

# The Economist

Trump and the caravan

How to protect Brazil's democracy

The case against gender self-ID

Drone deliveries take off

OCTOBER 27TH–NOVEMBER 2ND 2018

# Aussie rules

What Australia can teach the world



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# The world this week

## Politics this week

### Politics this week

Print edition | The world this week Oct 27th 2018



AP

Some 7,000 **Central American migrants** travelling together towards America entered Mexico from Guatemala, despite an attempt by Mexican police to stop them. The “caravan” originated in the Honduran city of San Pedro Sula and grew as it progressed. President Donald Trump suggested, without evidence, that the Democrats had a hand in organising it and that “criminals and unknown Middle Easterners” are part of the group. America’s mid-term elections are on November 6th. See [article](#).

**Julian Assange**, a co-founder of WikiLeaks, sued **Ecuador**, whose embassy in London has given him comfortable refuge since 2012. WikiLeaks accuses Ecuador of blocking his communications. The embassy has also told him to take better care of his cat. Mr Assange originally entered the building to avoid extradition to Sweden to face sexual-assault charges that have since been dropped. He still fears extradition to America for publishing its secrets.

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#### Arms and the man

Donald Trump announced that America would withdraw from an **arms-control treaty** with Russia that banishes short- and mid-range nuclear missiles from Europe. The treaty was signed in 1987 by Mikhail Gorbachev and Ronald Reagan. America accuses Russia of developing a missile system that breaks its terms, which Moscow denies. Mr Trump and Vladimir Putin are to meet on November 11th; the topic is sure to come up. See [article](#).

Packages containing suspected pipe-bombs were sent to some leading **Democrats**, including the Clintons and the Obamas, and to George Soros, a billionaire philanthropist who backs progressive causes.

The Justice Department filed criminal charges against a woman for her alleged role in a **Russian conspiracy** to “sow discord” in American elections, including the mid-terms. The woman, based in St Petersburg, is said to be the accountant for a disinformation project backed by a pro-Putin Russian oligarch. It is claimed she disbursed money for activists, advertisements on social media and “promoting news postings on social networks.”

#### The skin of its teeth

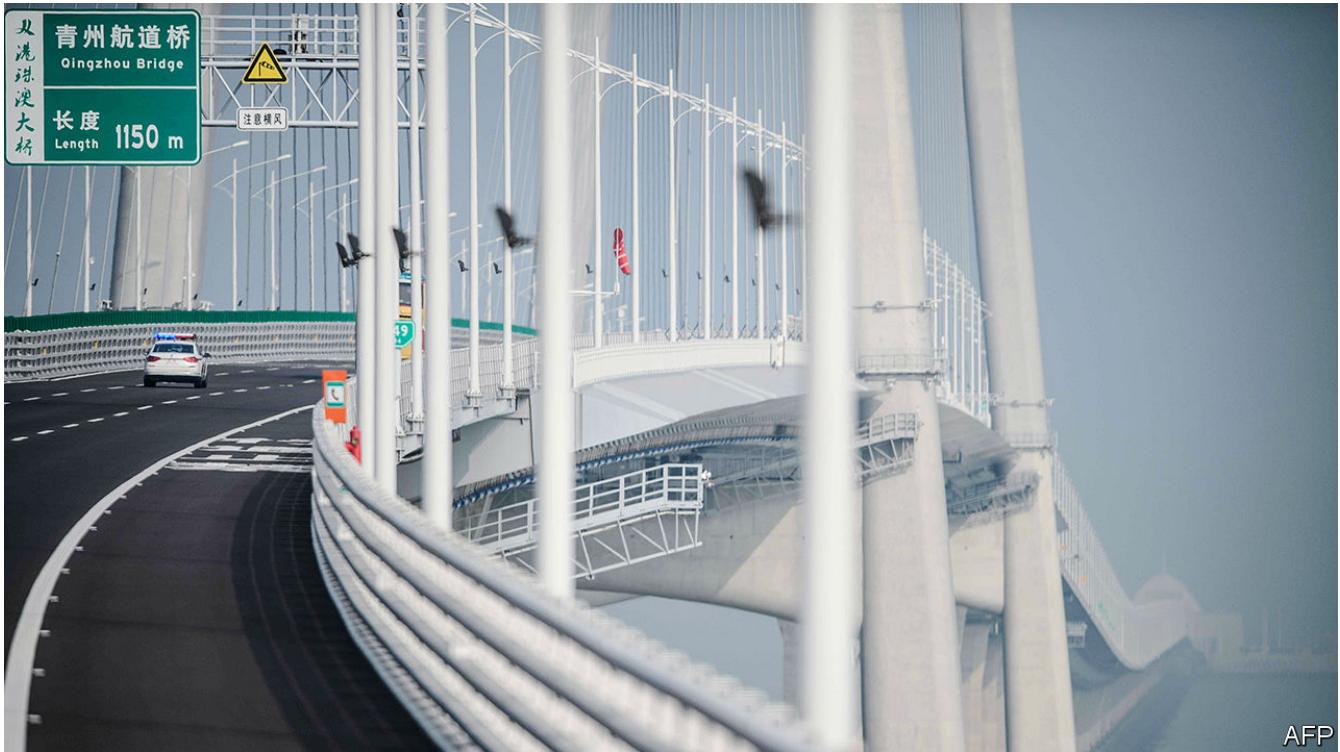
**Australia’s** Liberal Party lost a by-election for a seat in Sydney that had been held by Malcolm Turnbull, who was ousted as prime minister by his party in August. That means the governing coalition has lost its one-seat majority in Parliament and will have to depend on independent MPs to survive any vote of no confidence. See [article](#).

**Afghanistan** held its first parliamentary election in eight years. Less than a third of potential voters registered and only half of those turned out, largely for fear of being killed by jihadists. At least 50 people were murdered by the Taliban, which had warned people not to vote. See [article](#).

Thousands of people marched through Taipei, the capital of **Taiwan**, calling for a referendum on whether to declare official independence from China. Such a move would infuriate the Chinese government in Beijing.

**Pakistan** secured a \$6bn loan from Saudi Arabia to bolster its depleted foreign reserves. The country has also turned to the IMF for help.

Nguyen Phu Trong, the head of **Vietnam's** Communist Party, consolidated his grip on power, as he was sworn in as the country's new president. Trong received 99.8% of the vote in the rubber-stamp parliament (he was the only name on the ballot) and is the first person to hold both jobs since Ho Chi Minh in the 1960s.



AFP

China's president, Xi Jinping, opened the **world's longest sea bridge**. Costing \$20bn, the 55km (34-mile) Hong Kong-Zhuhai-Macau Bridge spans the Pearl river estuary and is part of a government plan to integrate the region's cities into one giant economic and transport hub. See [article](#).

### Who gave the order?

Muhammad bin Salman, the crown prince and effective ruler of **Saudi Arabia**, distanced himself from the killers of Jamal Khashoggi, after the kingdom at last admitted that he had been murdered in the Saudi consulate in Istanbul. The killing has harmed Saudi relations with Turkey and prompted Germany to halt arms sales to the country. See [article](#).

King Abdullah of **Jordan** said he will not renew Israel's 25-year lease over two areas bordering the two countries. The leases had been granted as part of Jordan's peace treaty with Israel in 1994.

A Japanese journalist abducted three years ago in **Syria** was freed by his captors. Jumpei Yasuda is thought to have been held by the Nusra Front, a group linked to al-Qaeda that has kidnapped foreigners for ransom in the past.

At least 55 people were killed in fighting between farmers and herders in **Nigeria**, underscoring the poor state of security in many parts of the country ahead of a presidential election scheduled for February.

Rebels in the **Democratic Republic of Congo** killed at least 15 people in an area affected by an outbreak of Ebola. The attack threatens to disrupt efforts to contain the virus.

Paul Biya, who has ruled **Cameroon** since 1982, was declared the winner of a presidential election marred by violence and a low turnout in the country's two English-speaking regions.

### Heading for a showdown

The European Commission in Brussels rejected **Italy's** budget. It calls for a 2.4% deficit this year, which, given the size of Italy's debt, is not considered sustainable. The Italian government has been given three weeks to revise it, or face sanctions. In Rome, Matteo Salvini, one of the leaders of the populist coalition government, said he would not alter the budget. See [article](#).

**Germany** warned its citizens visiting Turkey to be cautious about their social-media feeds, following several cases of Germans being arrested for criticising the Turkish president, Recep Tayyip Erdogan.



Getty Images

In the biggest demonstration in **Britain** since the start of the Iraq war, an estimated 700,000 people took to the streets of London to call for a “People’s Vote” on the final Brexit deal. Britain has been divided for two years over the outcome of the referendum to leave the EU. A much less publicised march took place in Harrogate to “save Brexit” and attracted a much smaller crowd.

## Business this week

Print edition | The world this week Oct 27th 2018

**Stockmarkets** had another rocky week. The NASDAQ index recorded its biggest one-day decline in more than seven years and the Dow Jones Industrial Average fell below the level at which it started the year. A co-ordinated confidence-boosting effort by senior government officials in China pledging support for markets helped its stockmarkets chalk up their biggest single-day gains in almost three years. But the positive sentiment soon evaporated. See [article](#).

### The tiger's tail

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**China's economy** grew by 6.5% in the third quarter, year on year. That was the slowest pace since early 2009, in the depth of the financial crisis. The figure does not yet fully reflect the trade war with America, because the largest portion of tariffs imposed on Chinese exports came into effect only in late September. More penalties are due to be implemented in January. See [article](#).

**Deutsche Bank** released disappointing quarterly earnings. The German bank recorded sharp declines in sales and trading revenue compared with the same three months last year, a contrast to the increased income reported by American investment banks. Net profit fell by 65%, to €229m (\$266m). Christian Sewing, who took over as chief executive in April, insisted that the bank would make its first annual profit since 2014.

The state of New York filed a lawsuit against **ExxonMobil**, claiming that it misled investors about the risk that regulations on climate change posed to its business. The suit alleges that the oil company "built a façade to deceive" how it measured the risk and frequently did not apply the "proxy cost" of carbon, which accounts for expected future events, to its decisions.

A judge in California slashed the amount in total damages—from \$289m to \$78m—awarded by a jury to a school groundsman who claims his cancer was caused by Roundup, a weedkiller made by Monsanto. But the judge refused to order a retrial, a blow to **Bayer**, the German chemical conglomerate that took over Monsanto this year. Bayer's share price swooned after the ruling. It is to appeal against the decision.

### PR offensive

**Facebook** appointed **Sir Nick Clegg** as its new head of global affairs. The former British deputy prime minister said he wanted "to build bridges between politics and tech", which will involve a lot of shuffling between Silicon Valley, Washington and Brussels. Some hope he has better luck in the job than as leader of the Liberal Democrats, who saw their support collapse after he reneged on a promise not to increase university tuition fees.

Hoping it can overcome a costly industrial dispute that has helped wipe 40% off its market value this year, **Air France- klm** signed a pay deal with three-quarters of its staff, which meets a threshold for the agreement to become binding and implemented. Although the main pilots' union withheld its support, the deal is a significant success for Ben Smith, the airline's new Canadian chief executive.

Also hit by a wave of strikes this year, **Ryanair** said its pre-tax profit fell by 9% in the six months to September 30th, to €1.3bn (\$1.5bn). Europe's biggest low-cost airline has had to contend with the rising price of oil. Despite heavy hedging, its fuel costs were up by a fifth.

**Tesla** reported a surprise, and rare, quarterly profit, of \$312m. The electric-car maker also pleased its dogged investors by improving its cashflow, which bolsters its argument that it doesn't need to turn to the markets to raise funds. Its Model 3 was the best-selling car in America by revenue and the fifth by volume. With its usual gift for understatement, Tesla described the quarter as "truly historic".

