchies: An experimental study", *Journal of Economic Psychology* 74

**Human-machine interface****Data-labelling startups want to help improve corporate AI***A clutch of firms is generating the feedstock for machine-learning algorithms: tagged data*

Print | Business Oct 17th 2019



Getty Images

CORPORATE BOARDS are besotted with artificial intelligence. Worldwide spending on AI is expected to rise from \$38bn this year to \$98bn by 2023, estimates IDC, a research firm. So far, though, only one in five companies aware of the technology's potential has incorporated machine learning into its core business. One reason for the slow uptake is the dearth of quality data to teach algorithms to perform useful tasks. The most common form of AI, called "supervised learning", requires feeding software stacks of pre-tagged examples of, say, cat pictures until it can tell a feline image apart by itself. Data-labelling is the sort of grunt work that corporate AI-users would prefer someone else to do for them. An industry is popping up to help.

The market for data-labelling services may triple to \$5bn by 2023, reckons Astasia Myers of Redpoint Ventures, a venture-capital firm. Some outfits, like Mechanical Turk (owned by Amazon, an e-commerce giant), act as middlemen connecting freelancers ready to perform all manner of "micro-tasks", of which things like tagging pictures is one example, with taskmasters. Other firms specialise. Hive has turned data-labelling into something "like playing Candy Crush", explains its boss, Kevin Guo, referring to a hit tile-matching game. Its mobile app makes it easy for users to identify objects, earning money instead of points. Its 1.5m players across the world serve more than 100 corporate customers.

Because human data-labelling is labour-intensive, most of it happens in low-wage countries like India, Vietnam and the Philippines. In such places data-labelling "is the easiest way to earn money", says Hafiz Arslan, a Pakistani software engineer who was recently paid \$200 for classifying 4,500 images by the sport they depicted (football, cricket or tennis).

A distributed workforce is, however, prone to human error. That is a problem for AI, which is only as good as the data it learns from. So other startups want progressively to cut humans out of the process. Scale AI, from San Francisco, lets its own algorithms take a first pass at labelling with humans reviewing the work. "We are extremely, extremely quality-conscious," insists its boss, Alexandre Wang. He says revenues have grown tenfold from a few million dollars last year. Labelbox helps firms gauge the accuracy of labelling.

AI.Reverie goes further, dispensing with human labellers altogether. It uses techniques developed for video games to create and automatically label scenes that can be used to train image-recognition algorithms. Its approach is particularly useful for exposing software to scenarios that might be hard to find in data gleaned from the real world. It can generate scenes set underwater, or featuring heavy fog or torrential rain. The company's backers include In-Q-Tel, a venture fund for America's intelligence services.

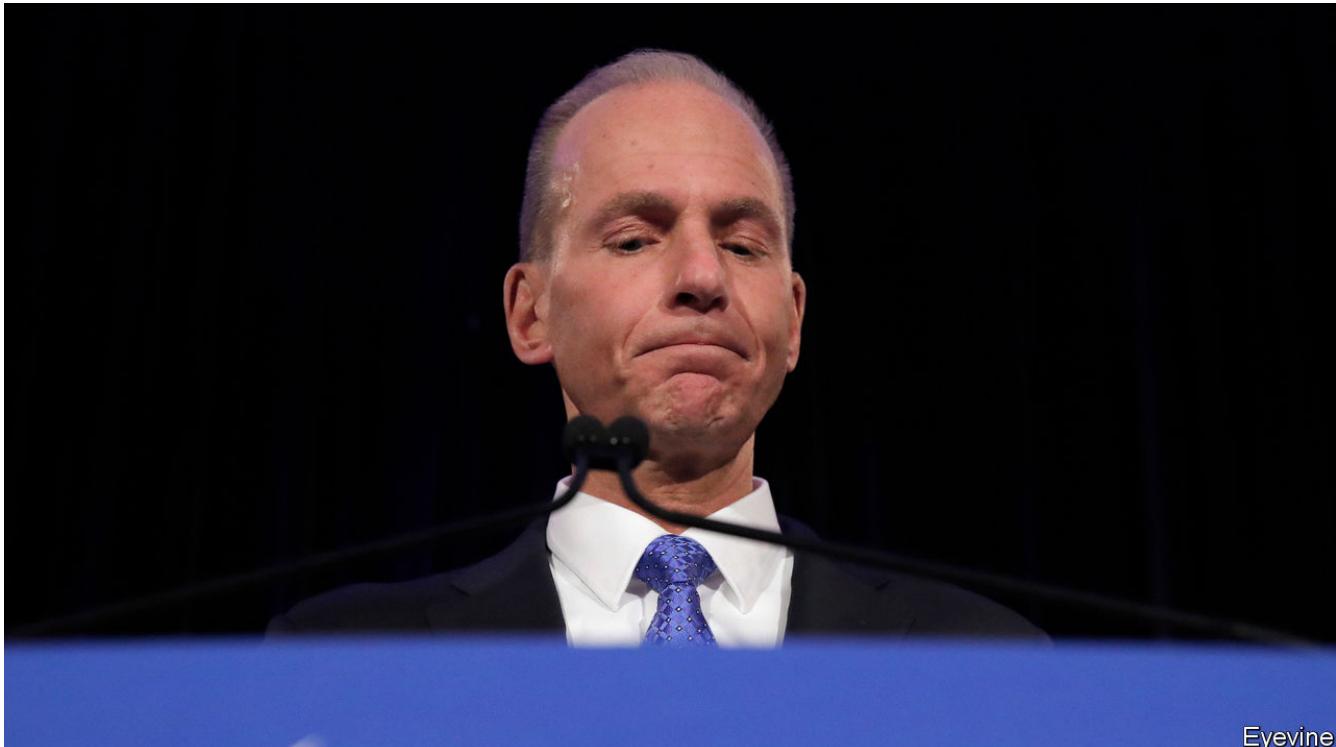
The industry's short-term future seems assured. In the longer run a threat may come from developments in "unsupervised learning", which aims to identify patterns in data that have not been labelled by humans. Manu Sharma, boss of Labelbox, says this remains "primarily an academic pursuit". How long for is anyone's guess. ■

Power decouples

## CEO-chairmen are an endangered species

*Not just at scandal-prone firms like Boeing or Tesla*

Print | Business Oct 17th 2019



Eyevine

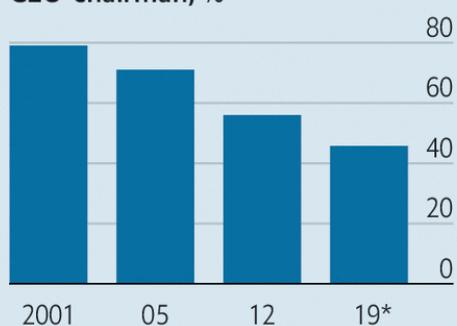
**O**N OCTOBER 11TH Boeing, still navigating the fallout from two fatal crashes of its aircraft, announced it was stripping its embattled chief executive, Dennis Muilenburg, of his role as the aerospace giant's chairman. The same day the board of Renault voted to remove its CEO, Thierry Bolloré, as part of its own governance overhaul in the wake of financial-misconduct charges against his longtime predecessor, Carlos Ghosn, who was CEO-chairman of both Renault and Nissan, the French car-maker's Japanese partner (Mr Ghosn denies wrongdoing). Last year Elon Musk shed his chairmanship but remained at the executive wheel of Tesla amid an investigation of his tweets by America's Securities and Exchange Commission.

It is not just scandal-prone firms that are choosing to split the two roles. Since 2001 the share of S&P 500 firms with one person tasked with both managing and governing has nearly halved (see chart). Britain's corporate-governance code frowns on the practice. Germany's bars it altogether. New regulations in America have made shareholders pay more attention to it. Likewise in Japan Inc.

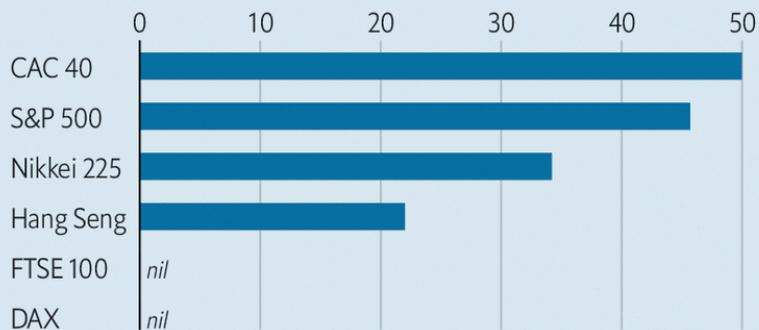
"CEO duality" allows for quicker execution of the board's strategic decisions and helps leadership maintain a unified front. But it also dulls a firm's checks and balances. Resulting conflicts of interest may inflate executive salaries or discourage whistleblowing. Studies examining the link between company performance and CEO-chairmanships have been collectively inconclusive.

## Joint stocks

S&P 500, companies with CEO-chairman, %

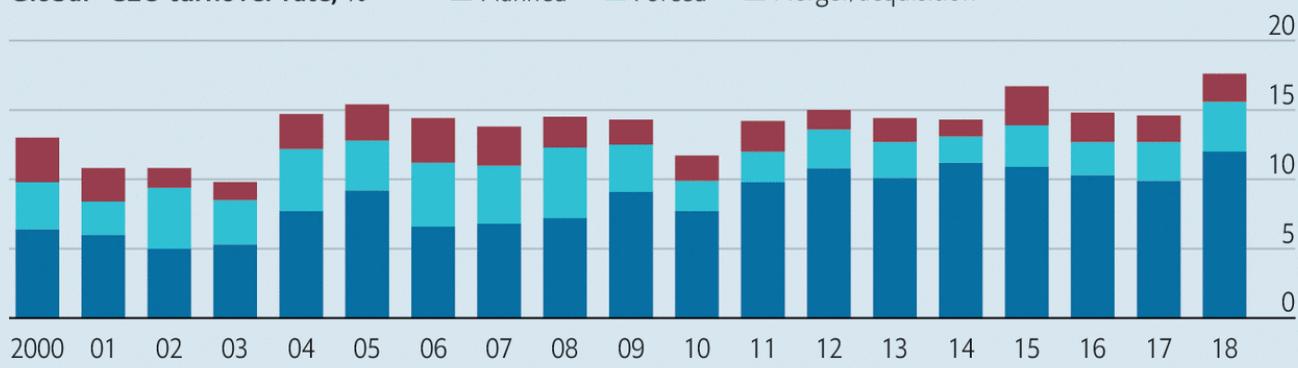


Companies with CEO-chairman, October 15th 2019, %



Global<sup>†</sup> CEO turnover rate, %

■ Planned ■ Forced ■ Merger/acquisition



Sources: Russell Reynolds Associates; Bloomberg; PwC

\*At October 15th †42 countries and territories

The Economist

Challenger, Gray & Christmas, a job placement firm, says that 2019 is on track for a record-high turnover in the corner office. Since September heads have rolled at WeWork, eBay and SAP. If trends hold, newly minted bosses should not expect to oversee themselves. ■

**Schroom to grow****Investors hope psychedelics are the new cannabis. Are they high?***Money is going into medical use of mind-altering drugs*

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Getty Images

**C**HRISTIAN ANGERMAYER has never drunk alcohol nor smoked a cigarette. He is, however, a fan of ketamine. In January ATAI Life Sciences, the German biotech company he founded last year, acquired a majority stake in Perception Neuroscience, a biopharmaceutical firm from New York which is developing a medication for psychiatric conditions like depression from the drug, which is illegal in parts of the world (though not in America). Along with Peter Thiel, a veteran Silicon Valley investor known for headline-grabbing bets, ATAI has also backed COMPASS Pathways, a startup in London aiming to be the first legal provider of psilocybin, which gives mushrooms their magic.

Messrs Angermayer and Thiel are not alone in putting money into the medical application of psychedelics. A clutch of investors see these drugs going the way of cannabis, whose creeping decriminalisation has spurred commercial interest in the weed's medical uses. In particular, backers think, psychedelic drugs could be used to treat mental-health disorders like depression, anxiety and addiction. In April Imperial College London, inaugurated the first research centre dedicated to psychedelics research. Last month Johns Hopkins University in Baltimore launched America's first such scientific outfit.

The market for antidepressants is dispiritingly large. Over 300m people worldwide suffer from depression. A report last year by the Lancet Commission, a body of experts, estimated that mental-health disorders could cost the global economy \$16trn by 2030. Sales of antidepressants were \$14bn in 2017 and analysts expect them to grow to \$16bn-19bn by the middle of the next decade.

In October last year America's Food and Drug Administration granted COMPASS "breakthrough therapy" designation, which fast-tracks the approval process. The company is using the \$38m it has raised to run the largest clinical study of psilocybin ever. Ekaterina Malievskaia, its co-founder, hopes that the therapy could go on sale within five years "if everything works out", including the science. Patients would receive carefully controlled doses in one-off, therapist-run sessions. These may last all day and cost \$1,000 a pop. Field Trip Ventures, a Canadian startup, plans to open speciality clinics where they could be administered (and clinical trials conducted).

Sceptics doubt COMPASS can get its drug to market by 2024—if at all. Worries about psychedelics' side-effects, which can include drug-induced psychosis, abound. And it is unclear their medical use can ever be more than a niche. Finicky treatments make psychedelics trickier to scale than cannabis, which can be self-administered in spliffs, cakes and other forms. Field Trip Ventures' co-founder, Ronan Levy, concedes as much. Big Pharma has steered clear, preferring pills which can be manufactured cheaply once approved and need to be taken regularly rather than just once, providing steady revenue streams. That

left an opening for startups like COMPASS. Time will tell if ushering people through the doors of perception is a hard-headed business proposition—or a trippy one. ■

**A tale of two handbags****LVMH, Kering and other French luxury groups are thriving***Smaller rivals are not*

Print | Business Oct 17th 2019



Bloomberg

PURVEYORS OF BLING ought to be in a bit of a funk these days. Chinese economic prospects are mixed and American retail sales fell unexpectedly in September for the first time in months. Hong Kong, the spiritual home of luxury in Asia, is rocked by a hailstorm of rubber bullets. Economic crystal-ball gazers are slashing their forecasts: on October 15th the IMF warned global GDP growth would fall to its lowest level since the financial crisis (see [article](#)). Who would shell out on a new gold-studded designer handbag now?

Some shoppers seem to have missed the gloomy headlines. On October 9th LVMH, the world's biggest luxury group, unveiled stellar results. Sales at its Dior, Louis Vuitton and myriad other brands went up by 11% year on year (excluding acquisitions). That is nearly double the 6% trend rate of growth in personal luxury goods, which includes everything from watches to ties and posh heels. Its high-end rivals, Kering, which owns Gucci, and Hermès, are expected to follow suit. Their share prices all rose by give or take a third in the past year.

Other brands have not been so lucky. A day after LVMH's shiny earnings Hugo Boss, a German fashion house, issued a second profit warning in as many months. In America Tiffany & Co. and Tapestry, which owns Coach and Kate Spade, have struggled. So too have medium-sized Italian firms like Prada and Tod's. The shares of those smaller companies are now priced like last season's accessory, gathering dust in an out-of-town "factory store".

Luxury has always been a cyclical industry: even those with plenty of cash to spare tend to spend more of it when times are good. Overall growth rates have slowed since 2018, when sales rose by over 10%. But the impact has not been felt evenly. "What you see is the luxury pie expanding at a slower pace—and the biggest players are grabbing a bigger slice," says Rogerio Fujimori of RBC, a bank.

Take Hong Kong. Sales in the Chinese territory have slumped by 50% in recent months, analysts reckon, largely as visitors from mainland China have stopped shopping there. With continued anti-government unrest in the streets, few think the situation will improve soon. The city represents 5-10% of sales for luxury groups. Smaller rivals with only a foothold in Hong Kong, which has traditionally served as a gateway to Asia, will have lost most sales as a result. In contrast, bigger ones like Gucci have built vast networks of stores on the mainland, through which they will recoup some of those losses.

The main question for the industry is whether Chinese consumers will keep spending lavishly. A crackdown on corruption was expected to decimate sales a few years ago, but hardly registered. Chinese buyers account for 33% of all luxury sales, double the share in 2010, according to Bain, a consultancy. About two-thirds of the industry's growth comes from China.

The prospect of a trade war has so far not clobbered Chinese consumer confidence, which has only recently come off all-time highs. And a decline in sales would again be felt first by second-tier players. Especially among emerging middle-class buyers in places like China, consumers purchase one product a year, says Luca Solca of Bernstein, a research firm. On a tight budget, they will go for “the brand of the moment”, poaching sales from lowlier rivals.