### For the defence

**at&t** lost a further 346,000 video subscribers in the latest quarter. The migration of satellite-TV customers to online-streaming broadcasters, such as Netflix, was the rationale behind AT&T's takeover of Time Warner (since rebranded as WarnerMedia). That business reported a rise in sales in the quarter to \$8.2bn, boosted by blockbuster films such as "Crazy Rich Asians".

In its first big deal since Mike Manley took over as chief executive after the death of Sergio Marchionne, Fiat Chrysler Automobiles said it was selling **Magneti Marelli**, its components subsidiary, to **Calsonic Kansei** for €6.2bn (\$7.1bn). Calsonic is owned by KKR, a private-equity firm.

**Dyson**, a British manufacturer best known for its cordless vacuum-cleaners, selected Singapore as the site for a new factory in its expansion into electric vehicles. The company stressed that its choice had nothing to do with Brexit. Sir James Dyson, the company's founder and a strong supporter of Brexit, once described the idea that no one would trade with Britain once it left the EU as "absolute cobblers".

## KAL's cartoon

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Australia

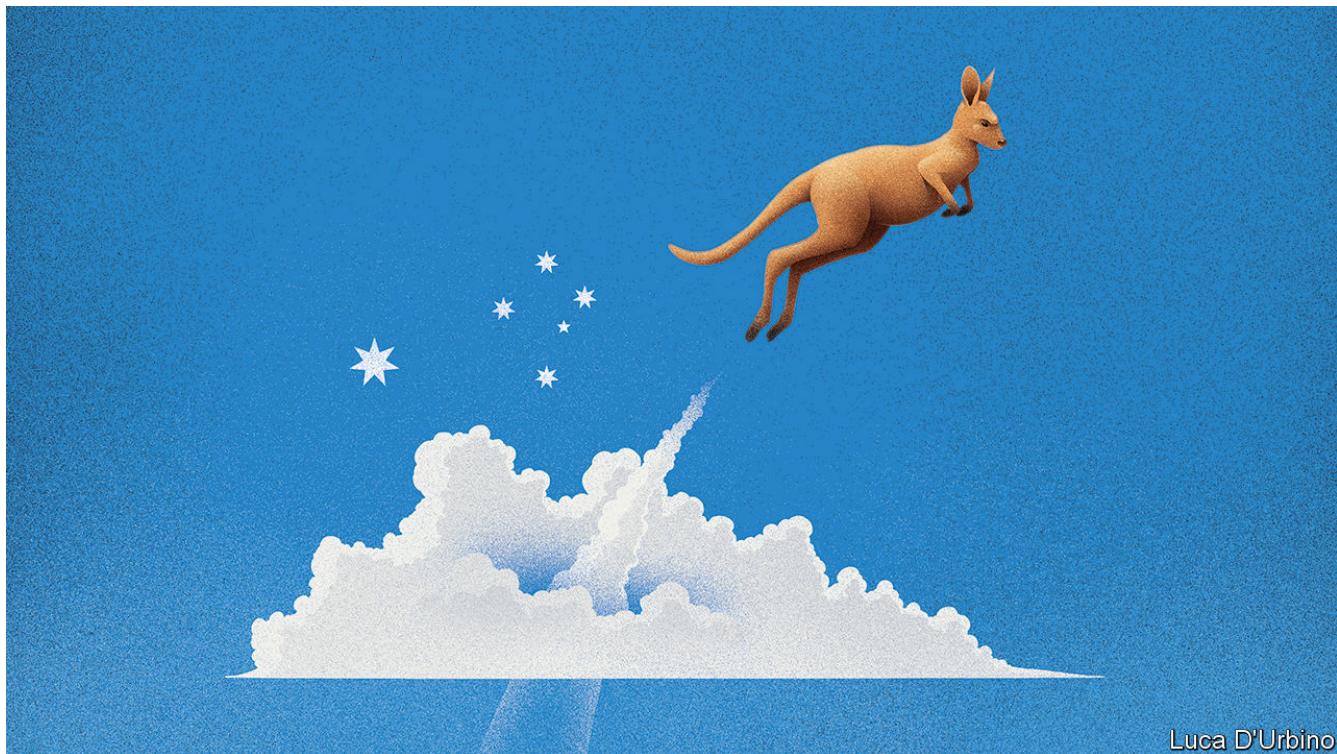
Aussie rules

Aussie rules

## What the world can learn from Australia

*It is perhaps the most successful rich economy*

Print edition | Leaders Oct 27th 2018



Luca D'Urbino

**W**HAT IS THE biggest problem facing America? Or Japan? Or Britain? Or France? Opinions vary, naturally, but some worries crop up again and again. Those of a materialist bent point to decades of slow growth in median incomes, which has bred disillusion and anger among working people. Fiscal hawks decry huge public debts, destined to grow even vaster as ageing populations rack up ever bigger bills for health care and pensions. Then there is immigration, which has prompted a furious populist backlash in the United States and all over Europe. That hints at what, for many, is the most alarming trend of all: the lack of any semblance of a political consensus about how to handle these swelling crises.

Rising incomes, low public debt, an affordable welfare state, popular support for mass immigration and a broad consensus on the policies underpinning these things—that is a distant dream in most rich countries. Many Western politicians could scarcely imagine a place that combined them all. Happily, they do not have to, because such a country already exists: Australia (see our [special report](#)).

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Perhaps because it is far away from everywhere, or has only 25m inhabitants, or is seen mainly as a habitat for cuddly marsupials, it attracts relatively little attention. But its economy is arguably the most successful in the rich world. It has been growing for 27 years without a recession—a record for a developed country. Its cumulative growth over that period is almost three times what Germany has managed. The median income has risen four times faster than in America. Public debt, at 41% of GDP, is less than half Britain's.

Luck has had a hand in these feats, to be sure. Australia is blessed with lots of iron ore and natural gas, and is relatively close to China, which hoovers up such things. But sound policymaking has helped, too. After the last recession, in 1991, the government of the day reformed the health-care and pensions systems, requiring the middle class to pay more of its own way. The result is that Australia's government spends just half the OECD average on pensions as a share of GDP—and the gap will only widen in the years ahead.

Even more remarkable is Australia's enthusiasm for immigration. Some 29% of its inhabitants were born in another country—twice the proportion in the United States. Half of Australians are either immigrants themselves or children of immigrants. And the biggest source of immigrants is Asia, which is fast changing the country's racial mix. Compare that with America or Britain or Italy, where far smaller inflows have generated hostility among a big portion of the electorate—or Japan, where allowing foreigners to settle in any numbers is a political taboo. In Australia both main parties argue that admitting lots of skilled migrants is essential to the health of the economy.

These achievements are not without their flaws. The private investment funds through which Australians are obliged to save for their retirement have been charging excessive fees, leaving pensioners poorer than they should be. And as welcoming as Australia is to immigrants arriving through normal channels, it treats those who try to come by boat without the proper paperwork with unnecessary severity, packing them off to remote islands in the Pacific where even legitimate refugees have been left to rot for years.

Moreover, there are reforms that Australia should be undertaking and is not. Aboriginal Australians suffer from enormous disadvantages, which a succession of governments has barely dented. Global warming is clearly causing grave damage—droughts have become more frequent and more severe, among other dismal consequences—yet Australia has done almost nothing to curb its emissions of greenhouse gases.

Nonetheless, Australia's example shows that reforms considered impossible elsewhere are perfectly achievable. Democrats in America assail most proposals to restrain the rising costs of public pensions or health care as tantamount to throwing grannies off a cliff; in Australia it was the left that pioneered such policies. The Labor Party sold obligatory private pensions to unions as an increase in benefits, since it is technically employers who are required to make regular payments into investment funds on their workers' behalf. The party also made sure to retain a basic public pension, which is paid only to those who have not managed to build up adequate personal savings.

By the same token, it is quite possible to maintain popular support for mass immigration, even from culturally dissimilar places. But it is essential to give voters the sense that their borders are properly policed and that there is no free-for-all (see next leader). Again, bipartisanship is important. It was a right-wing government that first allowed immigration from Asia on a big scale, admitting lots of refugees from Vietnam in the 1970s.

Australia's political system rewards centrism. All eligible citizens must vote, by law, and those who might not bother to turn out otherwise tend to plump for mainstream parties. There is no need to rally supporters to the polls by pandering to their prejudices. Since everyone has to show up, politicians focus instead on winning over the wavering middle. The system of preferential voting, whereby Australians rank candidates in order of choice, rather than picking just one, also exerts a moderating influence.

### **Killing the goose**

The irony is that, just as the benefits of this set-up are becoming so obvious, Australians appear to be growing disenchanted with it. Voters express growing doubts about the effectiveness of government. It has not cost the two main parties many seats, thanks to the electoral system, but their vote-share has fallen by 20 percentage points since the 1980s. Politicians, conscious of voters' disgruntlement, have also become increasingly febrile. They are constantly turfing out prime ministers, in the hope that a new face will boost their party's standing with the electorate. Some in the ruling Liberal Party, although not the current prime minister, have begun to call for a reduction in immigration, undermining decades of consensus. Ambitious reforms have become rare. The rest of the world could learn a lot from Australia—and Australians could do with a refresher course, too.

*This article appeared in the Leaders section of the print edition under the headline "Aussie rules"*

Caravan of guff

## Donald Trump is wrong about Honduran migrants. The Democrats are incoherent

*It is not enough to decry the president's lies. Democrats need to offer a pragmatic border policy*

Print edition | Leaders Oct 27th 2018



AFP

ACCORDING TO President Donald Trump, the “caravan” of migrants trudging north towards the United States represents “an assault on our country”. He adds that among the thousands of Central American pedestrians are criminals, gangsters and Middle Eastern terrorists. He hints that the entire spectacle was funded by Democrats. When he vows to send troops to the border to keep the migrants out, his supporters cheer.

Much of what Mr Trump says is untrue, or at least unsubstantiated. As our correspondent in Tapachula reports (see article), the migrants in the caravan are mostly ordinary Hondurans who would rather live somewhere peaceful and rich than poor and violent. There is no evidence of Middle Easterners among them, or an unusual number of criminals. Nor is there a shred of evidence that Democrats had anything to do with organising the exodus. Why would they? The idea of a caravan was first popularised by a Honduran activist, and snowballed. It is easy to see why. Life is much better in the United States than in Honduras. And the journey, overland through Guatemala and Mexico, is dangerous. Migrants have often been robbed or beaten up along the way. Travelling in a large group makes that less likely. Small wonder that so many Hondurans, on hearing that the caravan was passing, decided to join it.

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While Mr Trump inflames the issue, Democrats are ducking it. With the mid-terms approaching, they refuse to clarify how they think America should deal with the caravan when it arrives. Should it let the migrants in or not? One or two Democrats in conservative districts say they back the president’s long-promised, never-delivered plan to build a wall. The party’s left wing talks of abolishing the Immigration and Customs Enforcement agency—a fatuous slogan. Party leaders try to change the subject to health care. This is not good enough.

If Democrats want to win in November, they cannot just waffle on the topic that is dominating American television screens. They need to persuade voters that they are serious about controlling America’s borders; only then can they make the case for admitting more people. They should start by conceding that Mr Trump, though he lies about the details, has got one big thing right. America cannot let people in simply because they arrive in a crowd. The law must be applied impartially to everyone.

Democrats should offer to regulate migration soberly and pragmatically. It would make a change. Mr Trump has failed to pass new laws to restrict the number of immigrants. But he has raised countless bureaucratic hurdles to stop students and skilled legal immigrants from settling, even though American dynamism and innovation depend on them. He has made family reunions harder and less predictable. And he has reduced the number of refugees admitted each year by three-quarters, to a

miserly one for every 14,500 Americans. (Relative to its population, cash-strapped Lebanon is host to 3,600 times as many.) It may be that hardly anyone in the caravan qualifies for asylum—Honduras is not at war. And Mexico, as the first more-or-less safe country they reach, ought to take its fair share. But all those who apply for refugee status deserve a hearing.

America is hardly being submerged by illegal immigrants. The estimated number in the country has fallen since 2008. Apprehensions at the border are less than half what they were in the early 2000s. Mass deportations that began under Barack Obama have continued under Mr Trump, albeit with more ostentatious cruelty. The border is as secure as a 3,000km land frontier between a rich country and a developing one can reasonably be. America can pick whom it lets in, welcoming much-needed fruitpickers and care assistants as well as entrepreneurs and coders. But Mr Trump rejects the idea that made America great in the first place—that anyone can become American. If Democrats cannot hammer him for that, they do not deserve to win.

*This article appeared in the Leaders section of the print edition under the headline "Caravan of guff"*

Brazil's elections  
**Containing Jair Bolsonaro**

*A president with authoritarian instincts must be challenged by a united democratic opposition*

Print edition | Leaders Oct 27th 2018



AFP

**B**RASILIANS FACE an awful choice. One candidate in the presidential run-off on October 28th is Jair Bolsonaro, a seven-term congressman who venerates dictators and guns, goads police to kill suspected criminals, threatens to banish opponents and belittles women, blacks and gays. His rival is Fernando Haddad, the nominee of the leftist Workers' Party(PT). Its 13 years in power, from 2003 to 2016, ended in a self-inflicted economic depression and revelations that the party encouraged bribery on an unprecedented scale, in part to prolong its hold on power.

Dilma Rousseff, a PT president, was impeached in 2016 for hiding the true size of the budget deficit. Crime continued to rise after she left office. Nearly 64,000 people were murdered in Brazil last year, a record number. Understandably, Brazilians are enraged. They now look poised to elect Mr Bolsonaro, a populist with authoritarian instincts, as their president.

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That such a man will probably lead Latin America's largest country is a tragedy. If it happens, it will be because Brazil's political class has failed the country's people. Some of the corruption was orchestrated by the PT, but almost all parties took part in it. Today's crime and economic stagnation are a consequence of a dangerously indebted state that is at once too big and too feeble to provide adequate policing, education and other public services. Nearly all politicians share the blame for that.

Mr Bolsonaro's probable election will pose a new challenge: ensuring that a president with autocratic impulses does not subvert Brazil's democracy. It is critical that politicians of all ideologies rise to the occasion. But they cannot forget about the old problems. If Mr Bolsonaro puts forward good ideas for fixing the economy and controlling corruption, he should get help.

Brazil is a relatively young democracy; dictatorial rule ended in 1985. But it is not a weak one. Although Brazilians view congress as a corruption-ridden collection of rent-a-parties, it is not a rubber stamp. It has impeached two presidents in the democratic era and can provide a vital check on Mr Bolsonaro. The judiciary has shown its independence over the past four years through the Lava Jato (Car Wash) investigations. These have implicated scores of politicians and led to the jailing of the PT's leader, Luiz Inácio Lula da Silva, a former president. The press is already challenging Mr Bolsonaro, which is why, like Donald Trump, he accuses it of spreading fake news.

Such institutions can thwart some of Mr Bolsonaro's worst plans. He wants the police to have "carte blanche" to kill. But the main police forces are under the authority of the 27 states. Their governors must reject his trigger-happy philosophy. Congress can stop him from carrying out his threat to stuff the supreme court with pliant judges. Mr Bolsonaro's proposal to withdraw

from the Paris climate agreement and his eagerness to promote development in the Amazon, where rates of deforestation appear to be rising, should alarm the world. Congress and activist groups can stand in his way.

Not all Mr Bolsonaro's ideas are bad. He has shown more interest than the PT in solving Brazil's main economic problems (see [article](#)). If he is serious about reforming the costly pension system, which threatens Brazil's financial stability, and eliminating useless rules, congress should co-operate. (Though that is a big "if").

The worst effects of a Bolsonaro presidency may be hardest to contain. Already he has damaged Brazil's democratic culture by praising the former dictatorship, choosing as his running-mate a retired general who has justified military coups under some circumstances, and insinuating that political opponents are enemies of the state. He probably does not intend to be a dictator. But his corrosive rhetoric may make Brazilians more receptive to autocracy in the future. To confront that, Brazil needs an opposition that defends democratic norms and an army determined to remain scrupulously apolitical.

In their despair, Brazilians are about to reject a discredited party in favour of a political adventurer with repellent ideas. That is unlikely to turn out well. Lawmakers, judges, journalists and civil servants will have to work hard to limit the damage.

**Transgender rights****Who decides your gender?**

*Gender self-identification is often cited as a matter of civil rights. It is more problematic than many advocates realise*

Print edition | Leaders Oct 27th 2018



Benedetto Cristofani

THIS NEWSPAPER is a proud champion of gay rights. We first ran an editorial in favour of same-sex marriage in 1996. We hew to the liberal principle that people are the best judges of their own interests and should be able to act as they wish, as long as no one else is harmed. That some people regard homosexuality as sinful is irrelevant. Everyone is entitled to their beliefs, but not to stop others from exercising their own freedoms.

Some see gender self-identification for trans people as the next frontier (see Briefing). This starts with the idea that what makes someone a man or woman is not biological sex but an inner knowledge of who they are. Trans people have gender dysphoria, an overwhelming sense of belonging to the other sex. They suffer grievously when they cannot act on this. Even when they can, they fall victim to discrimination.

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The self-ID campaign argues that members of an oppressed minority should be free to choose their gender identity. Indeed, how can there be any justification for the state to stand in their way?

Yet this week it emerged that President Donald Trump plans to do just that. Under his predecessor, Barack Obama, "sex" was interpreted in federal rules to mean gender self-ID. Under Mr Trump, it is likely to revert to mean "immutable biological traits identifiable by or before birth". This definition means that trans people would be denied recognition in federal law. They would have no path to changing their legal status.

That is wrong. However, the state should also resist the impulse to make trans people's legal status a matter of personal definition, as Britain is considering. The state needs to be involved for the liberal reason that the welfare gains of self-ID for trans people should be balanced against the potential harm to others.

Such harm is hard to quantify, but should not be dismissed lightly. Men commit almost all sexual crimes, so society sets aside spaces in order to help keep women and children safe. Were just 1% of the men in prison in Britain for sexual crimes to identify as women, it would double the number of women in prison for such offences. If "man" and "woman" are determined by self-ID, spaces and institutions for women and children will become accessible to anyone. There is no reason to think that identifying as a woman makes a male any less dangerous (or any more).

By contrast, there is every reason to think that predatory males will claim to be trans in order to commit crimes more easily. Statistics about crimes by trans women as such are lacking (they are increasingly being recorded and reported simply as crimes

by women). If females stay out of women's spaces because privacy or their faith dictates it, their loss of freedom and comfort will not show up in any statistics either.

The welfare of children should weigh in the balance, too. Those who choose a trans identity are being started on irreversible treatment ever younger, despite evidence that without it most would change their mind. Some schools have started to teach children to understand their gender identity by introspection, not anatomy. They are told that if they are leaders and rational they are boys, and if they are nurturing and gossipy they are girls. Thus outdated gender stereotypes have come roaring back under self-ID. Children who may have turned out gay are being channelled instead into a trans identity.

The impetus for action is often noble: trans people have historically been subject to terrible discrimination. But the theory of gender identity is relatively new. And how someone forms their gender identity is still poorly understood. Deciding how to balance competing rights and how to weigh risks will demand careful debate. Yet in many places discussion of trans issues has fallen prey to the illiberalism of identity politics. Anyone who questions the new orthodoxy is branded "transphobic". Research into the harms to children from early transitioning is suppressed. Academics exploring the consequences of redefining sex categories face campaigns to get them sacked.

This is a dangerous path. A rush to gender self-ID may end up causing harm and opening the door to the extreme backlash epitomised by the Trump administration's plan. There is a better approach. First, create a procedure that allows people to change their legal sex. Britain's current law, which lets those diagnosed with gender dysphoria gain approval to do so after two years of living as the opposite sex, may be too slow and bureaucratic. But the broad outline is right. Second, step up legal protections against harassment and discrimination for everyone, regardless of how they present themselves. Third, introduce more "third spaces" (gender-neutral facilities) to complement single-sex ones. These measures will not satisfy the staunchest advocates of gender self-ID. But they are the right way forward.

Credit comes later

## Britain's universal credit could yet be a success

*A disastrous launch has had deep costs. That is not a reason to roll back the reform*

Print edition | Leaders Oct 27th 2018



Getty Images

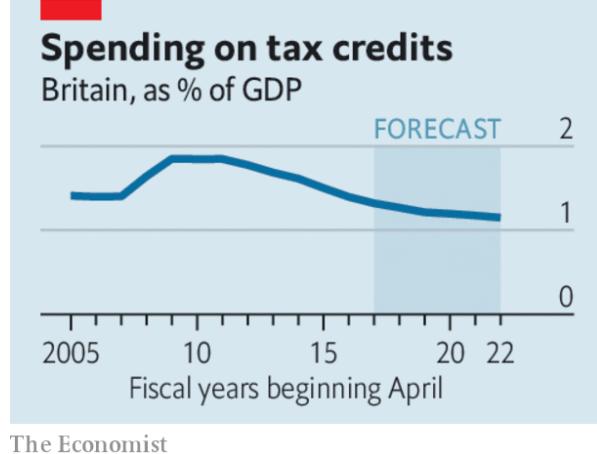
THE GULF between principle and practice is often fatal for policies—and for political careers. Britain's government faces a backlash over universal credit, a reform combining six welfare programmes into one. This was widely seen as a good idea about a decade ago. But a series of administrative failures, a senseless decision to make payments well in arrears and a squeeze on the system's overall generosity have left many claimants angry. Some are destitute. In places where universal credit replaces legacy benefits, reliance on food handouts rises and more people fall behind with the rent.

This good-idea-turned-disaster has already led the government to delay the reform. Some critics say it should be abandoned altogether (see [article](#)). They are wrong. If the government corrects its mistakes—starting by providing a little more money in its budget on October 29th—universal credit could still succeed. In fact, Britain might end up with a world-class welfare system that approximates an idea long advocated by many reformers, including this newspaper: a negative income tax for low earners.

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Welfare systems worldwide are plagued by complexity. By one count America has 72 federal anti-poverty programmes providing cash or benefits. France has upwards of 35 state-pension schemes. In Japan welfare recipients must sell items that are deemed—sometimes at the whim of an individual bureaucrat—to be luxuries.

Complexity creates obstacles that prevent the hard-up claiming support that is meant for them. It also leads to haphazard patterns of eligibility and, as a result, poverty traps in which it is more lucrative to earn less in wages. Universal credit is designed to fix both problems. After it is fully implemented, it will cover seven of every ten pounds in the working-age welfare budget. Official forecasts say that as take-up rises another £2.9bn (\$3.7bn), or 5% of the programme's total cost, will be handed out. It will always pay at least a little for recipients to earn more.



The Economist

Welfare states also have an undesirable tendency to spend ever more on increasingly wealthy and numerous pensioners, leaving an ever skimpier safety-net for those of working age. Britain has recently followed this trend, boosting state pensions by 6% (after adjusting for inflation) since 2010 even as working-age welfare has been cut. Worse, the government has used the launch of universal credit as cover to deepen the cuts.