The likes of LVMH and Kering have continued pumping marketing dollars to keep their brand equity healthily inflated. They have also outspent smaller rivals on their ability to sell their wares online, a channel which represents about 10% of sales now but is growing quickly. In America the fate of lesser luxury brands is tied to that of department stores, which are dying off. Bigger brands have their own shops.

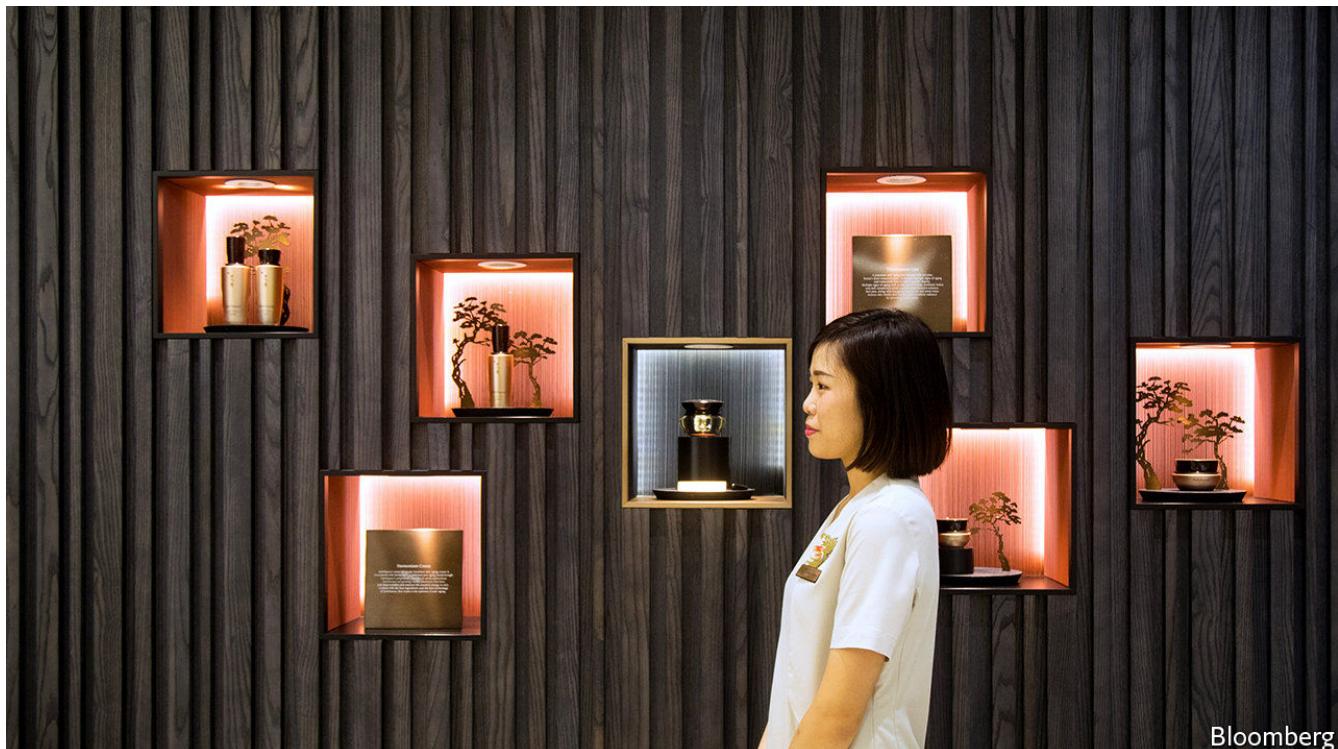
One headwind that would hit luxury firms of all sizes is a rise in protectionism. The retaliatory tariffs America recently imposed on Europe to compensate for illegal aerospace subsidies included some spirits, which LVMH also sells (champagne was mercifully excluded). However, the conglomerate has crafted an elegant solution to mitigate future import levies. This week its boss, Bernard Arnault, opened Louis Vuitton's latest workshop—in Texas. ■

Looking wan

## AmorePacific, South Korea's biggest beauty firm, is struggling

*The company has failed to capitalise on the global popularity of K-beauty*

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Bloomberg

**I**N A QUIET street in a glitzy part of Seoul's Gangnam district sits a sleek building covered in a shimmering grid of gold-effect metal. Inside the flagship store for Sulwhasoo, a luxury skincare line, looks less like a shop and more like a museum. Tiny \$150 jars of face cream are backlit for effect; metal plaques next to miniature bowls of green tea and ginseng extol the wondrous properties of the ingredients. Upstairs, customers can book an eye-wateringly expensive facial or sip coffee on the roof terrace. A few streets away Dr. Jart, a brand aimed at younger women, woos them with talk of high-tech lotions. Monthly redecorations in line with themes like "sleep" or "staying cool in the heat", and face masks in bright-coloured milkshake cups, with straws for home-mixing and lids depicting baby faces, are the main draw.

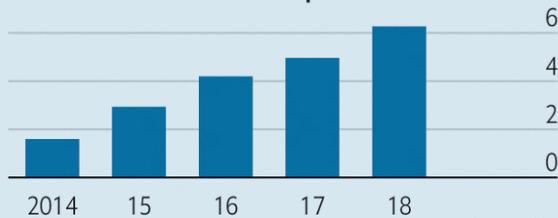
Welcome to the world of cosmetics as entertainment, which has attracted women (and a few men) around the globe to Korean beauty trends. "The element of fun distinguishes K-beauty from more traditional European brands," says Son Sung-min of the Korea Cosmetic Industry Institute, a government-sponsored body that aims to improve the industry's global competitiveness. People started noticing that Korean celebrities appear to have good skin (never mind that most have also had plastic surgery). Aided by influencers on YouTube and Instagram, where young women in Europe and America look for trends, K-beauty's ten-step cleansing programmes, snail-slime facials and panda face masks are following in the footsteps of K-pop and Korean barbecue as a global phenomenon. South Korean cosmetics exports quadrupled from \$1.6bn to \$6.3bn between 2014 and 2018.

You would, then, expect the country's biggest cosmetics firm to be thriving. Yet AmorePacific Group (which owns Sulwhasoo and other brands) has struggled. Its sales, two-thirds of which are generated at home, with most of the rest from China, have not recovered since a Chinese boycott following the installation of an American missile-defence system in South Korea two years ago. Profitability has plunged, giving investors a black eye that even a panda mask cannot conceal (see chart).

## The ugly side of pretty

\$bn

### South Korea, cosmetics exports



### AmorePacific Group, market capitalisation



Sources: Datastream from Refinitiv; Ministry of Trade

The Economist

Although the missile spat did not help AmorePacific, its other problems are self-inflicted. Most important, it was late to a shift in the market. South Korea's cosmetics business, once dominated by own-brand shops and department stores, is increasingly about online sales and shops selling multiple brands. This benefits smaller, nimbler companies. Unlike LG, a sprawling conglomerate best known for electronics that is its main domestic competitor, AmorePacific may have relied too heavily on its mass-market products at the expense of the luxury segment, where margins are plusher.

Timothy Park, AmorePacific's chief strategist, thinks it can catch up. Rather than K-beauty, a term he dislikes partly owing to its pop associations, "the focus now is more on organic ingredients and A-beauty," he says, where the A stands for Asian. Accordingly, the Sulwhasoo website is liberally slathered with mentions of "Asian wisdom" and "natural harmony". The company has poured vast amounts of money into luxury-segment marketing in Asia, in the hope of improving competitiveness at home and in China. It is also hoping to expand farther afield; it recently opened Sulwhasoo outlets in Galeries Lafayette, a famed Parisian department store, and plans to establish a presence in 20 new countries over the next five years.

The dominance of local conglomerates will be hard to break in Europe and America, says Kim Ju-Duck of Sungshin Women's University. Consumers there are familiar with K-beauty trends but not yet its brands. In the short run success will hinge on Mr Park's ability to convince Chinese consumers to pick his brands over those of LG or Japanese and European competitors like Shiseido or Estée Lauder, which have long dominated luxury cosmetics. Home-grown Chinese firms look set to hang on to the lower end of the market.

At home, meanwhile, a new challenger is emerging not in the form of upstart producers but the year-old "corset-free movement". These women spurn make-up, long hair and tight clothes, and post pictures of crushed cosmetics and shorn locks on social media. AmorePacific will be hoping that this salvo against the prevailing ideal of Korean beauty will inflict less damage than the missile dispute. ■

**Schumpeter****Can business tread more lightly on the planet?***The stuff paradox*

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Brett Ryder

**A**LMOST 50 YEARS before Extinction Rebellion, a British-born protest movement, exported its brand of climate activism to the world, young Americans did so on Earth Day, April 22nd 1970. The youth then was more bell-bottomed than nowadays but felt no less “bamboozled and cheated” (as *The Economist* put it at the time) that their elders were bequeathing them a wrecked planet.

Their main concern was different from today's: unbridled economic growth and consumerism would, they warned, swiftly exhaust the world's resources. Their Malthusian concerns proved misguided. Raw materials have never come close to running out. Now the focus has turned from scarcity to excess—specifically, of carbon dioxide in the air. In the past 50 years the burning of fossil fuels has more than doubled its concentration, accelerating global warming with its potentially calamitous consequences. Andrew McAfee of the MIT Sloan School of Management thinks that these fears, too, are overblown. Humankind, he posits in a new book, “More From Less”, is reaching “peak stuff”—though people consume more, businesses use fewer resources to make it. With an anti-capitalist crusade focused on a surfeit of stuff once again gathering steam among eco-socialists, it is a timely assertion. Sadly, it is an oversimplification.

Mr McAfee builds on “The Second Machine Age”, the bible of techno-optimism he co-authored with Erik Brynjolfsson in 2014. This time he mines data on America's resource use since the first Earth Day to argue that the world is moving beyond the “industrial era” of resource-heavy goods. The latest computer age is making things so much lighter and less material-intensive that it promises to decouple economic growth from environmental degradation.

A look at the physical building blocks of the American economy—metals, minerals, wood, paper, fertiliser, water and energy—indeed suggests that in many cases their absolute usage has peaked in recent decades, even as GDP has soared. Everything from farms (the average American cow produces more than four times as much milk as in 1950) to iPhones (each one contains a calculator, camera, tape recorder, map and other gizmos) have, as Mr McAfee puts it, gradually “dematerialised”. Some rich European countries are on a similar path. India and China may follow.

This is down to two pairs of factors. First, technology and capitalism, blamed for many of the ravages of industrialisation, are now reinforcing each other in favour of dematerialisation. Hardware, software and networks enable goods to be slimmed down, optimised, even eradicated, as Google Maps has rendered useless the likes of London's A-Z. Competition in free (albeit regulated) markets encourages companies to lower costs by using fewer materials or substituting expensive ones for cheaper alternatives.

A second pair of factors, Mr McAfee contends, has accelerated the trend of late. Public awareness and responsive governments are helping rectify the shortcomings of free markets, such as the failure to price in the cost of pollution. Global environmental governance is getting better—a bold claim, the author concedes, but not completely outlandish even in America, where many cities and states are setting carbon-reduction goals at odds with the climate-sceptic-in-chief in the Oval Office.

Mr McAfee's focus on corporate use of resources is refreshing. Too often, businesses are caricatured as rapacious predators of Earth's bounty. In fact, since the dawn of capitalism, they have produced products that become lighter on the ground and on the wallet because profit-hungry bosses see advantage in thrift. No company has thrived in the long term by using resources less sparingly. Likewise, cutting emissions involves using less power per unit of output and more renewable power. The first helps the bottom line. As solar and wind energy get cheaper, so does the second.

Producing less overall is a different matter, however. Sceptics about the extent of dematerialisation, Mr McAfee's central contention, go back to William Jevons, a British economist who argued in "The Coal Question", an essay from 1865, that more efficient use of the fossil fuel inevitably leads to higher total consumption. "Jevons was wrong," Mr McAfee claims confidently, citing the recent decline in coal use in America even as it has become cheaper.

Not so fast. Some of the West's purported dematerialisation may be down to more of the goods it buys being manufactured abroad, not at home. Mr McAfee thinks that this is negligible. It probably isn't (see [article](#)). And though the coal question may have been extinguished, at least in America, its modern-day version—call it the carbon question—remains burning.

In a book published nearly 150 years after Jevons's treatise, Vaclav Smil, a Czech-Canadian scientist (and a favourite of Bill Gates), argued that as goods become lighter and cheaper the market for them explodes and, as Jevons predicted, increases demand for resources. The weight of the average mobile phone in 2011 was one-sixth what it had been in 1990. But the number of phones ballooned from 11m to 6bn. So the total mass of phones globally went from 7,000 tonnes to about 700,000 tonnes. Less, Mr Smil writes memorably, is "an enabling agent of more".

### **Material concerns**

For businesses, the "Jevons paradox" is not merely academic. Fearing a backlash from eco-conscious consumers, firms are striving to lower their carbon intensity. So long as this brings down costs, CEOs happily oblige and society reaps the benefits of higher efficiency and better resource allocation. But if that leads to higher sales, companies' overall environmental impact may rise.

They should not be shamed—or required to urge customers to buy less of their wares, as some activists who glued themselves to corporate headquarters in London seem to demand. Governments can make citizens want less by making consumption pricier, with carbon taxes or other regulations. Until they do, firms will try to sell more stuff—because most people want more of it. ■

### Danske and Swedbank

Northern blights

Northern blights

## A massive money-laundering scandal stains the image of Nordic banks

*Danske and Swedbank will struggle to regain clients' and regulators' trust*

Print | Finance and economics Oct 17th 2019



AFP

DANSKE BANK'S headquarters in Copenhagen, reminiscent of a Greek temple, speaks of an illustrious past. But Denmark's biggest bank has "no vanity left", says a spokesman. Since 2008 it has been embroiled in a disaster every five years. After one during the financial crisis, it was again in crisis mode in 2013 when the board sacked Eivind Kolding after 18 catastrophic months at its helm. Last year Thomas Borgen, Mr Kolding's successor, resigned amid revelations about Danske's role in a vast money-laundering scandal. In May Mr Borgen was charged by Denmark's prosecutor.

The money-laundering crisis is the most damaging yet for Danske, and for other Nordic banks allegedly involved. Last year the Organised Crime and Corruption Reporting Project, a group of investigative journalists, gave Danske its "Corrupt Actor of the Year" award. How did the bank squander its good name—and can it regain clients' and regulators' trust?

The saga started in 2007, when it bought Finland's Sampo Bank, which came with a branch in Tallinn, Estonia's capital. In the same year Estonia's authorities found flaws in Sampo's procedures, and the Russian central bank told Danish supervisors that non-resident customers were participating in transactions intended to dodge taxes and customs payments, or to launder "billions of roubles monthly". The Russians also alerted the Estonian authorities but failed to provide the information needed for an investigation, says Madis Reimand, the head of Estonia's Financial Intelligence Unit (FIU), a police division dealing with financial crime.

The main conduit for dodgy money at Danske's Estonian branch was the "non-resident portfolio", comprising about 10,000 accounts. By the end of 2013 this held 44% of all deposits from non-resident customers in Estonian banks (up from 27% in 2007). Investigators have examined thousands and deemed "the vast majority" to be suspicious. The branch filed suspicious-activity reports to the FIU for only 760 clients.

Danske admits not doing enough to prevent abuses. In December 2013 Howard Wilkinson, the former head of the bank's trading unit in the Baltics, alerted Finantsinspeksiion, the Estonian regulator. It searched Danske's offices twice in 2014. "We found that risk controls were not working and procedures not implemented," says Kilvar Kessler, the regulator's boss. In 2015

Danske closed its non-resident portfolio in Estonia under pressure from Mr Kessler's team. It commissioned a report from Bruun & Hjele, a law firm, on how its anti-laundering procedures went so wrong. It revealed staggering sums: as much as €200bn (\$220bn) flowed through the accounts in 2007-15, 23% from Russia. "It is expected that a large part of the payments were suspicious," states the report.

It paints a picture of managers and systems failing, in both Tallinn and Copenhagen. Danske's Estonian branch kept its own IT platform, which meant it was not subject to the same risk-monitoring as the rest of the bank. Employees are suspected of having colluded with crooks from ex-Soviet countries. According to local lore, they even installed a helipad to accommodate oligarchs passing through.