Nonetheless, among rich countries Britain's welfare system is one of the more progressive. The last time it was counted, 34% of British welfare spending went to the poorest fifth of the working-age population, compared with an OECD average of 23%. The EU as a whole shells out about 9% of GDP on state pensions; Britain spends only 5%. And even after recent cuts, in 2018 it will still spend more than three times as much as America, as a share of GDP, on wage top-ups for poor workers and parents.

Targeted spending has a cost. Focusing money on the poor means withdrawing it fairly rapidly as people earn more. Universal credit's withdrawal rate is 63%, meaning claimants lose 63p for every £1 they earn above an allowance. The disincentive to work can be sharper still once payroll and other taxes are taken into account. Amazingly, this is an improvement on the previous system for most claimants. But it is a steeper taper than reformers proposed when they first dreamed up universal credit.

Such a trade-off between generosity and work incentives is inherent in negative income taxes. Proponents often envisage a withdrawal rate comparable to the basic rate of tax. Without a much larger contribution from most workers that is incompatible with a safety-net of today's strength. Luckily, low earners seem less responsive to high tax rates than other groups, perhaps because they have more need of extra cash. Still, the disincentive to work is too strong. Blunting it would be worth the money.

### Where it's due

Make no mistake: universal credit has so far done more harm than good. But it is a policy worth rescuing—and not just because doing so is good politics. Rather than being a national embarrassment, Britain's welfare reform could eventually become a shining example for others.

*This article appeared in the Leaders section of the print edition under the headline "Credit comes later"*

## Letters

### On veganism, Turkey, the gig economy, Hong Kong, AIG, uptalk

Letters

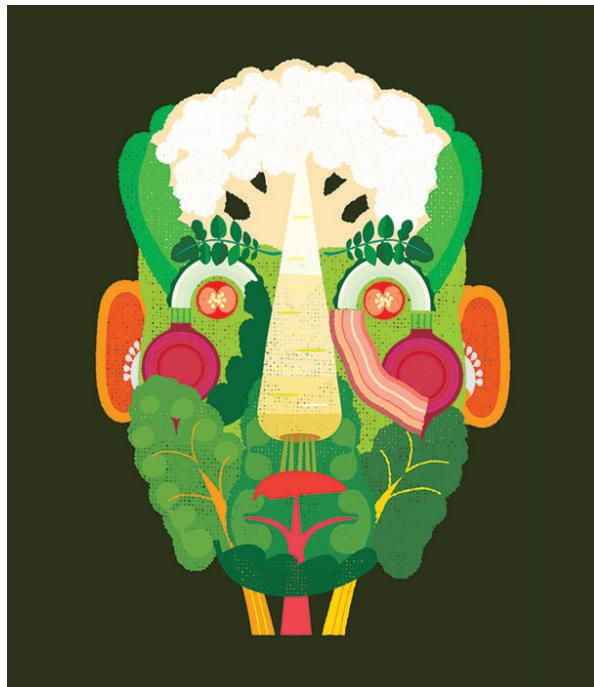
### Letters

## Letters to the editor

*On veganism, Turkey, the gig economy, Hong Kong, AIG, uptalk*

Print edition | Letters Oct 27th 2018

Letters are welcome and should be addressed to the Editor at [letters@economist.com](mailto:letters@economist.com)



### The meat of the issue

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Your briefing on veganism made some useful observations regarding the effects of meat farming on greenhouse-gas emissions ("The retreat from meat", October 13th). However, a recent report from the UN suggests that it is the limited availability of water, rather than land, that may curb our ability to grow more plant-based food in order to curb emissions. Agriculture already accounts for 70% of freshwater withdrawals. By 2030 it is forecast that demand for water will outstrip available supplies by 40%. Yet the production of fruit and vegetables increasingly relies on irrigation to maintain yield and quality.

The Food and Agriculture Organisation believes that much of our water problems lie within agriculture, and so do the solutions. Reducing over-consumption, food losses and waste, which account for up to 30% of food produced, for example, would substantially reduce water demand for food production. This is not going to be easy. Moving towards the flexitarian diet is a good start, both for the sake of our health and our water resources.

MELVYN KAY

Consultant for the Food and Agriculture Organisation

Rushden, Northamptonshire

PROFESSOR JERRY KNOX

PROFESSOR TIM HESS

Both at Cranfield University

Bedford, Bedfordshire

Governments have legal ways to help people cut their consumption of meat, such as levying taxes on beef and pork. All we need is a brave finance minister to make the move.

PETER FALUSH

London

## Turkey's investigation

The cartoon in *The world this week* (October 20th), in which a strained analogy was depicted between a brutal murder committed in a Saudi consulate building and the standard legal procedures conducted by Turkish judicial authorities, was disappointing. It compared apples to oranges and was not witty. Turkish security and judicial authorities are resolutely working to shed light on Jamal Khashoggi's murder and the details of this gruesome incident that took place on our soil are revealing.

On the other hand, because of a number of terrorist threats our authorities have the right to take the necessary measures for maintaining public order and protecting the basic rights and freedoms of our citizens. These include conducting investigations against those who try to use journalism as a shield and those who claim to be journalists to evade prosecution. As a founding member of the Council of Europe, Turkey is fully aware of and abides by its international obligations with respect to the protection of human rights as it takes such steps.

UMIT YALCIN  
Turkish ambassador  
*London*



## The gig is up

You offered advice on how governments should deal with the rise of the gig economy ("Workers on tap", October 6th.) But in Britain it is the judiciary that is taking the lead when it comes to banishing low pay and job insecurity. The past few years have produced a series of employment tribunals, settlements and high-profile campaigns against low-paid bogus self-employment, which have caused companies to review the pay and conditions offered to their workforce. In particular, several companies have been required by the courts to recognise their staff as "workers" whose flexibility is buttressed by basic forms of statutory protection, including a guaranteed hourly minimum wage and holiday pay, rather than as "independent contractors" with no such protection.

However, as you noted, an element of doubt has begun to emerge around the adequacy of the response from some companies to such developments. Their failure to respect the law, in letter as well as spirit, means that all too many workers continue to toil away in the absence of basic rights to which they are fully entitled.

Hence the parliamentary inquiry we have launched into the gig economy. We are seeking to find out where the law, as well as the means of accessing it, needs to be reformed and strengthened if vulnerable workers are to be protected from poverty.

FRANK FIELD, MP  
ANDREW FORSEY  
House of Commons  
*London*



### Visas in Hong Kong

I do not agree with your claim that the decision of the Hong Kong SAR government not to renew the working visa of a British journalist might lead to curtailed press freedoms ("The long arm of the party", October 13th). Visa matters fall within a country's sovereignty. In accordance with the law, the SAR government in Hong Kong has the power to control entry, stay and exit by people from other countries and to decide whether to approve applications for the renewal of work visas.

Your article, while talking about rule of laws, is in effect interfering with the lawful performance of duty by the SAR government in Hong Kong. It amounts to double standards which does great harm to Hong Kong's rule of law.

ZENG RONG

Spokesperson of the Chinese embassy  
London



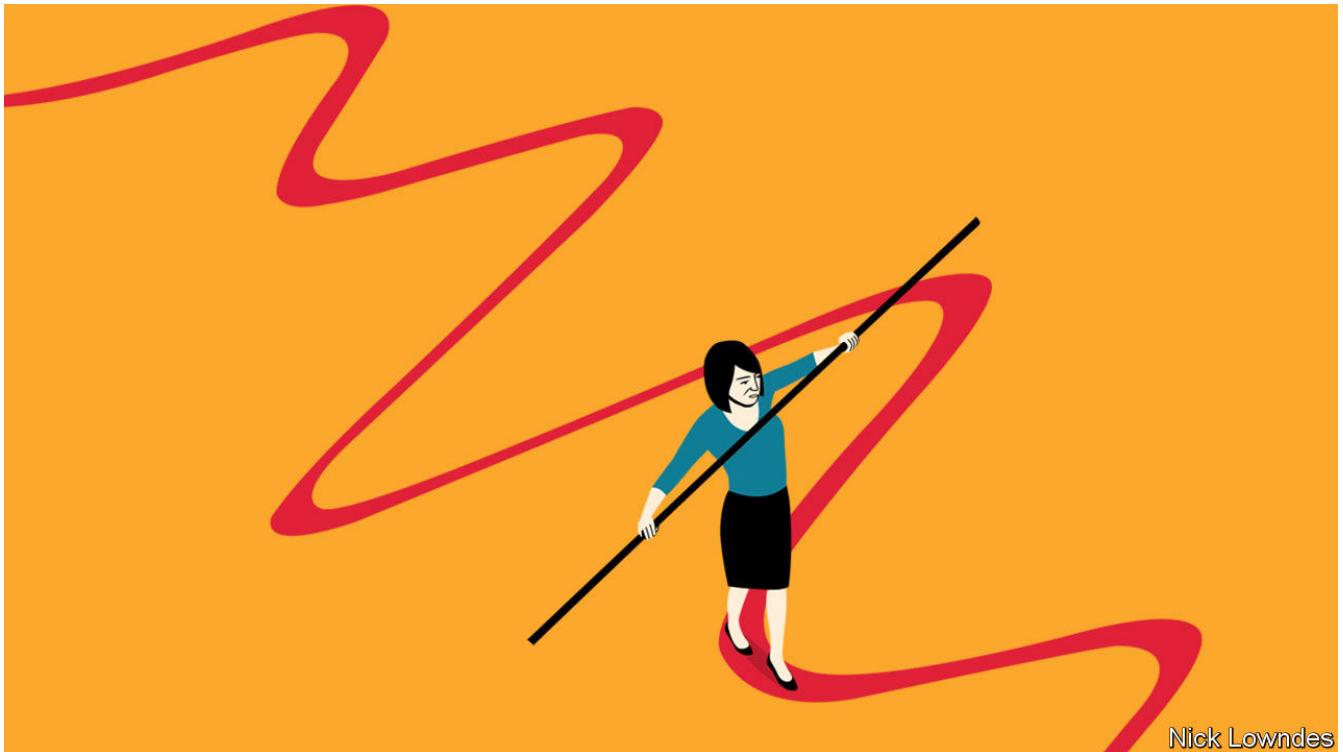
Brett Ryder

### AIG and the financial crisis

Schumpeter's description of AIG as a "rogue" financial conglomerate shows a misunderstanding of what led to the 2008 financial crisis (September 22nd). AIG's need for liquidity during the crisis was no different from Citibank's or Morgan Stanley's or any of the many other financial institutions that would have gone bankrupt without government loans. As Judge Thomas Wheeler found in *Starr International v United States*, "many financial institutions engaged in much riskier and more culpable conduct than AIG, but received much more favourable loan treatment from the government." As an example, the government's loan to AIG was fully secured and was repaid in full with interest as high as 14%.

DAVID BOIES

Attorney representing Maurice R. Greenberg, a former chairman of AIG  
Armonk, New York



### The talk of the town

Johnson described vocal uptalk as a "rising intonation that makes statements sound like questions?" (October 6th). This pitch is the tonal equivalent of adding "do you know what I mean?" to the end of every utterance. It is at best redundant, at worst patronising, and always distracting. It is also used to hold the floor, subtly indicating that the speaker has more to say, thus leaving the exasperated listener hanging on tenterhooks, awaiting a promised conclusion that never arrives. It is not a feature confined to young women; it is at least as prevalent among young college-educated men.

ADRIAN FOGARTY

London

In an episode of "Grumpy Old Men", Arthur Smith, a British writer and comedian, came up with the term "moronic interrogative" for upspeak. I've been using it ever since.

PETER KAHREL

Lancaster

*This article appeared in the Letters section of the print edition under the headline "Letters"*

## Transgender identity

The body of law

The body of law

### Transgender politics focuses on who determines someone's gender

Campaigners say that only individuals can know their gender. Others want the state to have a role

Print edition | Briefing Oct 27th 2018



Benedetto Cristofani

**W**HO DECIDES your gender? The rights of transgender people stem from the seemingly simple question of how to define someone's gender in law. Yet this week, in two countries where transgender politics and rights are most rooted, the question has received radically different answers. There is nothing simple about it.

On October 22nd Britain's government completed a four-month consultation about transgender rights. Under existing law, the Gender Recognition Act (GRA) of 2004, people may present themselves as they like, but they can change the sex on their birth certificate only after a psychological evaluation and two years in their preferred sex role. A proposed reform would let people change their legal sex without seeking permission from the state.

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Contrast that with the Trump administration's plan, reported on a day earlier in the *New York Times*. This would assert that trans people have no legal right in federal law to define their gender as different from their biological sex, on the ground that gender is determined by sex and thus is set immutably at conception.

The authors of the American plan should meet Melissa. "I knew by the time I was eight that I didn't want to be a boy," she says. "Puberty was just horrific. I remember crying a lot." Born in a provincial English town in the early 1970s, that boy had never heard of a transsexual. As soon as he could, he moved to London and "experimented", presenting himself as a man at work and a woman in the evenings. In the early 2000s he suffered from intense gender dysphoria—the distress caused by feeling that your body is the wrong sex. "The thought of being buried as an old man became simply unbearable." Melissa has now become legally classed as a woman. "People take me for what they see," she says. "That's all I've ever wanted."

The Trump administration's plan would deny that the dysphoria of people like Melissa in a deep sense changes whether they are a man or a woman. There should be no legal path for them to leave behind their natal sex. And they should no longer be able to claim protection against discrimination on the basis of gender identity under Title IX of the federal civil-rights law.

By contrast, the British proposals would take the view not only that people have a right to affirm their own gender, but that forcing them to wait and to satisfy anonymous panels is cruel, demeaning and fundamentally illiberal. What could be more central to an individual than having the right to say who you are?

Except that transgender claims are complicated. Although people like India's *hijra*, males who dress as women, have long existed, the notion that gender and biological sex are entirely separate is new and poorly understood. Transgender claims can affect the lives of non-trans people. For example, once you abandon anatomy, attempts to help children determine for themselves whether they are boys or girls soon fall back on stereotypes: if you're a leader and planner you're a boy; if you're nurturing and a gossip you're a girl.

The search for a solution to the difficult question of how to decide someone's legal gender is obscured by the vicious argument between trans campaigners and their critics. This is amplified by the culture wars between the progressive left, who treat the issue as the touchstone of virtue, and social conservatives, who dismiss trans people as deviants. As governments attempt to set the rules, the chances that they will get it wrong are worryingly high—with grave consequences.

Start with the understanding of what it is to be transgender. Since the GRA came into force, just 5,000 Britons have legally changed sex. However the government guesses that about 1% of the population is transgender—around 650,000 people. The difference between the estimated number of trans people and the number who officially transition partly reflects the difficulty and emotional pain it involves; but it also reflects the limited state of knowledge.

Like all mammals, humans come in two sexes. Females produce eggs and bear young; males produce sperm and impregnate the females. Developmental disorders of the genitals and gonads, known as intersex conditions, affect about 1% of people, but very rarely lead to ambiguity about which sex a person is. But unlike other mammals, humans live in complex societies, with rules about behaviour and dress.

The history of the idea that somebody could change from one sex to another is recent, dating from around 1930, when German doctors treating male cross-dressers started trying to refashion male genitals into simulacra of female ones. The film "The Danish Girl" is about one of the earliest such operations, which proved fatal. In 1952 Americans were riveted by Christine Jorgensen, a former soldier who returned from Denmark after male-to-female surgery and hormone treatment. "Ex-G.I. becomes blonde beauty" wrote the *New York Daily News*. By the 1960s "sex changes" were available in several countries. Surgeons generally might require would-be patients to live as a member of the opposite sex for some time, and seek to screen out anyone who might change their mind, was mentally ill or had perverse motives—such as a man's voyeuristic desire to gain access to women's spaces.

Plenty of early theories sought to explain why people wanted to change sex. Some pointed to external causes, such as childhood abuse, which might lead a person to reject the body that had been violated. Others posited internal causes, such as a disorder of body image akin to anorexia, or "autogynephilia", a sexual kink in which a heterosexual man finds the idea of himself as a woman erotic.

Today's dominant theory emerged from two other lines of thinking, which originated in America in the 1950s and fused half a century later. One came from Robert Stoller, a psychoanalyst working with transsexuals. He coined the phrase "gender identity", by which he meant a "complex system of beliefs about oneself: a sense of masculinity and femininity". He did not make clear how this was formed.

The other was from John Money, a sexologist who emphasised "gender roles" made up of "all those things that a person says or does to disclose himself or herself as having the status of boy or man, girl or woman". Believing these to be malleable in early childhood, he recommended that baby boys with abnormal genitalia be surgically altered to appear female and brought up as girls. The best-known of these patients, David Reimer, was miserable and reverted to a male identity in his teens after learning the truth. Chronically depressed, he took his own life in 2004.

Reimer's story was seized on as evidence that gender roles were in fact innate. Studies showed that if one identical twin is gender dysphoric, the other is more likely to be, too—a finding not seen in non-identical twins. This sits uncomfortably beside the Trump administration's assumption that biology stops with anatomy.

Within the past 20 years a dominant theory about gender identities has emerged. Humans come equipped with an innate, gendered sense of who they are—not just those who wish to transition from one sex to another, but "cis" people (those content with their natal sex) and "non-binary" people who do not fit neatly into either category. Nobody is sure about its origins. In 2007 Julia Serano, a trans woman (natal male), called this sense "subconscious sex": a "profound, inexplicable, intrinsic self-knowing". To feel complete trans people need to live according to their gender, not their sex. It follows that they should be able to define their own gender.

This sense is known as "gender identity", and the right linked to it as "self-identification". Transition need not involve hormones or surgery. At most a third of transgender people have any surgery; others take hormones. Most rely exclusively on cosmetics or changes in how they dress. Most trans women are anatomically male.

Clinics soon embraced the new theory. In 2013 the American manual of mental disorders replaced "gender-identity disorder", which had to cause "clinically significant distress or impairment", by "gender dysphoria", with vaguer diagnostic criteria and less stress on suffering.

The right to gender self-ID soon became a political cause. The fight for same-sex marriage was won, and groups that had campaigned for it welcomed a new goal. In 2015 Stonewall, a leading British gay-rights group, transformed the status of trans rights by adding T to the trinity of LGB (lesbian, gay and bisexual). Many on the left embraced the suffering of trans people as an example of oppression that had long been neglected. Some on the European right, including many British Conservatives, were determined not to be caught on the wrong side of the argument, as they had been with same-sex marriage.

The theory of gender identity has spread remarkably quickly—particularly among younger people, thanks in part to social

media. Teenagers seeking to understand their amorphous feelings of unease or discontent can learn about it—and like-minded people—online. Groups set up by trans people and trans children’s parents have promoted a popular, activist version of the idea. One slogan is that children may be “born in the wrong body”; another, especially popular in America, is that “God made a mistake with me.”

As theories of gender identity and the right to self-ID took off in universities, they became caught up in identity politics. As much as they have promoted trans rights, they have also become a rigid orthodoxy. To take one of countless examples: Kathleen Stock, a philosopher at Sussex University, wrote a Medium post in May about the lack of discussion of gender self-ID within academic philosophy. Transactivists called for her to be sacked (dozens of other academics privately backed her, most saying they dared not speak out publicly).

The law has responded rapidly to all this. Details differ, but many European countries, including Ireland, Malta and Belgium, made it illegal to distinguish between trans and cis people in everyday life. The campaign is most advanced in the English-speaking and Nordic countries. In America self-ID defines access to single-sex amenities, such as toilets, in around a dozen states. New Zealand has similar plans to Britain. Some Australian states are considering leaving sex off birth certificates altogether. Canada has gone furthest, granting gender identity the same status as sex and race in federal human-rights laws.

As calls for self-ID have grown, so has the understanding that it has implications for the welfare of children, women and gays—by affecting their development, their safety and the institutions they use.



Benedetto Cristofani

Start with child development. Gender clinics used to see few children, almost all of them pre-pubescent boys. The number of girls seen by GIDS, Britain’s national gender-ID service for children, has risen from 40 in 2009-10 to 1,806 in 2017-18. Clinics in other countries report similar rises.

GIDS tries to move slowly, offering counselling and seeking to explore why a child might wish to change sex. For example, at least 13% of those it sees have an autistic-spectrum disorder, compared with 1% in the population. This can lead to obsessive, rigid thinking about social categories. Around 40% are depressed.

GIDS may prescribe drugs to delay puberty from around age 12, to give children time to work out what they want to do without their bodies changing irreversibly. It will not prescribe cross-sex hormones until age 16, or offer surgery until age 18. However, emerging evidence suggests that blockers start a cascade of intervention, in which almost every child given them goes on to take cross-sex hormones.

### Negatives of affirmation

When clinicians try to go slowly, they often meet resistance. Most teenaged patients have learned that gender-ID is considered innate and see no need for caution. Some parents also press for faster treatment, saying they would “rather have a live daughter than a dead son”. Advocacy groups commonly say that children asked to wait are likely to kill themselves. There is little or no evidence for this. GIDS says that “suicidality” is similar to other children referred to mental-health services.

In America many clinics take a “gender-affirmative” approach, quickly acquiescing with a child’s trans identity. Therapists at UCSF’s Child and Adolescent Gender Centre in San Francisco have supported social transition (change of name, pronouns and

clothing) for children of just three. Johanna Olson-Kennedy, who is based in Los Angeles and backs the affirmative approach, has advocated mastectomies on trans boys (natal girls) as young as 13.

Earlier this month the American Academy of Paediatrics backed this affirmative approach, arguing that delay harmed children unnecessarily. However, the scientific papers it cites to justify its position either recommend waiting, as GIDS does, or refer to gay people rather than children who think they belong to the other sex. A dozen or so studies suggest that well over half of trans children later identify with their biological sex after all.

There are other reasons to worry about a rush to treatment. Lisa Littman of Brown University recently surveyed parents sceptical of the affirmative approach, and concluded that many female teenagers were in friendship groups that all asserted trans identities around the same time, often after binge-watching online videos by trans teenagers. She called the phenomenon “rapid-onset gender dysphoria”. After lobbying, Brown University withdrew its press release about Ms Littman’s paper, citing concerns that it might be used to “discredit efforts to support transgender youth and invalidate the perspectives of members of the transgender community”.

Some experienced clinicians admit they are worried that the wave of transitioning teenagers may be followed in a decade or two by another of “detransitioners” reverting to their natal sex. They speak anonymously for fear of being targeted by transactivists. The clinicians warn that detransitioners may sue, arguing that the adults around them should have known they could not grasp what they were consenting to. Their bodies may have been irreversibly marked by cross-sex hormones and surgery. Those who missed puberty in their own sex will probably be sterile.

Gender-identity theory is also affecting what children learn. Susan Matthews, of Roehampton University in Britain, has been looking at its appearance in teaching materials and workbooks. Gender is “much more than the body you were born with”, says “Who are You? The Kid’s Guide to Gender Identity”, which is aimed at five-year-olds. “Kids know a lot about themselves,” it continues. “They know who they are by how they feel inside.”

But if children cannot use their biological sex to tell whether they are a boy or a girl, how should they decide? Teaching manuals help waverers. Australian teachers are meant to get children to “explore gender” by listing behaviour typical of boys and girls. For boys, examples include building things, liking action films and playing with toy cars. For girls, they include cooking, dancing, shopping and gossiping. Teachers are meant to show a video about Nevo, a trans boy (natal girl) “undergoing a transition, medically and socially, to make his external appearance more masculine and to make his life better reflect how he feels inside. This is also known as affirming one’s gender identity”.