To clean house, Danske has hired Philippe Vollot as chief compliance officer. He was previously Head of Anti-Financial Crime at Deutsche Bank—which was caught up in the Danske scandal, as one of the Danish lender's correspondent banks. Mr Vollot is beefing up compliance from 170 people to 300 and says he "wants to build something lasting to avoid this happening again". His job is made easier by the recent liquidation of Danske's Estonian operations (the sign on the branch was taken down in the middle of the night) and its decision to leave Latvia, Lithuania and Russia. Yet a heightened focus on compliance is costly: this month Danske initiated a hiring freeze because of its rising costs.

Danske's is just the most spectacular of the money-laundering scandals afflicting northern Europe. In February Swedish state television reported that tens of billions of dollars of illicit funds may have passed through the Estonian branch of Swedbank, Sweden's oldest retail bank. In March Birgitte Bonnesen, the chief executive, was fired. In September Swedbank admitted shortcomings in its financial-crime controls and conceded it still had problems with "know-your-customer" practices in Estonia and Sweden. It asked Clifford Chance, a law firm, to conduct an investigation, which is expected to be made public next year. For now the bank, which declined to comment for this article, refuses to provide details.

Finland's Nordea, which is also embroiled in money-rinsing allegations, has stonewalled too, says Bill Browder, an anti-Kremlin campaigner. The Swedish and Finnish authorities refused to open criminal cases, which would have made it easier to track the money. In May Mr Browder persuaded a judge in America to subpoena both banks for their dollar transactions. His team is ploughing through the data.

The story will continue to unsettle Nordic banking. Danske and Swedbank face several investigations, including a criminal probe by America's Department of Justice, which investors fear could result in large fines. Estonia's cabinet is mulling an increase in the maximum fine for facilitating money-laundering, from a mere €400,000 to the EU's standard of 10% of annual turnover or €5m, whichever is higher.

The head of Denmark's regulator, Jesper Berg, blames the workload caused by the scandal for the loss of four teeth (he was too busy to visit a dentist). Overwork took an oddly similar toll on Mr Kessler, his Estonian counterpart: as the affair reached its height a tooth infection landed him in hospital. Both regulators have been cleared of wrongdoing after a probe by the European Banking Authority. They have strengthened their anti-money-laundering teams and await changes in national and international law to improve communication between regulators and police. After Danske, who could disagree with rules on financial crime being given more bite? ■

Buttonwood

**Britain's equity market is shrinking***Its strong shareholder culture makes it a target for buy-outs*

Print | Finance and economics Oct 17th 2019



**A** FEW MONTHS ago Trian, a hedge fund, revealed that it had built a 6% stake in Ferguson, a London-listed company that supplies the building trade. Trian is run by Nelson Peltz, who has a long history as the sort of activist investor who buys stakes in firms and then uses his influence over management to boost the share price. Ferguson makes most of its profits in America. Yet its shares traded at a discount to peers listed there. Perhaps something could be done to change this.

Sure enough, Ferguson said last month that it would spin off the British part of the business to focus on its American operations. It also said it was considering moving its stockmarket listing. Should the firm leave, it will be part of a broader trend in Britain: the shrinking supply of equity capital.

America's stock of equity has been getting smaller for a while, because of share buy-backs, a secular fall in the number of new listings and the growing incidence of leveraged buy-outs, in which low-interest debt replaces equity. Britain is now the leading candidate for such "de-equitisation", says Robert Buckland, of Citigroup. The net stock of equity outstanding has fallen by 3% since the start of 2018, faster than in America. Cheap debt is a factor. But debt is cheap everywhere. What makes Britain so ripe for the picking is its culture of accountability to shareholders. Activist investors, like Trian, can get results there.

The backdrop is a shift in the relative costs of debt and equity finance. One way to look at this is through the prism of expected returns. A rough-and-ready gauge of expected returns on stocks is the earnings yield—the inverse of the price-to-earnings ratio. It is a measure of real returns: if a burst of inflation raised prices (of assets as well as consumer goods) at a uniform rate, the earnings yield would not change. The prospective earnings yield on the FTSE All-Share index of London-listed stocks is 7.6%. Compare this with a proxy for an expected real return on corporate debt—the yield on investment-grade bonds less the current inflation rate, which is below zero. The gap between the two is the reward demanded for holding riskier stocks. It is also, by symmetry, a measure of the relative cost to companies of issuing equity versus debt.

This "financing gap" is noticeably wide in Britain (see chart). The size of the gap, says Mr Buckland, "offers a potential arbitrage opportunity for private equity and other debt-funded investors". In other words, there is plenty of scope to replace dear equity capital with cheap debt capital.



The Economist

There are particular conditions in Britain that make this opportunity worth looking at. The FTSE All-Share has fared worse than most other rich-world stock indices since Britain voted to leave the European Union in 2016. The sharp fall in the pound since then has boosted the sterling value of foreign profits made overseas. More than 70% of the earnings of companies listed in Britain come from overseas; around a quarter comes from North America alone. There is thus an opening for American investors or companies to buy dollar earnings on the cheap. Mr Buckland's research uncovers a range of British firms that earn most of their profits in America but have a lower valuation than their American peers. A lot of them are industrial firms.

Scour the bourses of the world and you will not struggle to find lots of cheap industrial stocks. The problem with investing in such out-of-favour shares is that somebody else must come along to buy them off you at a higher price for the strategy to work. There is no law that says cheap stock cannot stay cheap for a long time, or become even cheaper. The activist approach is to buy cheap-looking stocks and then work to get their latent value realised. This is more likely to succeed in Britain than in Germany, Japan, South Korea or other places with cheap-looking cyclical stocks. It could involve a push to get a firm to buy back its own shares. It could mean hawking the company, or a division of it, to another company or to a private-equity firm. If buyers won't come to you, go to them by relisting somewhere that puts a higher value on your shares, such as America.

As yet there has been no nativist backlash. Britain's stockmarket seems likely to shrink further. Whatever the means—under-the-radar buy-outs, mergers, spin-offs, or simply a drying-up of new issues—the underlying cause will be the same. Companies are turning their backs on the stockmarket because equity capital is relatively dear. The irony is that Britain's A-list shareholder culture makes its de-equitisation all the likelier. ■

Territorial claims

## Is the board overseeing Puerto Rico's bankruptcy unconstitutional?

If so Aurelius, a "vulture" hedge fund, could be in line for a big payout

Print | Finance and economics Oct 19th 2019



Satoshi Kambayashi

**A**RE YOU and your client here just to defend the integrity of the Constitution?" asked Samuel Alito, an associate justice of the America's Supreme Court, on October 15th. "Or would one be excessively cynical to think that something else is involved here, involving money?" The court had heard arguments from Donald Verrilli, for the board overseeing Puerto Rico's bankruptcy; Jeffrey Wall, for the federal government; and Theodore Olson, to whom the judge's remarks were addressed. His client is Aurelius Capital Management, a hedge fund that invests in distressed debt. At stake are \$125bn of creditor claims.

Aurelius was founded in 2006 by Mark Brodsky, formerly of Elliott Management. Both funds were involved in a fight with Argentina about its bonds in 2014, during which Cristina Fernández de Kirchner, then the president, dubbed them "vultures". They were among six funds that held out for full repayment. In 2016 they settled favourably and were paid \$9.3bn. Aurelius now aims to get the Supreme Court to declare the Puerto Rico oversight board unconstitutional, in the hope of improving on its offer to the territory's creditors of 35-45 cents on the dollar.

In 2014 rating agencies downgraded Puerto Rico's debt. It ended up defaulting. In 2016 Congress passed the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) to approve the island's budget and supervise its debts. The president, then Barack Obama, was to appoint the board members, with no requirement to seek the Senate's approval—which the constitution says is needed for "officers of the United States". Aurelius argues that this should cover the board members, and that the board is unconstitutional.

The board and federal government argue that the board's business is "primarily local". Lower courts had disagreed. The board was created to oversee bankruptcy proceedings unresolvable by Puerto Rico's governor, arguably implying that its powers supersede the island's. But those lower courts also blessed the board's actions under the "de facto" doctrine, which allows actions by officials to stand, even if they are found to have been wrongfully appointed.

On October 15th the Supreme Court spent little time on the de facto doctrine. It focused on whether the board acts locally, in the interest of Puerto Rico, or federally, in the interests of all Americans. Remarks from some of the liberal justices seemed to lean towards the latter—and thus towards Aurelius. "One option could have been some kind of financial bail-out," said Elena Kagan. Congress "instead chose an option that had less financial cost for the American people as a whole". Sonia Sotomayor probed the idea that the act gave the board members powers that ordinary local officials did not previously have.

A ruling is due by July. If it goes Aurelius's way, it would be a mighty upset—and hugely disruptive for Puerto Rico. The board has collected and paid out claims, and issued \$12bn of bonds. "I have no idea how one unwinds this," said Mr Wall, for

the federal government. He seems unlikely to have to find out. The conservative justices, who are in a majority, seemed to lean towards seeing the board members as Puerto Rican officers. “If we conclude that the powers and duties here are primarily local...do you lose?” Brett Kavanaugh asked Mr Olson. The court will now decide. ■

## Foggy outlook

# How the twists and turns of the trade war are hurting growth

*The IMF downgrades its forecasts for the global economy. Again*

[Print](#) | [Finance and economics](#) Oct 17th 2019



Reuters

After welcoming the St Louis Blues, a championship-winning ice-hockey team, to the White House on October 15th, President Donald Trump fondly recalled a recent triumph of his own: last week's tentative trade deal with China. Simply put, America will impose no further punitive tariffs on Chinese imports if China promises to buy American farm goods worth billions of dollars. How many billions? "It's very big numbers," Mr Trump emphasised. "I said, 'Ask for 70....My people said, 'All right, make it 20.' I said, 'No, make it 50.'"

Will this carefully calibrated amount ever materialise? China does not want to pay over the odds or deprive other, friendlier suppliers of its custom. It also wants America to go beyond promising no new tariffs and to start removing existing ones. The deal may unravel before it is written down, let alone signed by the two countries' leaders next month at the Asia-Pacific Economic Co-operation forum in Santiago.

That unpredictability is a problem. Not just higher tariffs but "prolonged trade-policy uncertainty" are damaging the world economy, said Gita Gopinath, the IMF's chief economist, this week as the fund again cut its forecast for global growth. "Manufacturing firms have become more cautious about long-range spending and have held back on equipment and machinery purchases," the fund notes. The fog of trade war is depressing investment spending. And because machinery, equipment and other capital goods are often imported, weak investment spending is further hurting trade. The IMF now expects the world economy to expand by just 3% this year, compared with 3.6% last year. That would be the slowest rate in the decade since the global financial crisis.

Both America and the euro zone are expected to grow more slowly this year than the fund had envisaged in July, before trade tensions escalated. India's prospects have dimmed sharply: it is forecast to grow by 6.1% rather than the 7% expected only months ago. And in 2020 China is now projected to expand by less than 6% for the first time in 30 years.

The fund has, unsurprisingly, slashed its forecast for Hong Kong. The city is now expected to grow by only 0.3%, compared with the 2.7% foreseen in April, before its economic prospects vanished in a cloud of tear-gas. The unrest could also jeopardise the fragile trade truce between America and China. On October 15th the House of Representatives passed a measure enjoining America to assess Hong Kong's autonomy annually and sanction officials who violate it. China reacted angrily to what it describes as meddling in its affairs.

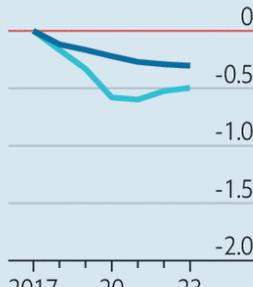
## Trump thump

Impact of trade war on baseline GDP forecast\*

% change

— Direct effects — Direct and indirect effects

### United States



### China



Source: IMF

\*October 2017

The Economist

The IMF's economists have valiantly tried to quantify the damage to the world economy from the trade war if Mr Trump's putative deal falls apart. The direct impact is surprisingly modest. The tariffs already in place and in the pipeline could reduce America's GDP by just over 0.2% next year, compared with a world in which the trade war had never started (see chart). More harmful are indirect effects: weaker business confidence, productivity and risk-appetite on financial markets. These bring the damage to almost 0.6% of America's GDP in 2020. The damage to China would be almost 2% of its GDP.

These are small percentages—but of vast economies. If the IMF is right, an unresolved trade war could cost America roughly \$125bn of forgone output next year alone. The cost to China could exceed \$300bn (at market exchange rates). Big numbers indeed. ■

**Not so green****Greta Thunberg accuses rich countries of “creative carbon accounting”***When it comes to measuring national emissions, she has a point*

Print | Finance and economics Oct 17th 2019



Getty Images

IT IS 5AM, and New Covent Garden Market is in full swing. On its swarming 57-acre site in Battersea wholesalers are flogging fruit, vegetables and flowers to London's greengrocers and restaurateurs. Costa Rican pineapples are stacked next to Kenyan passion fruits and Peruvian asparagus. Rows of Danish conifers sit by buckets of Dutch roses. Fresh produce shipped from all around the world is for sale.

But what is a boon to chefs—and apologetic spouses—has become a mind-bending problem for politicians and regulators. Under mounting public pressure they are busy setting targets to limit their carbon emissions. At least 60 countries and over 100 cities have promised to get to “net zero”. The trouble is that few account fully for the emissions created by products that are consumed within their borders but produced outside them.

Take, for example, a bunch of those Dutch roses. Britain’s “net-zero” target for its carbon impact includes only domestic emissions—the lorry trip carrying them on British soil, and so on. These carbon-dioxide emissions are trivial in comparison to the 30kg or so from heating greenhouses in the Netherlands and flying the roses to Britain. Through a production lens, Britain looks relatively virtuous. Through a consumption lens, it does not.

Flowers are just one tiny part of the equation. Across the rich world the overall measurement gap is huge, particularly for service-oriented economies. Britain consumes about 40% more carbon emissions than it produces; the European Union as a whole, 19%. In America the difference comes in at 8%, according to the Global Carbon Project (GCP), a network of scientists. As for big cities, the gap between the two gauges of their carbon trail is bigger still, at about three-fifths, using the average figure for 79 cities reviewed by an international group of researchers. The problem even extends to individual buildings, which owners sometimes declare to be “carbon-neutral” while ignoring the concrete and steel used to build them.

Inevitably, since production-based measures make rich countries look good (they also flatter small states that do little manufacturing), most have picked this methodology for their carbon targets. None of the 19 countries in the Carbon Neutrality Coalition have net-zero targets that explicitly aim to reduce consumption (carbon footprints are considered in another part of France’s legislation). Likewise New York’s net-zero target is production-based—helpful, since it is a state without much heavy industry. It is for this reason, among others, that Greta Thunberg, a teenage climate activist, told Britain’s Parliament in April that its climate goals amounted to little more than “creative carbon accounting”.

The gap between national consumption and production measures comes from the emissions that are embedded in cross-border trade. Such emissions make up a quarter of the global total. Scientists began to pay more attention to them as China

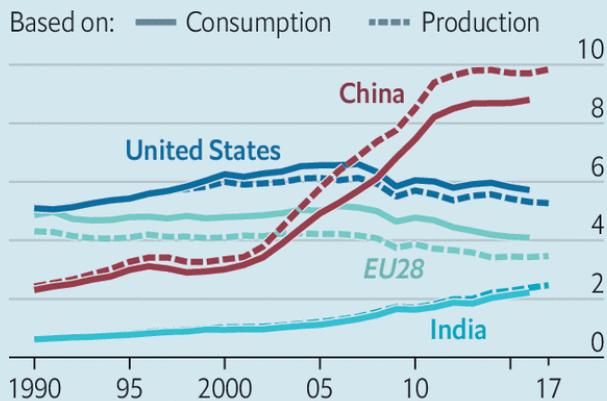
became a manufacturing powerhouse following its entry into the World Trade Organisation in 2001. Its factories were powered by coal, the fossil fuel that emits the most carbon per unit of energy.

By 2009 China had become the world's largest carbon emitter (see chart). Its exports alone now account for about 5% of the world's fossil-fuel emissions. Most of this relates to goods that are ultimately consumed in the developed world: two-thirds of China's emissions exports go to members of the OECD, a rich-country club. India and Russia are sizeable carbon exporters, too. (Saudi Arabia is not a big emissions exporter because both production and consumption statistics book the emissions from oil in the country where it is burned rather than extracted.)