A “gender spectrum” produced by Mermaids, a British lobby group, consists of pictures of Barbie and G.I. Joe, with figurines in between that morph from curvy and pig-tailed to broad-shouldered and stocky. Bish, a British website aimed at teenagers, encourages them to work out their “gender identities” by placing themselves on several “gender spectrums” with words like rational, tough, active and independent under “looks masculine”, and emotional, soft, passive and sharer under “looks feminine”.

Many campaigners for gay rights have embraced self-ID. However, some children who change their minds about being trans turn out to be gay. Hence the campaigners are backing an approach that channels an unknown number of vulnerable gay children into becoming transgender instead.

### **Health—and safety**

Just as the effect of self-ID on gender clinics and education calls for thought, so does that on sport and safe spaces for both women and children. Sport is perhaps the most striking place where self-ID is catching on. This month Rachel McKinnon became the first trans woman to win a world cycling title. The third-placed cyclist complained. Male puberty permanently boosts muscle and creates a bigger frame, heart and lungs. But she backed down after Ms McKinnon called her a transphobe, pointing out that when trans women win “it’s unfair; when we lose, no one notices”.

Several American states have used self-ID for youth events for some years. Gold and silver in this year’s 100-metre girls’ state championships in Connecticut went to natal males. In recent weeks swimming competitions in America, and university athletics in Canada, have switched to self-ID. In 2016 the International Olympic Committee stopped requiring athletes to have undergone gender-reassignment surgery and cross-sex hormone treatment before competing as a member of the opposite sex. Now it requires male athletes who compete as women only to lower their testosterone levels. Other authorities, such as USA Swimming, let males compete without any hormonal or surgical treatment.

Arguments about safe spaces are more complex. Some women want to keep trans people out because they do not see trans women as like them. They are wary of undressing in front of biological males or being exposed to them. Rosa Freedman, a human-rights lawyer and Orthodox Jew, says that, if the sexes mix, her beliefs and those of many Muslim women mean that she cannot use public toilets or gym changing-rooms, or attend swimming sessions.

In refuges, abused women and children are particularly sensitive to masculine traits. Despite this, many refuges now accept vulnerable trans women. One person who has worked with women for more than 20 years acknowledges that some centres do this by choice. More often, she says, they do so for fear they will become targets of transactivist campaigns and go on to lose their funding.

But the nub of the conflict is safety. Here, weighing the claims of cis women and children against trans women is hardest of all. That is because the safety of trans people is at stake, too.

Society has devised rules to protect women and children from the harm caused by men. British prisons contain 20 times more men than women; their offences are more serious, their sentences longer and they are many times more likely to harm women than women are to harm other women. The #MeToo campaign has highlighted American surveys suggesting that one in five women will be raped and that less than a third of rapes and attempted rapes are reported. Only 6% lead to an arrest and only 0.6% to a custodial sentence.

Most men do not rape or assault random women and children. Nevertheless, almost all societies accept the principle that, for the sake of women's safety, all men should be kept out of female changing rooms, toilets and refuges. It is impossible to know how many crimes this prevents. However, the *Times*, a British newspaper, found that the minority of mixed-sex changing-rooms at sports centres were the site of 90% of reported sexual assaults in changing-rooms of all kinds.

This male propensity for violence has a bearing on self-ID. Trans people want access to spaces that match their identity. That is partly because it affirms their gender. In the case of trans women, it is also because they are vulnerable to harassment and violence in male-only spaces such as changing-rooms.



Hence rules about single-sex spaces are being rewritten. Some British schools use a Trans Inclusion Toolkit written with Allsorts, a trans lobby group. It says that admission to toilets, changing-rooms and dormitories on school trips should "in all cases" be according to gender self-ID. Girlguiding in many countries now admits children born male provided they identify as girls, and accepts male leaders who identify as women. Leaders are told there is no reason to inform other children or their parents if biological males will be sharing their accommodation on overnight trips.

Though trans women would gain from being included in this way, that needs to be weighed against the risks. One question is how much having a trans identity offsets the overwhelming male propensity to violence. Crime statistics do not settle the question, partly because the category "women" often now includes natal males.

Whatever the answer, self-ID is sure to be exploited by predators. Bitter experience from the Catholic church shows that predatory men will go to great lengths to satisfy their desires. Self-ID grants natal males access to places where women and children sleep, wash and change.

Earlier this year Karen White, a self-identified trans woman with a record of sexual offences against women, was placed in a women's prison in Britain and assaulted several other prisoners. When deciding where to put trans people the prison service is meant to assess risk. But it is hard to know if someone has a history of sexual violence, because only a tiny share of violent crimes against women are ever reported.

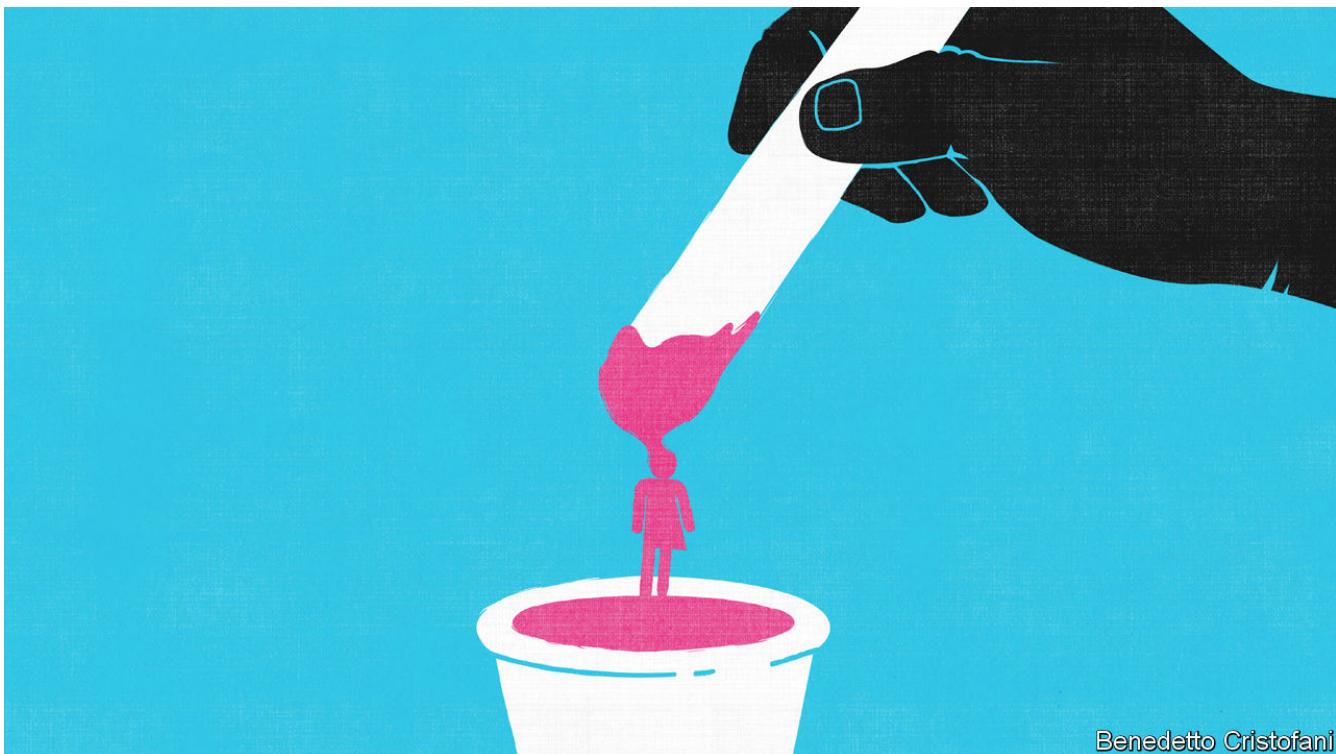
There is a particular issue when it comes to children. If a child expresses a trans identity to a teacher, trans-rights guides say that there is no need to tell parents. If one child queries the presence of another of the opposite sex in a single-sex space, it is the child with concerns, if anyone, who should be removed. This protects trans people, but it teaches children that they should remain silent if something makes them feel uncomfortable or unsafe. It flouts safeguards designed to stop paedophiles insinuating themselves into children's confidence. These were put in place only recently, after society grasped the prevalence of child sexual abuse. It is odd to loosen them.

To resolve the conflicts between trans rights and the rights of natal women and children requires research and reasoned debate. Yet the Trump administration seeks to stir up outrage and feminist critics of self-ID are accused of anti-trans propaganda and hate speech. In time, experience may reveal that everyone can be kept safe under self-ID—and that the cost to trans people of denying it is unreasonable. Then again, the harm may turn out to be greater than transactivists expect.

A Brazilian in Canada  
**When one person's right is another's obligation**

*How transgender rights sometimes lead to conflict*

Print edition | Briefing Oct 27th 2018



Benedetto Cristofani

THE LAW surrounding gender self-identity has progressed furthest in Canada. Last year it added gender identity and gender expression to the characteristics protected by federal human-rights law. But in Vancouver that has led to a conflict with women's rights.

In March JY, whose full name cannot legally be published, contacted Shelah Poyer, a beautician who advertised body-waxing services from her home on Facebook Marketplace. JY, who uses a man's name and whose profile picture looks male, asked if Ms Poyer did Brazilian waxes, a procedure that entails the removal of pubic hair.

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She replied: "Not for men, sorry."

JY retorted: "I'm a woman, I transitioned last year."

JY complained to British Columbia's human-rights tribunal, alleging discrimination and seeking damages of C\$2,500 (\$2,000). The Justice Centre for Constitutional Freedoms, a non-profit libertarian group, offered to represent Ms Poyer. It argued that waxing male genitalia requires different training and equipment, which she does not possess, and said that, as a woman, she too has protected rights to privacy and safety.

They sought to remove the anonymity order, granted to avoid "outing" JY as transgender. JY had mentioned using a women's gym, and the lawyers presented evidence to the tribunal that JY had also talked about being a trans woman online—in posts asking for advice on how to approach a naked ten-year-old girl to ask for a tampon, and whether it is appropriate to show a young girl how to use it. JY denied writing the posts, said the account had been hacked, and withdrew the case. Over a dozen cases brought by JY against other women who offer Brazilian-waxing services continue.

Canadian law is still unclear. Is a woman willing to perform intimate services involving nudity for women obliged to perform the same services for any male who claims to be a woman?

*This article appeared in the Briefing section of the print edition under the headline "A Brazilian in Canada"*

## Poverty in California

Amid plenty, want

### Poverty in California

## Why one of America's richest states is also its poorest

*NIMBYism is partly to blame*

Print edition | United States Oct 27th 2018



Getty Images

THE LOS ANGELES regional food bank distributes 300,000 meals a month, but that, says its director, Michael Flood, is only a fraction of what the hungry 1.4m people in the county need. The bank resembles the vast warehouse operation of a supermarket chain, with apartment-sized refrigerators and fork-lift trucks processing millions of pounds of groceries. Every hour, a dozen or so of the 650 soup kitchens in the city arrive to collect sandwiches for the homeless (who cannot cook anything on the streets) or groceries for families.

At one of these, the Interfaith Food Centre in Santa Fe Springs, dozens of people are queuing. A few are homeless, living on the dry river bed behind the centre. Most are on minimum or fixed incomes. Dianka Espinosa is a graduate student at Rio Hondo, a local community college—hardly a typical food-aid recipient. But like many Californians, she was one event away from poverty. That event was her husband's deportation. He not only left her behind, but their three children; her hopes of a better job hang by the thread of a weekly food parcel. And this is happening in one of America's richest cities.

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If you were to ask most Americans which is the poorest state in the nation, they might say Alabama or Mississippi, with their low average incomes and concentrations of African-American poverty. In fact, the state with the largest share of people in poverty is California. As the most populous state, it also has by far the largest number of poor people, 7.4m.

Many measures of poverty exist. The official poverty line is used as a guide as to who should get federal assistance. The state where the largest share of people fall below that line is Mississippi; California is roughly in the middle. But the official poverty line is the same in every state and takes no account of different living costs or of public assistance. So in 2011 the Census Bureau came up with a Supplemental Poverty Measure (SPM), which most social scientists think a better way of comparing levels of poverty across the country. By this yardstick, 19% of Californians were poor in the three years 2015, 2016 and 2017, the highest rate in the country excluding the special case of Washington, DC. The national average was 14.1%.

With its many undocumented immigrants, California poses special measurement problems. So two institutions in the state, the Public Policy Institute of California and the Centre on Poverty and Inequality of Stanford University, created their own California Poverty Measure (CPM). This confirms that 19.4% of Californians did not have enough resources to meet basic needs in 2016, down from 21.8% in 2011. And it provides more details.

California's poverty map has changed, argues Sarah Bohn, of the PPIC. Indigence used to be concentrated inland, in agricultural regions with lots of cheap, seasonal labour. Now the poorest counties are on the southern coast, including Los Angeles and Orange Counties. Most of the poor have jobs: 80% of those living below the CPM's poverty line are in households with at least one person in work. Latinos are somewhat more likely to be poor than average. But a better predictor of poverty is lack of a university education: 35% of those with only a high-school diploma are poor. Shockingly, 45% of children live in households that are poor or near-poor (living below 150% of the poverty line). By the time they are 18, estimates Mr Flood, half the children of the Golden State will have made use of food stamps or food banks.

California is not only America's poorest state. It is also among the richest. According to the Census Bureau, its median household income in 2016 was \$11,500 above the national average. So why, asks Frank Mecca, head of the County Welfare Directors' Association, the people responsible for overseeing the state's assistance to the poor, has a state that creates so much wealth been unable to address the problem of poverty?

The problem can be misunderstood. Poverty is not a result of economic decline or lack of jobs. California's GDP rose 78% in real terms in the two decades to 2017, overtaking Britain to become the world's fifth-largest economy. The number of people with jobs has grown almost without interruption since 2011. In September unemployment stood at just 4.1%.



The Economist

But the gains from growth have been distributed unequally. According to the Urban Institute, a think-tank, the incomes of the poorest Californians fell in real terms between 1963 and 2017 (see chart). In 1963 a family nine-tenths up the income scale earned 6.5 times as much as a family one-tenth of the way up. By 2017 it was earning 14 times more. The rich have done better than the poor in America as a whole, but not by this much.

Two forces seem to have widened California's inequality. One is that millions of undocumented immigrants arrived between the 1980s and the 2010s. Their impact has been much debated. But recent research suggests that, in the country as a whole, immigrants have been good for the economy, good for jobs and bad for some groups of low-earners. California's high-growth, full employment, working-poor economy is consistent with that picture.

The other influence has been the success of the two industries for which the state is best known: Silicon Valley and Hollywood. Both benefit from large network effects (from having lots of people in the same business in the same place) which offset California's high costs of doing business. But they require high skills and further education, which the poor are less likely to have.

The big problem in California, though, is not the stagnation of low incomes per se. It is stagnation relative to costs—in particular the cost of housing. As a rule of thumb, in rich countries household budgets come under strain once housing accounts for more than a third of income. California's poor are far beyond that. According to the California Budget and Policy Centre, 56% of those living below twice the federal poverty line (that is, below \$24,280 for one person) are spending more than half their income on housing. For recipients of food aid, the share is higher. Almost everyone at the Interfaith Food Centre tells the same sorry tale: after paying the rent, they have nothing left. Whereas the poor would once spend their last dime on food for the children, now they spend it on housing—and depend on charities for food.

High rents reflect the success of California's businesses—but also decades of low investment and over-regulation. The California Environmental Quality Act, passed in 1970, aimed to ensure that environmental concerns got a proper hearing in planning and development. In practice the act has become a NIMBYs' charter. Four-fifths of all suits filed under it have sought to stop infill development in cities (ie, on land already zoned for building) even though this usually has a smaller environmental

impact than building on green fields. California's development and impact fees are about three times higher than the national average. Zoning laws and parking requirements are onerous, too.

The Terner Centre for Housing Innovation at the University of California, Berkeley looked at the cost of all such fees, plus the cumbersome appeals process and the lack of co-ordination between different levels of city and county governments. It estimated that the cost of building a unit of affordable housing had risen from \$256,000 in 2000 to \$425,000 in 2016, the highest level in the country.

Given the high construction and land costs, says Paul Tepper of the Western Centre on Law and Poverty, a legal-aid provider, it is almost impossible to build affordable houses without subsidies. But California scrapped the largest source of state funding for new affordable housing in 2011. Estimates for the number of such houses California needs to build range from 500,000 to 1m units.

Although planning rules make homes of all kinds more expensive, they squeeze the poor hardest. Between 2013 and 2017 the median rent in California rose by 32%, more than twice the national average, and far above the growth in average state incomes. If you make only a minimum wage, you would theoretically have to work 177 hours per week to afford an average one-bedroom rental in San Francisco. On Skid Row, part of downtown Los Angeles, the price of a single room starts at more than twice the minimum government stipend for the disabled. No wonder California has twice as many homeless people as the national average.

Soaring rents and stagnant wages are the main contributors to poverty, but not the only ones. Though more generous than in some states, California's safety-net is still ragged. Only two-thirds of those eligible for food stamps sign up, probably because undocumented immigrants are afraid to put their names on any official list. The real value of grants under CalWORKS, the local version of a federal welfare-to-work programme, has fallen by more than a third since 1999. The state legislature recently agreed to a three-stage increase in the programme, costing \$1bn. Even that would merely ensure that no families in the state are living below half the poverty line, an indication of how feeble the net now is.

Lastly, poverty in California is made worse by mass incarceration. The problem is not that the state locks up an unusually large number of people. By American standards, its incarceration rate is below average and falling. But California has been more enthusiastic than most states in passing laws restricting what ex-convicts can do. A staggering 4,800 laws prevent former felons getting public housing, or licences to work as anything from a car mechanic to a nurse.

Poverty is handed down to later generations. A child born into it is twice as likely than a middle-class child to end up in the bottom fifth of income earners as an adult. With almost half of California's children at or near the line, the Golden State risks condemning another generation to poverty.

California's politicians are not ignoring the problem. They are gradually repairing the safety net and rolling back some of the felons' laws. But these are largely second-order causes of poverty. Politicians are seeking to deal with the primary causes—low, stagnant incomes and housing—by regulation. They have voted to raise the minimum wage to \$15 an hour and are asking voters to make it easier to impose rent controls at a referendum next month. These address the symptoms of poverty, not the causes—and rent controls, if imposed, would stymie housing investment.

At the Interfaith Food Bank, Ms Espinosa says that "in one year, I will have a master's degree and will become a source of support for my family and community." If so, she will be one of the lucky ones. Most of the area's poor will continue to queue for food, just a short drive from some of the richest places on earth.

*This article appeared in the United States section of the print edition under the headline "Amid plenty, want"*

California politics

## Gavin Newsom will be a thorn in Donald Trump's side

*How he deals with recession is a different matter*

Print edition | United States Oct 27th 2018



**A** “CLOWN” IS what President Donald Trump recently called Gavin Newsom, the current lieutenant-governor and Democratic candidate for governor of California. Mr Newsom responded by comparing Mr Trump to Pennywise, the evil clown from Stephen King’s horror novel, “It”. A personal connection made the spat juicier. Mr Newsom’s ex-wife, a Democrat-turned-Republican, happens to be dating Mr Trump’s eldest son.

California is already at war with the federal government, having sued it 44 times since Mr Trump took office, on issues such as health care, internet policy, immigration and the environment. Under its current governor, Jerry Brown, who is 80, California has proudly nurtured an alternative political vision for America, most notably by adopting aggressive standards to combat climate change at a time when Mr Trump praises coal.

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The president has endorsed John Cox, a Republican businessman who has focused on illegal immigration and California’s high costs. But Mr Trump is unpopular in California, and Mr Cox trails Mr Newsom by about 20 percentage points in the polls. So large is Mr Newsom’s lead that, rather than campaigning to win the election, he is already promoting his agenda. This includes boosting investment in early childhood education, embracing immigrants and offering universal health care.

As San Francisco’s mayor from 2004 to 2011, Mr Newsom famously allowed same-sex marriages, defying then-president George W. Bush, who supported a federal ban. He has a track record for avant-garde and creative policymaking. As a supervisor he championed offering services, not cash, to San Francisco’s legions of homeless. Long presumed to have national political aspirations, in 2004 he and his then-wife appeared on the cover of *Harper’s Bazaar* dressed in black tie, under the headline “The New Kennedys”.

In many ways Mr Newsom is a politician more in the mould of the 1960s than today. He has the look and smoothness of a seasoned politico. Running San Francisco gave him rich experience of urban politics—in some ways the post is more powerful than the mayoralty of Los Angeles. At a time when many ambitious Democrats are pushing to the left and shunning the party establishment, Mr Newsom is frank about his close ties to Nancy Pelosi, the longtime congresswoman from San Francisco and former Speaker of the House.

Governing California is likely to prove much harder than winning the election. Mr Newsom’s ambitions for the office are large and many of his projects, such as offering health care to all Californians including illegal immigrants, will be costly. He

will have to balance fiscal prudence with his social conscience. He has not outlined how he intends to pay for new services, and some anticipate he will be more prodigal than his predecessor. Mr Newsom insists that such accusations are “lazy punditry based on pure speculation. I am not profligate any more than Jerry Brown was.”

Another question is what happens when California’s economy, the world’s fifth-largest, falls on harder times, as it will eventually. Mr Newsom points out that he ran San Francisco during a downturn: “I have no experience managing in an abundance. I have experience in managing in scarcity.” California’s economy has boomed for much of the last decade, and Mr Brown convinced Californians to set aside money to cover future budget shortfalls. Yet even a mild recession would wipe out those reserves in a single year, says Gabriel Petek of S&P Global Ratings, a financial-information firm.

Because of a property-tax revolt in the 1970s, California relies heavily on income taxes. And, because it is a progressive state, it squeezes the rich. Just 1% of its people account for 46% of personal-income tax revenues. Tax rates probably cannot rise much higher without driving people away. How California handles its economy and budget under a new governor will be closely watched by many—including by Mr Newsom’s foe in the White House.

*This article appeared in the United States section of the print edition under the headline "The left coast"*

Nuclear weapons

## America tears up an arms treaty, and harms itself

*A farewell to arms control*

Print edition | United States Oct 27th 2018



akg images

ALL WAS auspicious for the start of the Intermediate-Range Nuclear Forces (INF) treaty. The American and Russian leaders, Ronald Reagan and Mikhail Gorbachev, signed it at precisely 1.45pm on December 8th, 1987—a time recommended by the First Lady’s astrologer. It had a Venusian effect on the world. For the first time an entire class of nuclear weapons was eliminated. The cold war was calmed at a critical moment.

Sadly, the stars are no longer aligned. On October 20th President Donald Trump told a crowd that he intended to “terminate” the deal. His national security adviser, John Bolton, who has never seen an arms-control agreement that would not be improved by a shredder, delivered the message in Moscow. The decision, Mr Gorbachev (now 87) regretted, was “not the work of a great mind”.