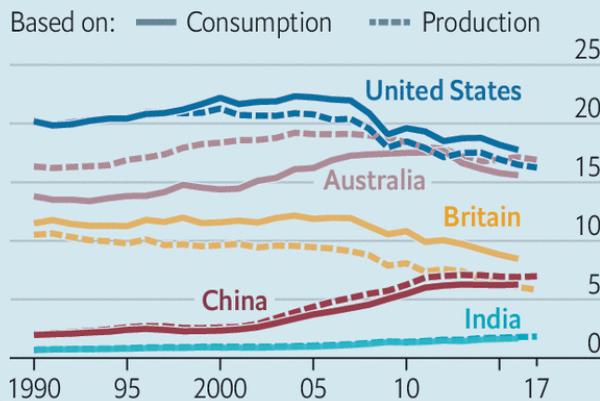
## Creative accounting

Global CO<sub>2</sub> emissions from fossil fuels and cement

### Total emissions, gigatonnes

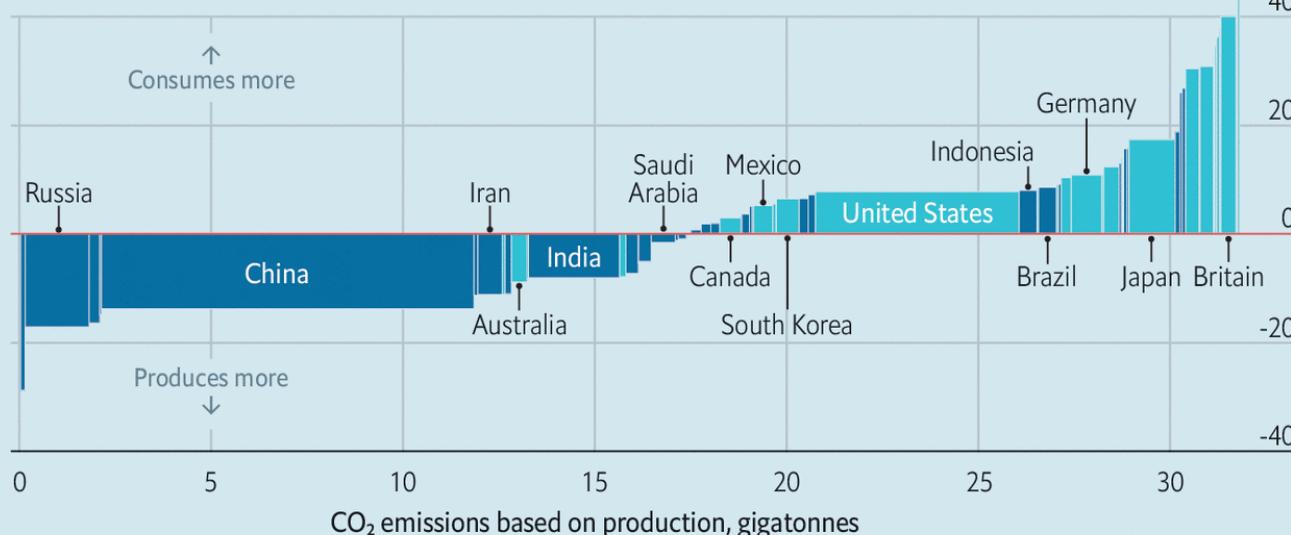


### Emissions per person, tonnes



### Selected countries, 2016

OECD countries (blue) Non-OECD countries (red)



Sources: Global Carbon Project; World Bank; *The Economist*

The Economist

Cutting trade-related emissions is a daunting task. Cross-border supply chains are often complex, and making goods closer to home may not actually improve matters. The problem can be split into three parts: what is imported, where it comes from and how it travels.

The imports that embed the highest carbon emissions are mostly industrial materials (iron, steel and chemicals) and consumer goods (cars, electronics and textiles). According to the Global Trade Analysis Project, a database maintained by Purdue University, these six products account for about 30% of trade-related emissions. But the CO<sub>2</sub> released by the same item produced in two different countries can differ hugely, depending on how energy-efficient production is and how the countries make their electricity.

Purdue's data show that cars and car parts exported by China are responsible for nine times more CO<sub>2</sub> per dollar than those exported by Germany. Mathieu Poitrat Rachmaninoff, an analyst at Newton Investment Management, notes that on average

about half of the lifetime emissions from an electric vehicle come from making the battery. A medium-sized battery made in renewables-rich Sweden emits around 350kg of CO<sub>2</sub>. For coal-reliant Poland, that figure is over eight tonnes.

To cut emissions, it is therefore necessary to look closely at products' provenance. Sometimes the conclusions are counter-intuitive, as the tomatoes in New Covent Garden Market demonstrate. British tomatoes are grown in heated glasshouses and thus require three times more energy than sun-blessed Spanish ones. Even accounting for transport, local tomatoes are responsible for more emissions. Mike Berners-Lee of Lancaster University points out that a British apple bought in June has typically been in chilled storage for nine months. Keeping it cool for that long emits about as much carbon as shipping an apple from New Zealand.

Modes of transport also matter. Around 87% of the world's freight, measured in tonne-kilometres (a tonne transported one kilometre), goes by sea. Shipping accounts for about 2% of fossil-fuel emissions. But as a means of transport it is carbon-efficient. Producing a tonne of steel in China takes about two tonnes of CO<sub>2</sub>. Shipping that steel to New York adds only 322kg. Planes account for just 0.1% of the world's tonne-kilometres of international freight, but an outsize share of all emissions. According to figures from the British government, the carbon emissions caused by transporting a given weight by air are about 70 times greater than if it had been shipped. That means sectors reliant on timely delivery, such as fast fashion, are particularly environmentally unfriendly.

Just as governments and scientists are grappling with how to assess trade-related emissions, the world's network of cross-border commerce has been disrupted by America's trade war with China. In the first half of 2019, global trade volumes rose by 1% compared with the prior year, the slowest rate since 2012. But even if trade flows were to fall, it does not follow that global emissions would drop, points out Glen Peters of the Centre for International Climate Research in Norway. Moreover, China produces lots of carbon-saving technology. It is home to eight of the world's ten biggest manufacturers of solar panels, and is pumping money into batteries and electric vehicles. An intensifying economic conflict between America and China could mean the flow of Chinese technology and know-how across borders dries up, hampering mitigation efforts elsewhere.

The trade war could cause multinational firms to shift production away from China. But that might not reduce emissions much, if activity is relocated to other countries that are keen to fuel their export-led growth with coal. Already emissions exports are growing fastest in Bangladesh, India, Indonesia and Vietnam, says Dabo Guan of the University of East Anglia. None of these countries is emitting as much carbon per person as China did when its exports took off, mainly because they burn less coal. But all are attracting labour- and resource-intensive industries such as plastics and electronics, which are leaving China in search of lower wages and less stringent environmental standards.

In the long run the only answer is for all economies, including manufacturing-heavy ones, to shift towards cleaner sources of energy. Trade deals could be used to encourage exporting countries to cut emissions, says Sam Lowe of the Centre for European Reform, a think-tank in London. The EU is considering a carbon "border-adjustment" tax—higher tariffs on goods from countries that do not meet the EU's environmental standards. America's trade deals already allow for penalties on countries that fail to meet their commitments under the Paris climate agreement of 2015—though President Donald Trump shows little interest in using them. The trade deal struck in June between the EU and Mercosur, a South American trade bloc, could be blocked by EU member countries, or MEPs, unless Brazil does more to protect the Amazon rainforest.

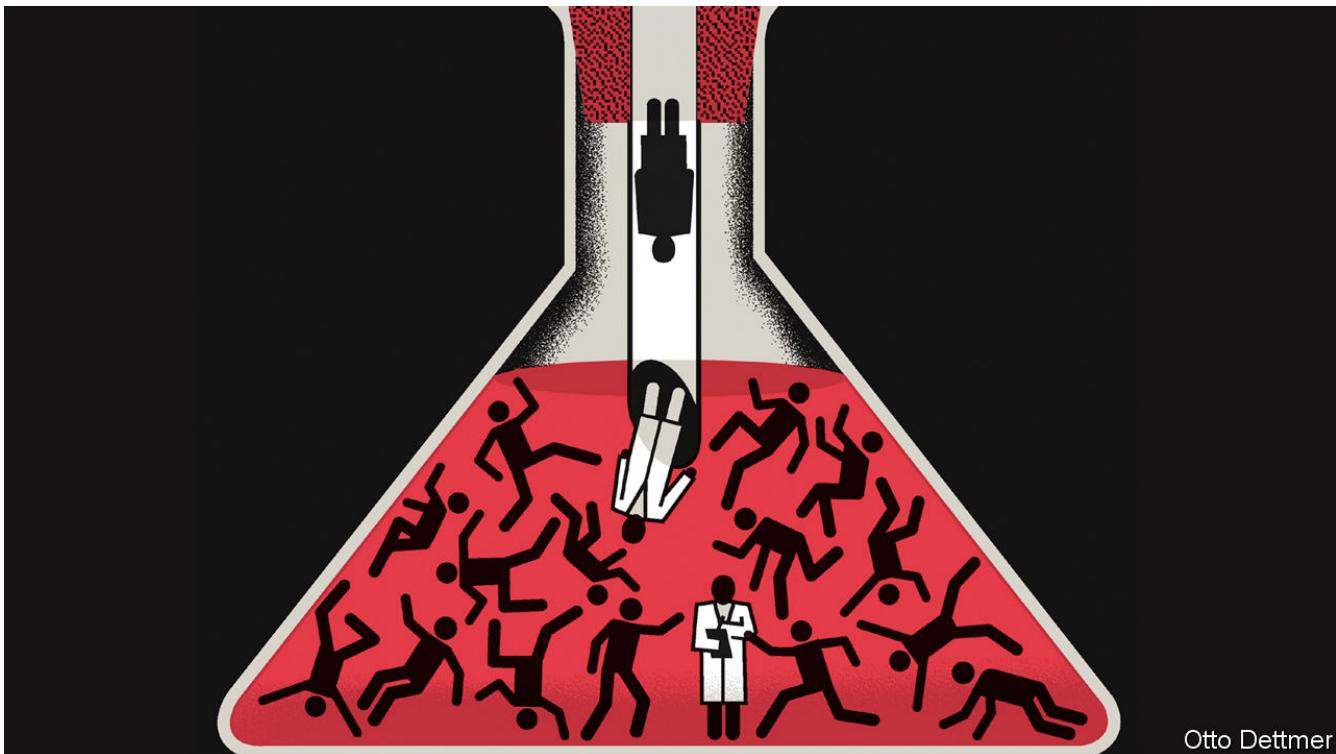
As decarbonisation gets under way in rich countries, emissions embedded in imports will loom larger. Finding ways to curb them will be tricky. But they will become harder to ignore. ■

Free exchange

## A Nobel economics prize goes to pioneers in understanding poverty

*Randomised trials help policymakers grasp which policies work and which don't*

Print | Finance and economics Oct 17th 2019



Otto Dettmer

THE MOST important question in economics is also the hardest: why do some countries stay poor while others grow rich? In 2015, 10% of the world's population lived on less than \$1.90 per day, down from 36% in 1990. But more than 700m people remain in extreme poverty, and the number grows every day in certain parts of the world, in particular sub-Saharan Africa. For their contributions to understanding gaps in development, the better to close them, Abhijit Banerjee, Esther Duflo and Michael Kremer have been awarded this year's Nobel prize for economics. All three are Americans, though Mr Banerjee and Ms Duflo are immigrants (and married to each other). Ms Duflo is only the second woman to have received the prize and, at 46, the youngest winner ever.

Thirty years ago, economists mostly looked at the big picture. They studied large-scale structural transformations: from rural and agricultural to urban and industrial. Macroeconomists built growth theories around variables such as human capital, then ran cross-country growth regressions to try to measure relationships—for example, between years of schooling and GDP per person. But data were scarce or poor, and the vast number of potentially relevant factors made it hard to be sure what caused what.

In the mid-1990s Mr Kremer, at Harvard University, tried something different. With collaborators and co-authors, he began studying poverty with methods more commonly associated with chemists and biologists: randomised trials. If human capital—health, education, skills and so forth—is essential for development, then economists had better make sure they understand where it comes from. In Kenya he conducted field experiments in which schools were randomly divided into groups, some subject to a policy intervention and others not. He tested, among other things, additional textbooks, deworming treatments and financial incentives for teachers linked to their pupils' progress.

Each such experiment shed a little light on one small part of the “hardest question”. Educational resources—textbooks, say—turned out to do little for learning outcomes. Making pupils healthier improved their attendance, but did not necessarily mean they learned more. The experiments had a larger result, however: they taught the economics profession that randomised trials could work in the field.

Mr Banerjee and Ms Duflo built on the foundation Mr Kremer laid, deploying randomised trials to study health care and entrepreneurship as well as education. In India, they found that focusing extra teaching resources on pupils who had fallen behind paid big dividends. They showed that microloans—small-scale lending to the cash-strapped poor—were less transformative than had been claimed, but could help ambitious entrepreneurs. The three scholars have studied absenteeism among

teachers and nurses, immunisation programmes, the management of public infrastructure and the use of productivity-boosting technologies such as fertiliser. They have spent countless hours observing and learning from the daily struggles of the world's poor.

By breaking big questions into smaller ones, and tackling each in carefully designed experiments, they overcame some hard epistemological problems. Economists who used cross-country regressions could not easily say whether extra schooling boosted growth or merely occurred alongside it. Field experiments, by contrast, could show not only the link between better teaching and greater learning, but how the connection worked.

There remained the problem of "external validity": the extent to which a measured relationship holds outside the research context. People are complex, and the world ever-changing; thus it is hard to be confident that a relationship between two variables will endure. Researchers must also be aware that the groups being tested may differ subtly from a broader population, or that something in the experiment may be influencing participants' behaviour. In mastering field research, Mr Banerjee and Ms Duflo showed how to overcome these difficulties. "Natural" experiments, such as an oil shock, cannot be rerun to satisfy nagging doubts. Field experiments can be replicated. Structuring experiments so that they can be scaled up over time permits greater confidence still.

### A developing story

Each nugget of truth prised out of the data generated by field experiments represents a contribution to understanding the world. The hope is that many small truths can be piled together to make a big one. These laureates' work uses economic theory as a guide, but nonetheless represents a departure from the discipline's business-as-usual, in which economists peer down from on high at society and seek to discover the equivalent of Newton's laws of motion. Randomised trials are a part of an important development in recent decades, away from high theory and towards an empirical grounding. With these awards the Nobel committee endorsed this shift. It is, furthermore, a practical award, celebrating work that offers ways to improve lives.

But the hardest question still looms. Mr Banerjee and Ms Duflo reckon that their work builds toward an answer. Taken together, their experiments reveal that the gap in productivity between the most and least efficient producers is much wider in developing economies than in advanced ones. Fix that, one small intervention at a time, and perhaps eventually the hard question will go away. More macro-minded economists counter that the huge fall in global poverty of the past three decades owes little to such fiddling. It happened, rather, as a confluence of global forces buoyed poor countries' fortunes. The mystery of global poverty remains. If enough economists emulate the innovative spirit and scholarly care of this year's laureates, it will not remain for ever. ■

*Listen to our interview with this year's economics Nobel laureates at [economist.com/economicsnobel2019](http://economist.com/economicsnobel2019)*

## Sustainable forestry

If you go down to the woods today

### A walk in the woods

## How to make use of all a tree

*A giant Finnish timber mill explores sustainable forestry*

[Print](#) | Science and technology Oct 19th 2019



Metsä Group

**I**N FINLAND'S vast forest lives a monster with a voracious appetite. Once, it would have been called a pulp mill. But after a recent makeover costing €1.2bn (\$1.3bn) it is now known as a bioproducts mill—and as such is one of the biggest in the world. This sprawling plant, near Äänekoski, a town in the centre of the country, consumes 6.5m cubic metres of wood a year. That translates into the delivery of a large lorryload of felled tree trunks every six minutes, day and night, together with yet further logs arriving on 70 railway wagons a day. Apart from a brief break for maintenance once a year, the mill never stops working.

On the face of things, such rapacious industrialisation of the Finnish forest, which covers three-quarters of the country's landscape, looks the antithesis of tree-hugging environmentalism. The forest is home to wolves, bears, deer and many other species of wildlife, and its trees lock away carbon that would otherwise be in the air, warming the atmosphere. Yet Metsä Group, which operates the Äänekoski mill, claims the very opposite.

Metsä is ultimately controlled by a co-operative belonging to more than 100,000 families who have each owned large chunks of the forest for generations. For every tree harvested, four saplings are planted. These are allowed to grow for a few years and are then thinned to encourage the best specimens to develop vigorously. The thinnings, however, are not wasted. They are sent to the mill. The mature trees, meanwhile, are harvested when they are between six and ten decades old. The consequence of this husbandry, according to Finland's Natural Resources Institute, is that the annual growth of trees in Finland exceeds the volume of felling and natural loss by over 20m cubic metres, despite the increasing demand for wood.

As for the mill itself, Metsä's stated aim is to make best use of every part of a tree, both to maximise the value of its wood and, where possible, to continue to lock up its carbon. To this end, besides the bread-and-butter business of turning out planks and plywood, the firm has come up with several new ideas. Three are of particular interest. One is a better way of converting wood pulp into fibre that can be turned into textiles. A second is to produce plastic-free cardboard cartons which can be used

as food containers and then recycled. The third is to find employment for lignin, a by-product of the pulping process which is, at the moment, usually burned.

### **Waste not, want not**

Everything starts in the forest. The main species growing there are pine, spruce and birch. Large areas are now being mapped digitally, using drones. This permits owners to monitor their trees using a mobile-phone app, and to arrange for contractors to thin or harvest an area when appropriate. That job is carried out not by lumberjacks with axes, but by giant eight-wheeled harvesting machines, which fell, trim and cut the trunks to the required sizes. Information about the different grades of timber being harvested is relayed electronically to the mill, to schedule deliveries.

The mill's main work is familiar stuff. Logs are either sawn into planks or spun by giant lathes fitted with blades that peel away their wood to create sheets suitable for making plywood and other forms of "engineered" timber. But even here there is environmental benefit. Peeling permits the grains of sheets to be arranged in ways that create composite materials far stronger than the original timber. These materials are increasingly being used by architects as substitutes for steel and concrete, even in some high-rise buildings. Not only does this keep the wood's carbon locked up, it also reduces the need for steel and concrete. This, in turn, saves both the fossil fuels involved in making those materials, and the carbon dioxide that their manufacture releases as an inevitable consequence of the chemical processes involved in creating the iron and cement which are their principal ingredients.

Pieces of timber too small to process as logs—including offcuts and thinnings from the forest—are chipped and pulped to make paper. Much of this papermaking is done by other firms, but the Äänekoski mill itself produces a lightweight board that has a shiny surface suitable for high-quality printing. It does this by squeezing together layers of wood pulp that have had their fibres carefully arranged. The mill churns out enough of this paperboard to be folded into 32m cartons a day.

Metsä has also teamed up with Itochu, a Japanese trading company with a large clothing business, to make fabric that will compete with oil-based synthetic fibres and provide an alternative to cotton, the growing of which requires a lot of land, irrigation and pesticides. Some fabrics—rayon, for example—can be made from wood. This is done by dissolving cellulose, a natural polymer that is the main constituent of plants' cell walls, in chemicals like caustic soda and carbon disulphide and then turning the solution into soft filaments which can be spun into fibres.

Caustic soda and carbon disulphide are, however, toxic and bad for the environment. Metsä's researchers have come up with an alternative process involving a solvent based on salt. This is, according to Katariina Kemppainen, a development manager at Metsä, a more environmentally friendly alternative. To start with, a pilot plant will produce up to 500 tonnes of textile fibres a year. If successful, a much bigger plant with more capacity will be built.

Another environmental problem confronting Metsä is the recycling of food cartons. In theory, for containers made of paper and cardboard, this should not be hard. It just means mashing the materials up into a slurry similar to that from which they were produced in the first place. But many countries' hygiene regulations do not allow food to be placed in direct contact with paper. There must be a barrier between contents and container, and this is usually made of plastic. Unfortunately, such plastic inserts often render containers non-recyclable. Though she is coy about the details, Heli Kuorikoski, who runs the technology centre at Äänekoski, says Metsä has come up with an alternative, grease-and-waterproof mineral-based barrier material that can go into the recycling mash without causing difficulties.

### **Overcoming resistance**

The complex processes involved in processing wood result in several "sidestreams". These are wastes that become raw materials for other processes. They include sulphuric acid, which is re-used by the mill, and biogas, tall oil (a byproduct of papermaking) and lignin—carbon-rich materials burnt to produce electricity. This powers the mill, and yields a surplus which is exported to the national grid. As a consequence, unlike some wood mills, the Äänekoski plant uses no fossil fuels.

In the case of lignin, though, burning it seems unambitious. Like cellulose, lignin is a cell-wall polymer. It provides strength, without which trees could not reach the heights they do. But it needs to be removed from pulp before paper is made, meaning that, around the world, some 60m tonnes of the stuff has to be disposed of every year. And it is famously resistant to chemical manipulation, which makes it resistant to efforts to do anything useful with it.

People are, however, still trying. Some, for instance, think that it, too, might form the basis of a textile industry. Metsä's contribution is more prosaic than this. It is working on a lignin-based material which acts as a "plasticiser", permitting concrete to flow more easily when being pumped onto building sites. But, in the quest to add value to every part of a tree, wasting nothing, even that is not a bad idea. ■

## Fish scales

The mighty pirarucu

### Defence mechanisms

## To see off piranha this fish has strong armour

*The mighty pirarucu's super-tough scales*

Print | Science and technology Oct 17th 2019



Alamy

**F**Ish scales have to be tough, to provide protection, flexible, to permit movement and light, to preserve buoyancy. These conflicting requirements have driven the evolution of scales that can endure considerable punishment without impinging on mobility. But work just published in *Matter*, by Robert Ritchie and Marc Meyers of the University of California's campuses at Berkeley and San Diego respectively, suggests that one fish, the pirarucu, has taken things to extremes. The reason is that pirarucu share their habitat with piranha.

Pirarucu can be 4.5 metres long and may weigh 200kg. That makes them one of the world's largest freshwater fish. The places they call home are often lakes cut off from river channels in the Amazon basin. Just the sort of habitat favoured by piranha.

Given their penchant for stripping the flesh from anything they encounter, piranha might be expected to kill pirarucu on sight—but this rarely happens. That led Dr Meyers to wonder if living alongside such voracious predators has resulted in pirarucu evolving particularly tough scales. To look into this, he collected some pirarucu scales and brought them back to California. He and Dr Ritchie then measured the scales' toughness by squeezing them between metal plates. They concentrated on examples that already had cracks in them. They monitored changes in these cracks under increasing pressure, using optical and electron microscopes, and found that the cracks barely grew until the force used exceed 500 newtons. This is more than enough to resist the bite of a piranha. In fact, it turns out that pirarucu scales are among the toughest natural materials in the world. Which left the researchers wondering how this toughness is achieved.

On closer examination, they found that each scale has two layers. The surface layer is highly mineralised. Below that is a layer made of fibres of collagen, an elastic protein common in vertebrate skin, organised at random. The mineral layer, they observed, was capable of resisting the sort of damage a piranha bite would inflict. But if and when it did fracture, the effect of the randomly organised collagen layer was to stop the crack propagating.

This arrangement differs from other tough fish scales which have been studied. Any collagen in these is organised in an orderly manner and will not stop cracks propagating—so they rely on being more heavily mineralised than those of pirarucu. That makes fish which sport them less manoeuvrable through the water.

Whether insights from pirarucu scales will percolate into materials science remains to be seen. But they might. Armies and police forces are always on the lookout for better armour. Just possibly, an Amazonian fish could provide them with it. ■

## Happiness and history

### How to reveal a country's sense, over the years, of its own well-being

*Read its books. By computer*

Print | Science and technology Oct 19th 2019

#### It was the best of times...

National subjective well-being, derived from analysis of digitised books and articles

Britain



Germany



The Economist

**D**O A COUNTRY'S inhabitants get happier as it gets richer? Most governments seem to believe so, given their relentless focus on increasing GDP year by year. Reliable, long-term evidence linking wealth and happiness is, however, lacking. And measuring well-being is itself fraught with problems, since it often relies on surveys that ask participants to assess their own levels of happiness subjectively.

Daniel Sgroi of the University of Warwick and Eugenio Proto of the University of Glasgow, both in Britain, think, nevertheless, that they have an answer. By examining millions of books and newspaper articles published since 1820 in four countries (America, Britain, Germany and Italy), they have developed what they hope is an objective measure of each place's historical happiness. And their answer is that wealth does bring happiness, but some other things bring more of it.

Previous research has shown that people's underlying levels of happiness are reflected in what they say or write. Dr Sgroi and Dr Proto therefore consulted newspaper archives and Google Books, a collection of more than 8m titles that constitute around 6% of all books physically published. They searched these texts for words that had been assigned a psychological "valence"—a value representing how emotionally positive or negative a word is—while controlling for the changing meanings of words such as "gay" and "awful" (which once most commonly meant "to inspire awe"). The result is the National Valence Index, published this week in *Nature Human Behaviour*.

Placed alongside the timeline of history (see chart), the valence indices for the places under study show how changes in national happiness reflect important events. In Britain, for example, happiness fell sharply during the two world wars. It began to rise again after 1945, peaked in 1950, and then fell gradually, including through the so-called Swinging Sixties, until it reached a nadir around 1980.

America's national happiness, too, fell during the world wars. It also fell in the 1860s, during and after the country's civil war. The lowest point of all came in 1975, at the end of a long decline during the Vietnam war, with the fall of Saigon and America's humiliating defeat.

In Germany and Italy the first world war also caused dips in happiness. By contrast, during the second world war these countries both got happier as the war continued. Initially, that might be put down to their early successes, but this can hardly explain German happiness when the Red Army was at the gates of Berlin. The researchers hypothesise that what is being measured here is the result of propaganda and censorship, rather than honest opinion. But they cannot prove this. Earlier in Italian history, though, there was a clear and explicable crash in happiness in 1848, with the failure of revolutions intended to unite into a single nation what were then half a dozen disparate states. Surprisingly, however, successful unification in the 1860s also saw a fall in happiness.

As to wealth, the steady progress of the Victorian period matched a steady increase in British happiness, as did the economic boom of the 1920s, which also lifted American spirits. Both countries' spirits fell again in the Great Depression that followed the stockmarket crash of 1929. After the lows of the 1970s, though, happiness in both has been on the rise ever since.

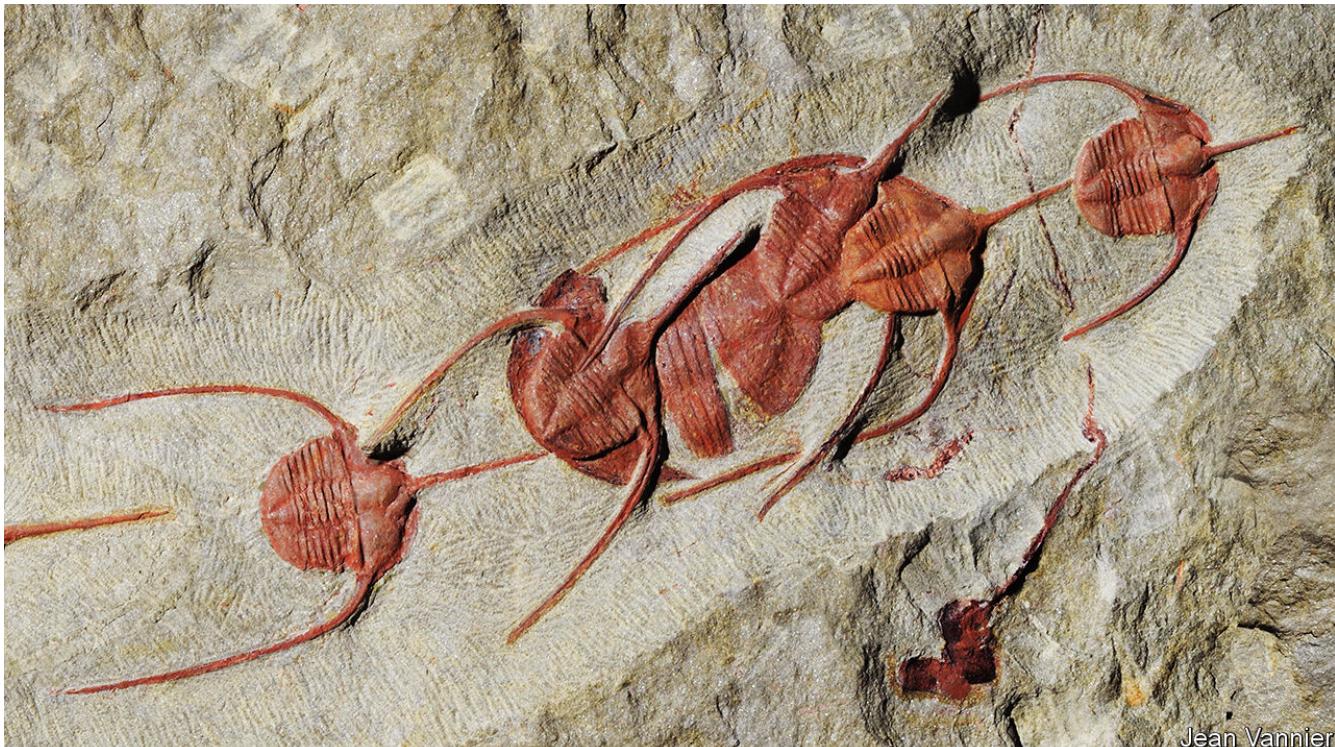
Overall, then, Dr Sgroi and Dr Proto found that happiness does vary with GDP. But the effect of health and life expectancy, which does not have the episodic quality of booms, busts and armed conflict, is larger, even when the tendency of wealth to improve health is taken into account. A one-year increase in longevity, for example, has the same effect on national happiness as a 4.3% increase in GDP. And, as the grand historical sweep suggests, it is warfare that causes the biggest drops in happiness. On average it takes a 30% increase in GDP to raise happiness by the amount that a year of war causes it to fall. The upshot appears to be that, while increasing national income is important to happiness, it is not as important as ensuring the population is healthy and avoiding conflict. ■

Palaeontology

## Trilobites marched across the seabed in single file

*They used long spines to stay in contact*

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TRILOBITES ARE long-extinct, but they lasted for 270m years and dominated the sea floor for the first 150m years of that span. In their heyday they developed many exotic features including, in some species, long spines. One such spine-wearer was *Ampyx priscus*, which thrived 480m years ago, during the Ordovician period. What the spines were for had been a mystery. But this photograph and others like it, published in *Scientific Reports* by Jean Vannier of the University of Lyon, France, suggest the mystery is solved. *Ampyx priscus*, it seems, sometimes traversed the seabed in marching columns, with the spikes helping the animals to keep in contact with one another. These days, spiny lobsters form similar columns, maintaining contact by resting their long antennae on the animal in front, when they are migrating to and from the deep waters where they overwinter to escape the cold. What propelled *Ampyx priscus* to migrate remains a mystery. ■

**Cannabis and pregnancy****In rats, cannabis during pregnancy rewires the brains of offspring***Human mothers take note*

Print | Science and technology Oct 17th 2019



Getty Images

AS GOVERNMENTS around the world update their policies towards the legality of cannabis, that drug's medical and recreational use is spreading. Many women therefore want to know whether it is safe to take the stuff during pregnancy, and face a dearth of evidence to guide them. The use of cannabis by pregnant women is on the rise. A study in a Californian health-care system suggests uptake increased from 2.4% of pregnant mothers in 2002 to 3.9% in 2014. Other work in Western countries has found rates of between 3% and 16%. Such use is by no means simply recreational. Medical cannabis is employed in many places to control nausea and vomiting, so pregnant women have turned to it to treat morning sickness.

Some groups would like to promote the use of cannabis during pregnancy as safe and beneficial. CannaMommy, a website which supports a mother's right to choose "plants over pills" during pregnancy, thinks mothers-to-be should be able to decide how they medicate themselves. A banner across one video on the site says, "Fact: Cannabis is safer than pharmaceuticals".

It isn't a fact, however. The absence of evidence is not evidence of absence. What evidence there is, moreover, is not encouraging. Some studies indicate that using cannabis during pregnancy has long-term consequences for the development of a baby's brain. These investigations are observational, not double-blinded clinical trials, so they are not completely conclusive. However they suggest prenatal cannabis exposure predisposes people to hyperactivity, impulsivity, loss of attention, psychosis and increased sensitivity to drugs of abuse.

A paper published this week in *Nature Neuroscience* examines these issues more systematically. Miriam Melis of the University of Cagliari, in Monserrato, Italy and her colleagues carried out experiments, albeit on rodents rather than people, that looked into the question of prenatal exposure to cannabis by administering the drug's main psychoactive ingredient, tetrahydrocannabinol (THC) to pregnant rats.

THC interacts with the endocannabinoid system, a network of brain cells which communicate with each other using THC-like molecules. Neuroscientists' concerns about using cannabis during pregnancy stem from the fact that, in developing brains, the endocannabinoid system directs cell growth, the differentiation of neurons and the way in which neurons grow, form junctions with each other and are pruned.

Dr Melis administered low doses of THC (equivalent to a single, mild joint) to pregnant rats. She then looked at the behaviour and neurobiology of the offspring. One test happened in the third and fourth week after birth. A second was when the animals were older—an age roughly equivalent to the period just before adolescence in humans. Before the second test, the youngsters were given a dose of THC.

Dr Melis found that exposing rat embryos to THC rewired the part of the brain that handles reward and motivation—but only in males. Neurons in this area were more excitable than those in control animals when stimulated by dopamine, another chemical that carries messages between neurons. They also fired off their electrical impulses at a higher frequency. In people, says Dr Melis, hyperactive dopamine neurons of this sort are a feature of vulnerability to a range of psychiatric disorders that include schizophrenia, mania and drug addiction. Another effect that Dr Melis detected was impaired “sensorimotor gating”. This is the way that a brain filters out superfluous information and prevents an overload of data.

These underlying neurological changes did not, however, manifest themselves immediately as changes in behaviour. Instead, the rats concerned acted normally until given their preadolescence doses of THC. At this point their behaviour changed, as they became hyperactive and increasingly likely to take risks.

Though it is sometimes hard to translate work done on rodents to human beings—particularly in this case, when only males seem affected—Dr Melis’s findings lend support to the conclusions of observational studies which suggest that prenatal exposure to cannabis leads to increased susceptibility to a range of mental health problems. There was one intriguing positive finding. The authors were able to correct their rats’ behavioural and neurological abnormalities by dosing them with pregnenolone, a drug currently undergoing tests for the treatment of cannabis addiction, schizophrenia, autism and bipolar disorder. But the long and short of the work done thus far is that consuming cannabis during pregnancy is far from safe. ■

### Political violence

What had to be done

What had to be done

## When fascists and Jews battled on the streets of London

*In the late 1940s, as now, people were meant to trust the machinery of democracy. The 43 Group decided they couldn't*

[Print](#) | Books and arts Oct 17th 2019



Getty Images

**We Fight Fascists.** By Daniel Sonabend. Verso; 384 pages; £20.

THEY MARCHED along the seafront in Brighton, waving flags and heralded by drummers. As they reached the pier and turned inland, towards a park known as The Level, they were set upon by a gang of toughs. Dazed and cut off from the ranks behind them, the men at the front were promptly assailed by another gang barrelling down to the beach. For the rest of that summer day, June 5th 1948, the attackers thrashed their quarry all over town. A leader of the march, Jeffrey Hamm, was hospitalised with a broken jaw. "There was fighting on every street corner," remembers Jules Konopinski. "That was lovely."

Now 89, Mr Konopinski was one of the fearsome assailants in Brighton. Today he is a white-haired, welcoming great-grandfather, with an impressive recall of ancient adversaries and brawls. Seventy years ago he was known as "Mad Jules". "Given an order and asked to do something," he says of his bygone self, "he did it." He and Harry Kaufman, a diminutive 88-year-old raconteur, are two of the last surviving members of the 43 Group, an organisation set up after the second world war to wipe fascists—such as the concussed marchers in Brighton—from the streets of Britain. Their uncompromising outfit, says Mr Kaufman, was "a great band of brothers".

Britons like to think they are less susceptible to extreme politics than their neighbours on the continent. Sir Oswald Mosley, leader of the hapless British Union of Fascists in the 1930s, tends to be remembered as a goose-stepping goon, who had somehow failed to notice that his country just wasn't that kind of place. Fascism's unlikely recrudescence in Britain in the years after the war—and the resistance it met—are scarcely remembered at all. Now, in another era of rumbling prejudice, rows over the limits of political speech and doubts about the resilience of democracy, this forgotten episode is freshly resonant. Now, as in the late 1940s, ordinary citizens are meant to trust democratic institutions to contain the threats that system faces. The 43 Group decided they couldn't.

**This can't happen**

As Daniel Sonabend lays out in “We Fight Fascists”, a new, comprehensive history of the group, the origin of its name is hazy. It might have come from the door number of the room in which some of its members gathered before smashing up a fascist event in Holborn. Or it may simply refer to the number of people present at the founding meeting. Most (but not all) of those members were ex-servicemen. Most (but not all) were Jewish.

Either way, its mission was clear. In 1940 leading British fascists had been interned for reasons of national security. Mosley, a pukka former MP, was let out on compassionate grounds in 1943 after his mother-in-law “pestered her former bridesmaid, Clementine Churchill”, the prime minister’s wife. At a Christmas party for released internees in 1945, Mr Sonabend recounts, Mosley’s appearance set off chants of “Heil white man!”

Dingy, battered post-war Britain was in some ways fertile territory for political insurgents. Parts of London and other cities were bombed-out wastelands. Housing was short; food rationing grew even tighter than during the conflict; crime spiked. The winter of 1946 was severe. “As economic conditions decline, manifestations of anti-Semitism will increase,” predicted a bulletin of the 43 Group, now held in the archive of the Jewish Museum in London. “And we all know what that will mean.” Anti-Semitism—stoked by the notions that Jews had caused the war, and were stealing housing from the “natives”—was heightened by friction between Zionist paramilitaries and British forces in Palestine. The murder of two British sergeants in 1947 ignited riots across the country.

A panoply of ambitious fascists tried to exploit the discontent. Hamm (the casualty of Brighton) had been interned on an improvised prison ship off the Falkland Islands, then in a camp in South Africa. In a post-war pamphlet he described communism as “a Jewish confidence trick whereby Jews acquire the nation’s wealth by pretending to nationalise it.” “If a Jew walks on the same pavement,” advised John Marston Gaster, another would-be martinet, “knock him into the gutter where he belongs.” Dozens of fascist gatherings were held every week in London alone, clustering in Jewish areas in the city’s north and east. Devotees sang the Horst-Wessel song and chanted, “The Yids, the Yids, we gotta get rid of the Yids!” The fascist lightning-bolt symbol was graffitied on Jewish premises, along with the semi-occult slogan “Perish Judah”.

The fascists were riven by factional infighting—but so were British Jews. That split was in part caused by the war, which, as wars tend to, shook up the views of those who had fought in it. One of the 43 Group’s leaders was Gerry Flamburg, a paratrooper who had been shot and captured at Arnhem. Searingly, some of the members had helped liberate concentration camps; most had lost relatives in the Holocaust. “They came back from the war, walked into their homes, and they found their families afraid to go out,” says Mr Konopinski, who (like Mr Kaufman) was among a clutch of streetwise youngsters who hadn’t served but joined the group anyway. “And they decided: ‘This can’t happen.’” His own parents had fled Germany in 1938. “My mother and father lost all their families.”

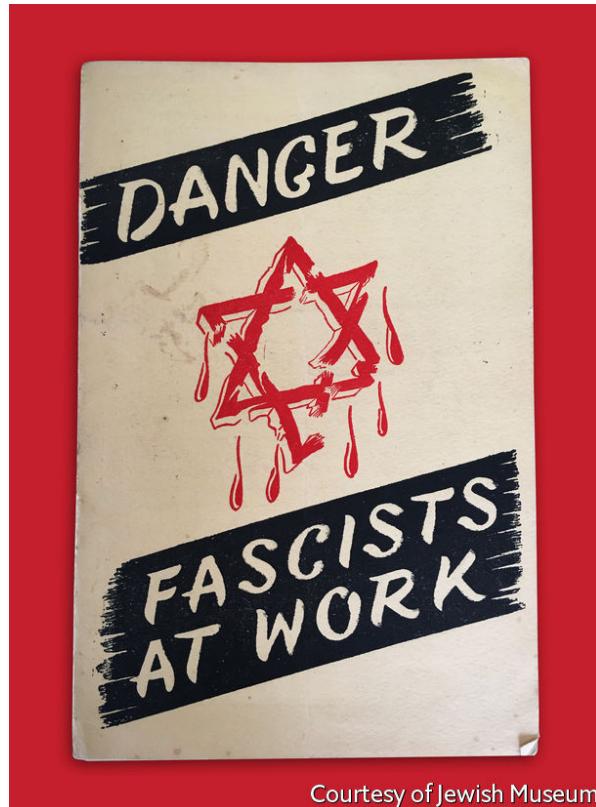
In the only book about the 43 Group before Mr Sonabend’s, one of its founders, Morris Beckman, writes that “The keep-your-head-down and get-indoors-quickly mentality”, which much of Anglo-Jewry had adopted when the Mosleyites harassed them in the 1930s, “had gone for good.” It hadn’t entirely. Older people and established community organs still thought restraining the fascists was the government’s job. “My parents’ attitude was, ‘Keep out of it’,” says Mr Konopinski.

But, beyond using existing police powers to regulate street marches, the Labour government was disinclined to intervene, thinking it imperative to re-establish pre-war civil liberties. The police, meanwhile, were more attuned to threats from the left than the right; some sympathised with the fascists. “Throughout the length and breadth of Britain”, a 43 Group publication railed, “the beast is stirring.”

### Codeword Arnold

From the summer of 1946, its members disrupted the fascists’ activities and closed down their meetings wherever they could (as, sometimes, did communists and other like-minded groups). They asked the police to intervene (they wouldn’t), then heckled and yelled and threw tomatoes or light bulbs. If none of those did the trick, they formed a “flying wedge”, heavies at the front, to drive past the lines of fascist stewards and police protection and get to the speaker who, typically, would be perched on a wooden box.

This was no-platforming in the rawest, most literal sense. “Go for the speaker, turn the platform over,” summarises Mr Konopinski. “Job done.” The job got harder when the speakers began perching on an armoured van known as “the Elephant” (pictured with Mosley on the previous page), so that they had to be bombarded from a distance. On the postcards that summoned the members to operations, the codeword “Arnold” meant all-hands-on-deck.



Courtesy of Jewish Museum

The violence in the resulting skirmishes was grisly. “We didn’t particularly worry about where we hit them, and how we hit them, or what with,” says Mr Konopinski pitilessly. “It’s a great wonder that nobody got killed.” Combatants wielded coshes, belt buckles and cut-throat razors; Mr Kaufman explains that a tightly folded newspaper can be an effective weapon, too. Vidal Sassoon, in his youth a 43 Group stalwart, carried a pair of hairdresser’s scissors; he remembered being called a “dirty Jew bastard” by the police. (A teenage Harold Pinter was also a recruit.) Throughout the summer of 1947 there was a running battle around Ridley Road in now-hip, then-gritty Dalston in east London. “Knuckledusters, lead pipes; 8 arrests”, reported the *Daily Mail* after one scrap.

Intimidating characters were fielded by both sides. The Lipman brothers, two of the victors of Brighton, “were pre-war all-in wrestlers when it was a tough game,” recalls Mr Kaufman. As for the hardscrabble Goldberg twins, says Mr Konopinski, even the Krays, infamous East End hoodlums, “would not go near them”. On one occasion, Maltese gangsters pelted the 43 Group with razor-encrusted potatoes on the fascists’ behalf. The group liaised with Jack “Spot” Comer, a notorious Jewish racketeer, but decided against enlisting him. “I was always scared,” confides Mr Konopinski, “but it’s fear that makes you brave.”

As “We Fight Fascists” entertainingly documents, however, fighting was only part of the technicolour story. The 43 Group published and distributed pamphlets (see picture) and a newspaper, and raised funds to cover hospital bills and legal expenses. When fascists framed Flamberg for attempted murder, he was defended by one of the Nuremberg prosecutors. There was a headquarters in Bayswater and later near Leicester Square, and training in unarmed combat at a Soho gym.

And, using cloak-and-dagger tradecraft that—like the expertise in violence—was a legacy of the war, the group ran surveillance and intelligence operations. One agent rose through the ranks of fascist stewards, tussling with unwitting 43 Group comrades, to become Mosley’s bodyguard (and facilitate the burglary of his paperwork). A female spy became the mistress of a leading fascist. A couple who went undercover together were eventually shipped off to Canada in a hurry. “They all had one thing in common: failure,” the extracted man wrote witheringly of the die-hards he had duped. “They were men and women who had failed to make the grade.”

When, in November 1947, Mosley signalled the formation of a new party, the Union Movement, meant to subsume the bickering fascist cells, the 43 Group’s infiltrators learned the venue for the announcement and the hall was besieged. But the fascist moment, such as it was, was already passing. Austerity slowly abated; the British withdrawal from Palestine in 1948 muted an anti-Semitic rallying cry. Mosley’s new emphasis on pan-European fascist solidarity baffled his followers. Before long the tin-pot movement disintegrated amid acrimony and half-hearted marches.

#### Nasty, brutal and short

Members of the 43 Group drifted away, too. At a time when sacrifice was demanded, and for a cause that seemed to warrant it, many had paid for their commitment in injuries or arrests. In the mêlée at Brighton Mr Konopinski, then apprenticed to a handbag designer, had his nose accidentally “flattened” by a former circus strongman fighting on the same side. In 1949, just before his national service, Mr Kaufman was convicted and fined for his part in a fracas. People were trying to hold down jobs and restart their lives after the war. An organisation boasting perhaps 2,000 members at its peak formally wound up in June 1950. Mark Burman, a BBC producer, met some of its veterans for a radio documentary of 2008; he recalls “silver-haired men who could have been your uncle Morrie, shyly offering up knuckledusters and secret paperwork”. Now they are almost all gone.

Was it all worth it—and was it really necessary? “It was very bloody and very nasty,” reckons Gerry Gable, editor of *Searchlight*, a magazine that keeps track of neo-Nazis, but the 43 Group “basically shut Mosley down”. To its critics, including some in the Jewish community, the group’s bravado merely boosted the fascists’ publicity (if so, comments Mr Sonabend, it was bad publicity, since “the fascists remained associated with street violence and chaos”). A more basic question is whether, in the wake of the war against Hitler, fascism, of all ideologies, was ever likely to become a serious force. In the circumstances, Chuter Ede, the home secretary, thought it safe “to leave these people to the sense of humour of the British people”.

To the 43 Group, in the shadow of the Holocaust, that sounded like classic British complacency. Theirs was a peculiarly traumatised time; but, in different guises, the choices they faced remain sharp and vexed today. When does an opponent become an enemy, and a problem an emergency? When does faith in orthodox politics, even in the rule of law, run out? When is enough enough? “We had to do what had to be done,” insists Mr Konopinski. In the 1960s he helped set up a new organisation to take on the revivified far right. For his part, long after the 43 Group disbanded, Mr Kaufman would sometimes drop into a London bookshop that doubled as a fascist HQ, just to let them know he was there. ■

**The enemy within****John le Carré's 25th novel is blisteringly contemporary**

If “you spy for long enough”, says its hero, “the show comes round again.” Not in Mr le Carré’s stories

Print | Books and arts Oct 17th 2019



Getty Images

**Agent Running in the Field.** By John le Carré. *Viking; 288 pages; \$29 and £20.*

WHEN JOHN LE CARRÉ’S third book, “The Spy Who Came in From the Cold”, was published in 1963, it presented the world of espionage in a harsh new light. Spies were not brave, suave heroes. “They’re a squalid procession of vain fools, traitors too,” explains the flawed and beleaguered protagonist, Alec Leamas. They are “sadists and drunkards, people who play cowboys and Indians to brighten their rotten lives.” The novel preferred intrigue to adventure, gritty reality to escapist fantasy. Readers expecting a finale in which good conquered evil were instead offered convoluted twists and a bleak denouement.

That book redefined the spy novel and relaunched its author’s career. Mr le Carré’s first two novels had been conventional mysteries. From his groundbreaking third onwards, he explored topical conflicts and human duplicity in complex dramas that were rich in cloak-and-dagger machinations and moral ambiguity. His famed “Karla Trilogy” placed that ultimate cold warrior, George Smiley, centre stage.

Since the fall of the Berlin Wall, Mr le Carré’s stories have revolved around latter-day concerns—Russian money-laundering in “Single & Single” (1999), big pharma in “The Constant Gardener” (2001) and extraordinary rendition in “A Most Wanted Man” (2008). Then, in “A Legacy of Spies” (2017), the author (pictured above in 1964) surprised and delighted his readers by bringing back Smiley and other “unsleeping spies of yesterday”, crafting a tale which ingeniously tapped into “The Spy Who Came in From the Cold” and “Tinker Tailor Soldier Spy” (1974).

Two years after his previous book and 58 years after his first—and in the wake of a public spat with a former head of MI6, over the author’s jaundiced depiction of a service for which he once worked—his 25th novel again swaps old characters and exploits for new players and present upheavals. “Agent Running in the Field” is narrated by Nat, a 47-year-old spy for British intelligence—known not as “the Circus” of yore but, more prosaically, as “the Office”.

After years spent handling secret agents overseas Nat has returned to London to take charge of “the Haven”, an “outstation” of the Russia department that doubles as “a dumping ground for resettled defectors of nil value and fifth-rate informants on the skids”. With Florence, his number two, Nat throws himself into Operation Rosebud, which involves the surveillance of a London-based Ukrainian oligarch with links to Russian intelligence. Then Florence unexpectedly resigns and won’t return Nat’s calls. Equally abruptly, the powers-that-be pull the plug on the operation.

The plot thickens. Mr le Carré introduces Russians of various hues, from double agents to mafia kingpins. Operation Rosebud is superseded by the bigger, more fiendish—and, it turns out, politically sensitive—Operation Jericho. Increasingly

sidelined, Nat embarks on a freelance mission to find out what is going on. To decompress he plays badminton with Ed, a “researcher” and loner who is as dissatisfied with his job as he is disillusioned with his country. Ed rails against Brexit (“an unmitigated clusterfuck bar none”) and Donald Trump (“he is presiding over the systematic no-holds-barred Nazification of the United States”). When Ed piques the interest of the Office, Nat finds himself under suspicion. His loyalties are tested.

Other than a brief “wildcat journey” to the Czech Republic, this time Mr le Carré’s lean narrative plays out entirely in London. The menace is subdued and the shock-value low. Unlike another of his late-career works, “Our Kind of Traitor” (2010), this novel ends not with a bang but a whimper. Nevertheless, it is satisfyingly murky and labyrinthine, filled with wrong turns and dead ends. Nat is a sympathetic hero, whether he is sifting sources in his search for answers or fighting to clear his name in a tense interrogation. In stark contrast to the Bush-bashing rants and anti-war diatribes that marred “Absolute Friends” (2003), Ed’s state-of-the-nation commentaries add texture to his character and help justify his actions.

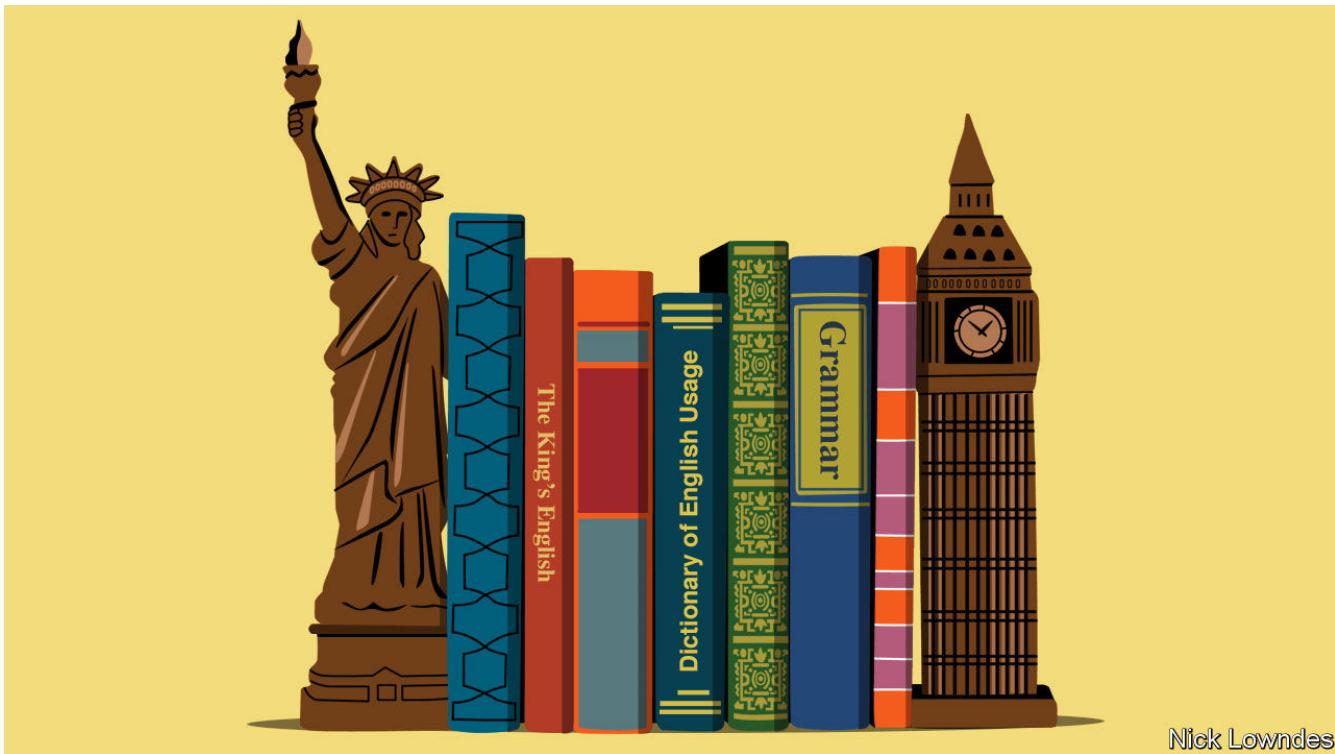
“[I]f you spy for long enough”, Nat says, “the show comes round again.” It doesn’t in Mr le Carré’s novels. He may recycle some tropes and tradecraft but each new book is refreshingly different and uniquely compelling. This is no exception. ■

Johnson

## How America saved old-fashioned English grammar

*Can I get a Coke? Or have I gotten one already?*

Print | Books and arts Oct 17th 2019



IS AMERICA RUINING English or giving it new life? Most of this old transatlantic debate concerns words. Is *elevator* an improvement on *lift*? Why say *transportation* when *transport* will do? Sometimes it involves spelling, specifically the American reforms that made British *centre* into American *center*. Pragmatic change or dumbing down? And, of course, the quickest way to tell a Yank from a Brit is by pronunciation.

But the differences between British and American English go beyond words, sounds and spelling to grammar itself. Here they can be subtle, but they are many: the index of the “Cambridge Grammar of the English Language” mentions regional differences in 95 places. America being the parvenu, most people assume that any variations between the two countries result from American innovation, to the (sometimes mock) horror of Britons. In reality, America has often been the conservative one, and Britain the innovator. When British speakers borrow American habits, they are sometimes unwittingly readopting an older version of their language.

Take the past participle of *get*, which in Britain is *got* and in America *gotten*. To some Britons, American *gotten* is a cute or irritating invention. In fact, it is the older form, which came from Old Norse. “Gotten” appears in a Bible translation of 1535: “Treasures that are wickedly gotten, profit nothinge.” It persisted for centuries before fusing with the past tense, *got*, in Britain. Not that America was entirely conservative; it has a *got* too. But Americans use it differently: “He’s got a car” means he owns one, while “He’s gotten a car” means he has acquired one.

*Get* gets Brits in another expression: “Can I get...?”, now nearly as ubiquitous in London restaurants as it is in Seattle. Part of the British complaint is that the American expression wrongly uses “can” rather than “may”. But possibility often requires permission, which is why the two overlap in meaning. *Can* has been used for permission at least since 1489, according to the Oxford English Dictionary. *May* is in steep decline in America in general, partly as *can* further colonises its role in signalling permission. But it is in almost as stark a retreat in Britain, too. According to one study, *may*’s frequency in British speech declined by 40% between 1961 and 1991. That is well before American influence was magnified by shows such as “Friends”—often blamed for the “Can I get...?” invasion.

In a striking case, a piece of grammar was virtually dead in Britain and moribund in America, before an unlikely revival there and subsequent re-export to the mother country—the subjunctive, as in formulations like “The teacher asks that each student bring [not ‘brings’] a pencil.” In 1926 H.W. Fowler, godfather of English-usage writers, considered this subjunctive “dying” in “A Dictionary of Modern English Usage”, except in archaic phrases such as “so be it” or in “pretentious journalism”.

The subjunctive had also been on its way out in America, but started to reappear in the mid-to-late 19th century, as Lynne Murphy, a linguist, recounts in “The Prodigal Tongue”. No one knows why; theories include greater Bible reading (which would have kept Americans acquainted with older grammar) and immigrants who spoke subjunctive-filled languages. Whatever the reason, the subjunctive stuck out as a Yankeeism, irking British commentators such as Kingsley Amis, a novelist: “Be careful with any American writings, which often indulge in subjunctive forms.”

Yet it is on its way back in Britain, too. British writers still often replace it with the indicative; a recent report on the BBC website reads, “Facebook is determined that the future of the internet is shaped more in Brussels and Berlin than Beijing.” Strictly, the subjunctive requires “*be shaped*” rather than “*is*”. But some Britons have been happy to re-import the habit. The *Guardian* style guide endorses the subjunctive, which “can add elegance to your writing”. This is a slightly odd phrasing—matters of grammar are usually framed in terms of correctness, not elegance—but it is clear the subjunctive is having a second life.

Stereotypes often have a grain of truth. Americans have indeed innovated extensively with English, as with other things. But language never sits still: the British variety itself went on changing after 1776, as all living languages must. Americans, for their part, eagerly import fashionable British slang. Instead of bemoaning new-fangled Americanisms, British observers could spare a thank you to the old colonies for keeping traditional English safe. ■

## Economic and financial indicators

Economic data, commodities and markets

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### Economic data, commodities and markets

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## Economic data

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	Gross domestic product				Consumer prices			Unemployment rate	
	% change on year ago:		2019†	latest	quarter*	% change on year ago:		latest	2019†
	latest	quarter*				latest	2019†		
United States	2.3	Q2	2.2	2.2		1.7	Sep	1.8	3.5 Sep
China	6.2	Q2	6.2	6.2		3.0	Sep	2.7	3.6 Q2§
Japan	1.0	Q2	1.3	1.0		0.2	Aug	1.0	2.2 Aug
Britain	1.3	Q2	-0.9	1.2		1.7	Sep	1.9	3.9 Jul††
Canada	1.6	Q2	3.7	1.6		1.9	Sep	2.0	5.5 Sep
Euro area	1.2	Q2	0.8	1.2		0.8	Sep	1.2	7.4 Aug
Austria	1.5	Q2	-1.4	1.4		1.2	Sep	1.6	4.5 Aug
Belgium	1.2	Q2	0.9	1.2		0.8	Sep	1.8	5.5 Aug
France	1.4	Q2	1.3	1.3		0.9	Sep	1.3	8.5 Aug
Germany	0.4	Q2	-0.3	0.5		1.2	Sep	1.3	3.1 Aug
Greece	1.9	Q2	3.4	1.8		-0.1	Sep	0.8	16.9 Jul
Italy	0.1	Q2	0.3	0.1		0.3	Sep	0.7	9.5 Aug
Netherlands	1.8	Q2	1.6	1.7		2.6	Sep	2.6	4.4 Aug
Spain	2.3	Q2	1.6	2.1		0.1	Sep	0.8	13.8 Aug
Czech Republic	2.5	Q2	3.0	2.6		2.7	Sep	2.7	2.1 Aug‡
Denmark	2.2	Q2	3.6	1.9		0.5	Sep	0.8	3.8 Aug
Norway	-0.7	Q2	1.0	1.5		1.5	Sep	2.3	3.8 Jul†‡
Poland	4.2	Q2	3.2	4.0		2.6	Sep	2.0	5.1 Sep§
Russia	0.9	Q2	na	1.3		4.0	Sep	4.5	4.3 Aug§
Sweden	1.0	Q2	0.5	1.6		1.5	Sep	1.8	7.1 Aug§
Switzerland	0.2	Q2	1.1	0.8		0.1	Sep	0.5	2.3 Sep
Turkey	-1.5	Q2	na	-0.3		9.3	Sep	15.6	13.9 Jul§
Australia	1.4	Q2	1.9	1.8		1.6	Q2	1.5	5.2 Sep
Hong Kong	0.5	Q2	-1.7	0.2		3.5	Aug	3.0	2.9 Aug‡‡
India	5.0	Q2	2.9	5.2		4.0	Sep	3.6	7.2 Sep
Indonesia	5.0	Q2	na	5.1		3.4	Sep	3.1	5.0 Q1§
Malaysia	4.9	Q2	na	4.8		1.5	Aug	0.8	3.3 Aug§
Pakistan	3.3	2019**	na	3.3		11.4	Sep	9.2	5.8 2018
Philippines	5.5	Q2	5.7	5.7		0.9	Sep	2.3	5.4 Q3§
Singapore	0.1	Q3	0.6	0.7		0.5	Aug	0.5	2.2 Q2
South Korea	2.1	Q2	4.2	1.9		-0.4	Sep	0.7	3.1 Sep§
Taiwan	2.4	Q2	2.7	2.4		0.4	Sep	0.5	3.7 Aug
Thailand	2.3	Q2	2.4	2.5		0.3	Sep	1.2	1.0 Aug§
Argentina	0.6	Q2	-1.3	-2.9		53.5	Sep‡	53.4	10.6 Q2§
Brazil	1.0	Q2	1.8	0.8		2.9	Sep	3.8	11.8 Aug§
Chile	1.9	Q2	3.4	2.6		2.1	Sep	2.3	7.2 Aug‡‡
Colombia	3.4	Q2	5.6	3.1		3.8	Sep	3.5	10.8 Aug§
Mexico	-0.8	Q2	0.1	0.3		3.0	Sep	3.6	3.6 Aug
Peru	1.2	Q2	4.1	2.6		1.9	Sep	2.2	6.5 Aug§
Egypt	5.7	Q2	na	5.5		4.8	Sep	8.8	7.5 Q2§
Israel	2.2	Q2	1.0	3.2		0.3	Sep	1.0	3.8 Aug
Saudi Arabia	2.4	2018	na	1.5		-1.1	Aug	-1.1	5.6 Q2
South Africa	0.9	Q2	3.1	0.8		4.3	Aug	4.6	29.0 Q2§

Source: Haver Analytics. \*% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. \*\*Year ending June. ††Latest 3 months. #3-month moving average.

The Economist

## Economic data

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	Current-account balance % of GDP, 2019†	Budget balance % of GDP, 2019†	Interest rates		Currency units	
			10-yr govt bonds latest, %	change on year ago, bp	per \$ Oct 16th	% change on year ago
United States	-2.4	-4.6	1.7	-144	-	
China	1.4	-4.5	3.0	§§	-41.0	7.10
Japan	3.2	-2.9	-0.2	-41.0	109	3.1
Britain	-4.0	-1.8	0.7	-97.0	0.78	-2.6
Canada	-2.3	-0.8	1.6	-95.0	1.32	-2.3
Euro area	2.9	-1.1	-0.4	-88.0	0.90	-4.4
Austria	1.7	0.1	-0.2	-86.0	0.90	-4.4
Belgium	0.1	-1.0	-0.1	-103	0.90	-4.4
France	-0.8	-3.2	-0.2	-104	0.90	-4.4
Germany	6.6	0.5	-0.4	-88.0	0.90	-4.4
Greece	-3.0	0.3	1.4	-284	0.90	-4.4
Italy	2.0	-2.4	1.0	-244	0.90	-4.4
Netherlands	9.7	0.6	-0.3	-90.0	0.90	-4.4
Spain	0.7	-2.3	0.2	-144	0.90	-4.4
Czech Republic	0.5	0.2	1.4	-74.0	23.3	-4.3
Denmark	6.8	1.0	-0.4	-83.0	6.76	-4.7
Norway	6.2	6.6	1.2	-82.0	9.19	-11.3
Poland	-0.6	-2.0	2.0	-122	3.88	-4.6
Russia	7.2	2.1	6.8	-188	64.2	1.9
Sweden	4.4	0.6	-0.2	-89.0	9.81	-9.4
Switzerland	9.3	0.5	-0.6	-75.0	1.00	-1.0
Turkey	-0.2	-2.9	15.3	-306	5.88	-2.2
Australia	-0.1	0.1	1.1	-166	1.48	-5.4
Hong Kong	4.8	0.1	1.5	-99.0	7.84	nil
India	-1.5	-3.5	6.7	-121	71.4	3.0
Indonesia	-2.8	-2.0	7.2	-148	14,169	7.3
Malaysia	4.5	-3.5	3.4	-70.0	4.20	-1.2
Pakistan	-3.5	-8.9	11.3	†††	-70.0	156
Philippines	-1.1	-3.1	4.6	-348	51.6	4.6
Singapore	15.6	-0.3	1.7	-89.0	1.37	nil
South Korea	4.0	0.6	1.5	-85.0	1,188	-5.0
Taiwan	12.0	-1.0	0.7	-25.0	30.7	0.7
Thailand	7.2	-2.8	1.5	-118	30.4	7.4
Argentina	-1.5	-3.7	11.3	562	58.3	-37.6
Brazil	-1.7	-5.7	4.5	-394	4.17	-11.3
Chile	-2.6	-1.3	2.9	-174	719	-6.8
Colombia	-4.4	-2.5	5.9	-117	3,459	-11.7
Mexico	-1.7	-2.7	6.8	-130	19.2	-2.5
Peru	-2.1	-2.0	5.6	64.0	3.37	-1.2
Egypt	-0.9	-6.7	na	nil	16.2	10.4
Israel	2.3	-3.9	0.9	-145	3.53	3.1
Saudi Arabia	1.4	-6.6	na	nil	3.75	nil
South Africa	-4.1	-4.8	8.3	-88.0	15.0	-5.1

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

# Markets

% change on:

In local currency	Index Oct 16th	one week	Dec 31st 2018
<b>United States</b> S&P 500	2,989.7	2.4	19.3
<b>United States</b> NAScomp	8,124.2	2.8	22.4
<b>China</b> Shanghai Comp	2,978.7	1.8	19.4
<b>China</b> Shenzhen Comp	1,635.7	1.6	29.0
<b>Japan</b> Nikkei 225	22,472.9	4.7	12.3
<b>Japan</b> Topix	1,631.5	3.1	9.2
<b>Britain</b> FTSE 100	7,168.0	nil	6.5
<b>Canada</b> S&P TSX	16,427.2	0.3	14.7
<b>Euro area</b> EURO STOXX 50	3,599.3	4.0	19.9
<b>France</b> CAC 40	5,696.9	3.6	20.4
<b>Germany</b> DAX*	12,670.1	4.8	20.0
<b>Italy</b> FTSE/MIB	22,428.1	4.2	22.4
<b>Netherlands</b> AEX	576.9	2.0	18.2
<b>Spain</b> IBEX 35	9,386.7	4.4	9.9
<b>Poland</b> WIG	56,898.4	1.1	-1.4
<b>Russia</b> RTS, \$ terms	1,347.4	2.3	26.4
<b>Switzerland</b> SMI	10,032.5	2.1	19.0
<b>Turkey</b> BIST	94,137.2	-5.5	3.1
<b>Australia</b> All Ord.	6,843.2	2.6	19.9
<b>Hong Kong</b> Hang Seng	26,664.3	3.8	3.2
<b>India</b> BSE	38,599.0	1.1	7.0
<b>Indonesia</b> IDX	6,169.6	2.3	-0.4
<b>Malaysia</b> KLSE	1,574.9	1.5	-6.8
<b>Pakistan</b> KSE	34,281.1	2.3	-7.5
<b>Singapore</b> STI	3,134.7	1.5	2.1
<b>South Korea</b> KOSPI	2,082.8	1.8	2.0
<b>Taiwan</b> TWI	11,162.8	2.5	14.8
<b>Thailand</b> SET	1,634.5	1.1	4.5
<b>Argentina</b> MERV	30,759.2	1.4	1.5
<b>Brazil</b> BVSP	105,422.8	4.1	20.0
<b>Mexico</b> IPC	43,538.5	2.4	4.6
<b>Egypt</b> EGX 30	14,209.2	0.2	9.0
<b>Israel</b> TA-125	1,569.3	2.4	17.7
<b>Saudi Arabia</b> Tadawul	7,518.4	-2.6	-3.9
<b>South Africa</b> JSE AS	56,090.5	3.2	6.4
<b>World, dev'd</b> MSCI	2,195.3	2.7	16.5
<b>Emerging markets</b> MSCI	1,024.1	3.1	6.0

## US corporate bonds, spread over Treasuries

		Dec 31st
Basis points	latest	2018
<b>Investment grade</b>	163	190
<b>High-yield</b>	507	571

Sources: Datastream from Refinitiv; Standard & Poor's Global Fixed Income Research.

\*Total return index.

## Commodities

The Economist commodity-price index				% change on	
	2005=100	Oct 8th	Oct 15th*	month	year
<b>Dollar Index</b>					
All Items	135.2	136.4	1.6	-3.4	
Food	147.1	148.9	3.6	1.3	
<b>Industrials</b>					
All	122.8	123.4	-0.9	-8.8	
Non-food agriculturals	110.1	111.7	-1.6	-11.0	
Metals	128.2	128.5	-0.6	-7.9	
<b>Sterling Index</b>					
All items	201.3	194.2	-1.1	-0.1	
<b>Euro Index</b>					
All items	153.4	153.7	1.7	1.3	
<b>Gold</b>					
\$ per oz	1,502.9	1,480.8	-1.6	20.6	
<b>West Texas Intermediate</b>					
\$ per barrel	52.6	52.8	-11.0	-26.6	

Sources: CME Group; Cotlook; Darmenn & Curl; Datastream from Refinitiv; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. \*Provisional.

The Economist

## Graphic detail

### Alcohol and health

A sober brawl

A sober brawl

## Alcohol firms promote moderate drinking, but it would ruin them

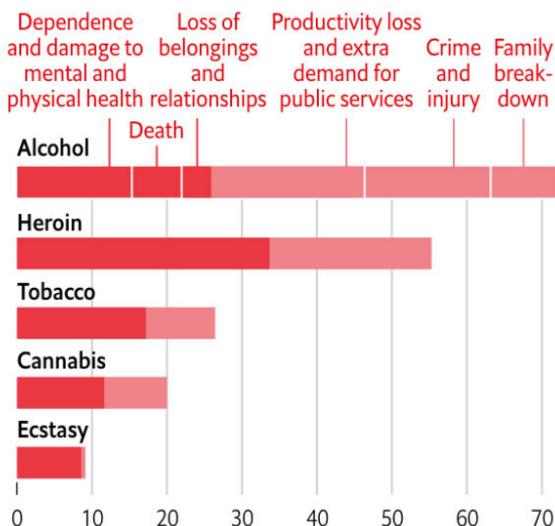
Governments are growing more suspicious of Big Booze

[Print](#) | [Graphic detail](#) Oct 19th 2019

→ Because alcohol is omnipresent, it causes more harm than illegal drugs do

Drug harm score, out of 100  
Britain, selected drugs, 2010

Harm to users  
Harm to others

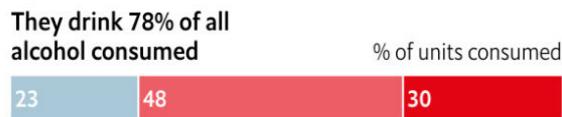
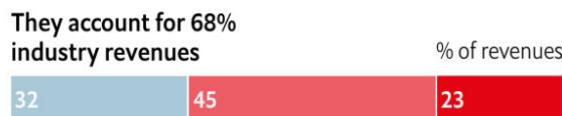
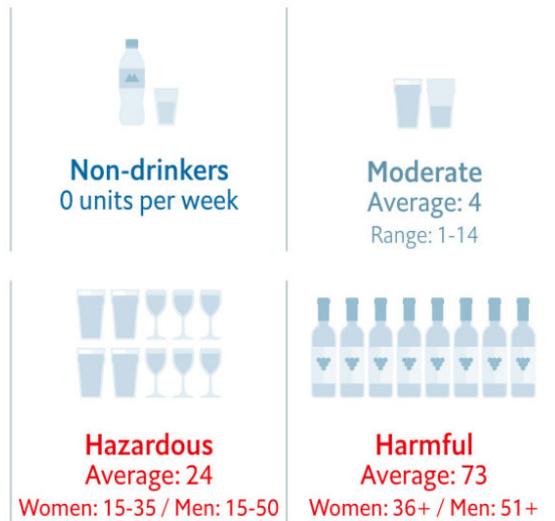


OF ALL THE substances people intoxicate themselves with, alcohol is the least restricted and causes the most harm. Many illegal drugs are more dangerous to those who use them, but are relatively hard to obtain, which limits their impact. In contrast, alcohol is omnipresent, so far more people suffer from its adverse effects. In 2010 a group of drug experts scored the total harm in Britain caused by 20 common intoxicants and concluded that alcohol inflicted the greatest cost, mostly because of the damage it does to non-consumers such as the victims of drunk drivers.

No Western country has banned alcohol since America repealed Prohibition in 1933. It is popular and easy to produce. Making it illegal enriches criminals and starts turf wars. In recent years governments have begun legalising other drugs. Instead, to limit the harm caused by alcohol, states have tried to dissuade people from drinking, using taxes, awareness campaigns and limits on where, when and to whom booze is sold.

## → Alcohol firms depend financially on problem drinkers' dependency

**Alcohol consumption, Britain**  
2013-14, units\* per week



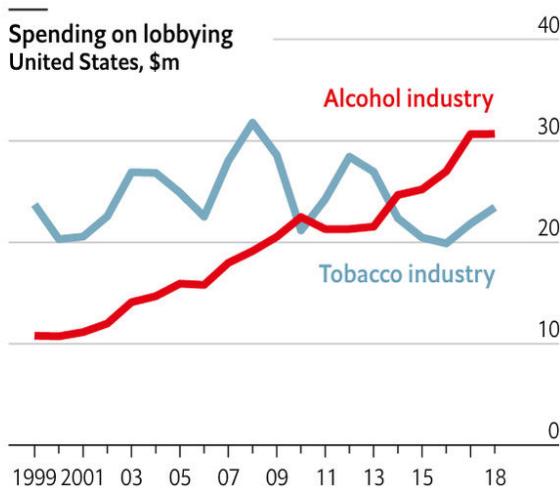
Price increase needed to offset revenue loss, if everyone drank within health guidelines



The alcohol industry has pitched itself as part of the solution. In Britain more than 100 producers and retailers have signed a “responsibility deal” and promised to “help people to drink within guidelines”, mostly by buying ads promoting moderation. However, if these campaigns were effective, they would ruin their sponsors’ finances. According to researchers from the Institute of Alcohol Studies, a think-tank, and the University of Sheffield, some two-fifths of alcohol consumed in Britain is in excess of the recommended weekly maximum of 14 units (about one glass of wine per day). Industry executives say they want the public to “drink less, but drink better”, meaning fewer, fancier tipples. But people would need to pay 22-98% more per drink to make up for the revenue loss that such a steep drop in consumption would cause.

Health officials have taken note of such arithmetic. Some now wonder if Big Booze is sincere in its efforts to discourage boozing. In 2018 America’s National Institutes of Health stopped a \$100m study of moderate drinking, which was partly funded by alcohol firms, because its design was biased in their products’ favour. And this year the World Health Organisation and England’s public-health authority banned their staff from working with the industry.

→ The alcohol industry now outspends tobacco on lobbying



Producers are ready to fend off regulators. In 1999 alcohol firms invested half as much on lobbying in America as tobacco firms did. Today they spend 31% more. ■

Sources: “Drug harms in the UK: a multicriteria decision analysis” by D. Nutt et al., *The Lancet*; “How dependent is the alcohol industry on heavy drinking in England?” by A. Bhattacharya et al., *Addiction*; Centre for Responsive Politics; NHS

## Alexei Leonov

The blue of Earth

The blue of Earth

### Obituary: Alexei Leonov died on October 11th

*The first man to walk in space, and to create art there, was 85*

[Print](#) | [Obituary](#) Oct 17th 2019



Getty Images

CLIMBING FROM the open airlock of *Voskhod-2*, Alexei Leonov felt quite calm. He was cool-headed, focused. This often disappointed people. "What!" they would exclaim. "The door into the universe had been opened, and you felt nothing?" They forgot that he had been through all that training at the Star City cosmonaut school, jumping into deep water, acrobatics, and the rest. They forgot that his head was full of data and instructions. All the same, as he released one hand, then one foot, then the whole of him, until only a 5.5-metre rope held him to the world of men, he could feel a smile starting on his face and spreading. He was calm mostly because he was enthralled. He spread his bulky suited arms, kicked his legs and floated, free. In the silence he could hear only his heartbeat and his heavy breathing. Stars were all around him against a coal-black sky. They did not blink.

Below him, 500km below, lay the Black Sea. He knew it well, not only as a Russian patriot, but because he had visited its shores dozens of times. Now, on March 18th 1965, he saw it whole, gun-metal grey, with a tiny dot of a ship on it that seemed caught from all sides in a flow of light. He too was a dot, a grain of sand in the near-blinding dazzle of the unobscured sun. It came through his visor like a welder's torch. He saw the Earth revolve, the only moving thing apart from himself. What struck him most forcibly was how round it was, how beautiful, and how blue.

His reverie ended in near-disaster. In the vacuum of space his space suit expanded, until he could not get back into the craft without bleeding it of oxygen. Moreover, in minutes, the craft's orbit would take it into total darkness. Training kicked in; he kept his nerve and at last, drenched in sweat, tumbled head-first back through the airlock. Then the craft's re-entry went wrong. The guidance system failed and they had to steer manually, bumping down in a snowy forest 1,600km from the landing site. They waited two nights to be rescued, wondering whether bears or wolves would get them first. Yet the elation did not leave him. Partly this was because the mishaps were officially hushed up, leaving only his triumph. And there were other reasons.

First, he had survived. Astonishingly, he always did when danger felt his collar. His car flipped over on a frozen lake, and he didn't drown. In 1969 he got caught in a hail of bullets when he was riding in a motorcade behind Leonid Brezhnev, then

Soviet leader; four passed through his coat, but not through him. In 1971 he was bumped from the *Soyuz 11* flight to the *Salyut 1* space station, and was furious, but the craft opened prematurely on re-entry, and the crew died. The space-walk was another brush with annihilation from which he emerged, just about, in one piece.

It had also affected him in a particular way. He had gone on this mission not just as a cosmonaut, but as an artist, self-taught from childhood, when he had painted pictures on the white stoves of his neighbours in the remote Siberian village where his parents farmed. A passion to be a fighter pilot, then a cosmonaut, diverted him from that, but he preserved his insatiable love of looking at things. Whether it was odd alleyways in a town, or random birds and mushrooms on a hunting trip, he was always lagging behind, appreciating them. One of his pilot-training photos showed him, in full uniform, lying in a clover field to gaze tenderly at a stem of flowering grass. Now he had seen the colours of space.

He had prepared for it, he thought, taking a sketch pad and crayons onto *Voskhod-2*. Yet nothing could have prepared him. There were so many more colours than on Earth, and so much brighter. Onboard he sketched the sunrise, with its astonishing sharp luminescence of red, green and yellow against the black and the blue. When Yuri Gagarin, the first man in space and his best friend from cosmonaut training, the short handsome foil to his tall, fair, bland-faced self, came on the radio during the walk to ask how "Artist" was, he simply said: "I can see so very much."

Undoubtedly he had to mention that blue if, as he hoped, he spoke to Earth as the first man standing on the Moon. He trained hard for that, mostly by using helicopters as mock lunar-landing craft, but the Soviet plans struck him as downright dangerous. In any case, in the space race that consumed the world's two great powers for almost two decades, the Americans nosed past in 1969 with the *Apollo 11* landing. He watched it, one of the few Russians allowed to, his heart pounding with anxiety for the crew. Six years later, during a brief thaw in the cold war, he found himself training in Houston with Americans, larking around in a Stetson like a cowboy. On the joint *Soyuz-Apollo Test Project* that followed he and Tom Stafford bear-hugged in the docking tunnel between their craft, the first international handshake in space. Later he and his new friends, whom he kept for life, drank each other's health in borscht which he had led them to believe was vodka. Space was not a place where men should be anything but brothers.

Whenever he had time, from his first training into his retirement, he painted at his easel. Two subjects in particular he kept returning to. One was the air crash in 1968 that killed Gagarin, which he later officially investigated. He had been among the first to get to that awful scene of wreckage and snow, with the tops of the birch trees torn off by the impact. He had had to identify his friend's body. Death had never seemed closer, or so terrible.

Yet so far as there could be comfort, it came from his other constant subject, his walk in space. Beside the lovingly rendered module he floated again, sometimes with his hands out like an explorer, sometimes simply swimming, with his tether slack around him. Beyond him the sun blazed, a spotlight with a star's red aura round it; behind and below him lay Earth's blue. It was straight-out-of-the-tube blue, improbably bright. But that was what he had seen—and seen directly, out in empty space. ■