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The INF treaty was forged after the Euromissile crisis of the late 1970s and early 1980s. A prolonged missile race between America and the Soviet Union had provoked large protests at the deployment of American nuclear missiles in Europe, on sites like Greenham Common in Britain. The treaty barred the production or flight-testing of ground-based missiles with ranges of 500km to 5,500km. Thousands of missiles and launchers were blown up, cut in half and crushed.

Though the treaty turned 30 last year, few celebrated. The Trump administration has accused Russia of cheating (as did the Obama administration) by testing and deploying a new cruise missile known as 9M729. Russia hit back, less convincingly, by arguing that the launchers in NATO’s missile-defence shield in Poland and Romania violated the agreement. Though America’s allies were initially circumspect, they were coming round. “The most plausible assessment”, agreed NATO leaders at a summit in July, “would be that Russia is in violation of the INF Treaty.” The rise of China, which never signed the treaty, also fuelled concerns, first in Moscow and more recently in Washington. American commanders in the Pacific grumble that whereas China can pile up ground-based missiles (over 95% of its missiles fall in the INF range) America must rely on those launched from ships, submarines and aircraft. These platforms cost more, have limited space to cram in missiles, and have other tasks to get on with.

Barack Obama and America’s European allies should have done more to pressure Russia years ago. But Mr Trump had plenty of leeway to respond within the rules. In February a review of American nuclear policy declared, controversially, that the Pentagon would pursue a new, nuclear-armed submarine-launched cruise missile as “an INF Treaty-compliant response”

to Russia. America is also spending billions of dollars to upgrade 150-odd B61 nuclear bombs that are squirrelled away across Europe and can be dropped by allies' aircraft.

Mr Trump has promised that, once America is liberated from the treaty, "there will be nobody that's going to be even close to us". But it will take years for America to develop suitable ground-launched weapons. It would then confront the question of where to put them. Poland and the Baltic states, scarred by Soviet occupation, might be keen. But missiles so close to the Russian border would be both provocative—"think Cuban missile crisis", says Steven Pifer of the Brookings Institution, a think-tank, who took part in INF negotiations—and vulnerable to attack.

The president's decision has already split NATO, which was neither consulted nor forewarned. The divide could widen. Were Russia to respond by building up the contentious 9M729 missile, the alliance would face an explosive debate over whether its missile-defence shield, a controversial project justified as a defence against threats from Iran and North Korea, should be adapted to tackle Russian cruise missiles. In Asia, allies like Japan and South Korea would almost certainly balk at hosting missiles, forcing America to concentrate them on faraway Guam.

The death of the INF points to a looming crisis in arms control. Mr Trump has already torn up a nuclear deal with Iran and denounced the New START treaty, a pact that caps the nuclear arsenals of America and Russia, which is up for renewal in two years. If the INF is killed off and New START is allowed to die, it would be the first time in almost 50 years that the world's two largest nuclear powers were wholly unshackled. A new arms race is "entirely possible", warns Pavel Podvig, an expert on Russian nuclear weapons. "It's going to get worse before it gets better." It does not require an astrologer to see trouble ahead.

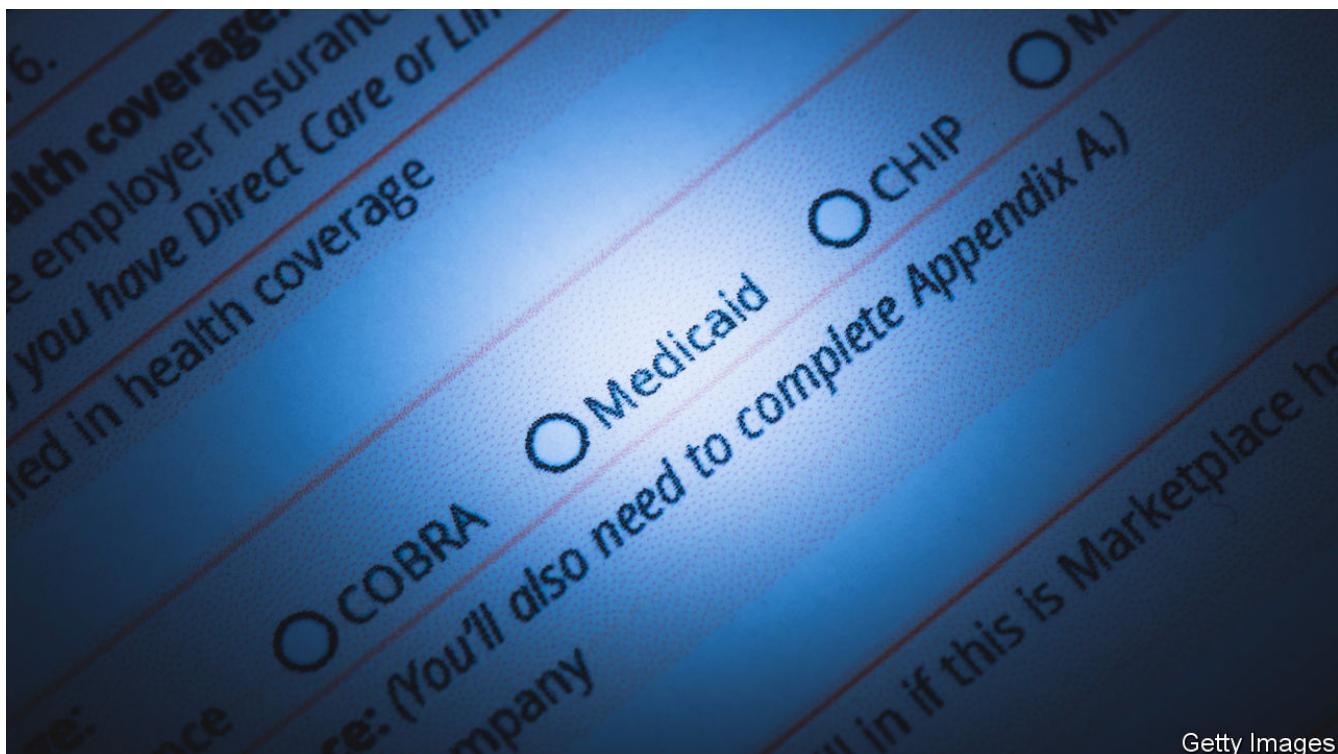
*This article appeared in the United States section of the print edition under the headline "Farewell to arms control"*

Stranger things

## Why states in Trump country are considering Medicaid expansion

*Obamacare heads west*

Print edition | United States Oct 27th 2018



Getty Images

**G**OODING IS A small town in Idaho, one of America's most conservative states. It is the sort of place where a campaigner may encounter a man butchering an elk on the dining-room table. It is not a place where you would expect to find much support for a ballot initiative that would expand Medicaid, the government health-insurance programme for the poor. Medicaid expansion, after all, is a pillar of the Affordable Care Act, as Obamacare is formally known. Yet Molly Page, an organiser, gets a surprisingly kind hearing from local people.

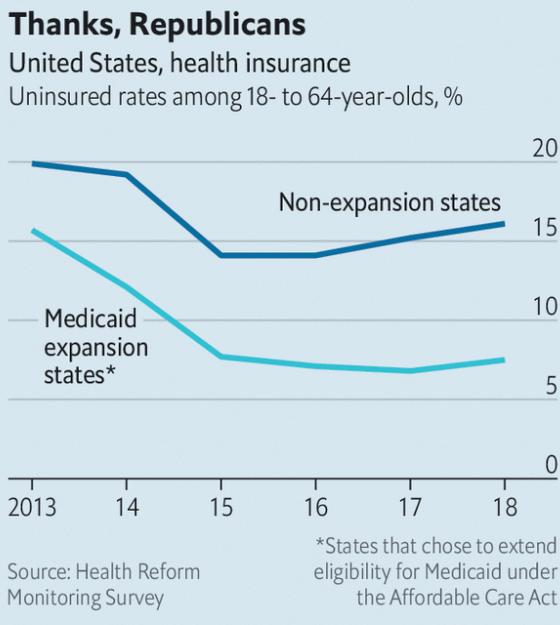
One woman turns out to be a fervent supporter of President Donald Trump who fears a deep-state conspiracy to remove him from office. She nonetheless supports the ballot measure. Her two adult sons are uninsured, including one with alcoholism and epilepsy who skipped treatment because "it's too damned expensive". Even the elk-butcherer, a few doors away, hears Ms Page out. Polls suggest that a comfortable majority of Idaho's voters will approve Medicaid expansion on November 6th. Voters in Utah, Nebraska and Montana will probably do the same.

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The Affordable Care Act extended eligibility for Medicaid from the very poor to the slightly less poor—from 43% of the federal poverty line (an income of less than \$8,935 a year for a family of three) to 138%. But in 2012 the Supreme Court ruled that states could decide whether to allow this. Even though the federal government would pick up 90% of the bill, most states led by Republicans opted out.

In those states, a "coverage gap" emerged. Millions of working people earned too much to qualify for Medicaid but too little to qualify for tax credits on Obamacare's health-insurance exchanges. For a working family of three people, an annual income between \$9,000 and \$21,000 would probably result in no health insurance. The ballot initiatives aim to cover people in this position.

A'lana Amy Marmel, a waitress in Idaho Falls and a single mother, is one such person. Though her children are covered by government insurance, she is not. She is still working to pay off a \$500 doctor's bill incurred years ago. "It would mean a world of less worry on my shoulders if I had access to meaningful health care," she says.



The Economist

Only 7.5% of non-elderly adults lack insurance in states that expanded Medicaid, compared with 16.1% in states that did not. And expansion would have other good effects. In Oregon, Medicaid was made available to people who were drawn in a lottery. Compared with a control group, the lucky recipients had less financial strain and significantly lower rates of depression. Researchers also found that those who got coverage sought more health services, both preventive coverage and emergency care (which increased by a remarkable 40%).

The expansion would be a boon for rural hospitals, which treat the uninsured but are seldom paid for it. In rural Idaho, 28% of poor adults lack insurance. “In the Oregon health experiment, we estimate that 60 cents of every dollar in additional Medicaid spending actually is a transfer to the providers of uncompensated care,” says Amy Finkelstein, a health economist at MIT. Greg Moody, who directed Medicaid expansion in Ohio after the Republican John Kasich broke with party orthodoxy, notes that the change halved the uninsured rate and brought funding to fight opioid addiction.

Opponents of Medicaid expansion see this as a vulnerability. Wayne Hoffman, president of the Idaho Freedom Foundation, a libertarian think-tank, denounces the initiative as a project of big hospitals and unions. The Idaho Hospital Association has indeed given \$150,000 to support it; the Fairness Project, a non-profit group funded by a California health-workers union, has spent millions backing the effort. “We’re also reminding people that it is part of Obamacare, which is still very much hated in Idaho,” says Mr Hoffman. But memories of Mr Obama are fading.

*This article appeared in the United States section of the print edition under the headline "Stranger things"*

Maryland's governor

## Larry Hogan hints at a post-Trump future for Republicans

*A Republican in a blue state must be bipartisan to survive*

Print edition | United States Oct 27th 2018



Getty Images

**L**ARRY HOGAN works a room like Joe Frazier worked an opponent's upper body: thoroughly, relentlessly, joyfully, leaving no part untouched. At an American Legion hall in Sharptown, a village on Maryland's Eastern Shore, the burly, energetic Mr Hogan shakes every hand, claps an arm around every shoulder and poses for two or three pictures per phone. "He's a people person. He's for the little guy," says one observer. "He shows up," says another. "He will listen to your problem."

Mr Hogan is a Republican, and Sharptown is deep within Maryland's only Republican-held congressional district. But he was equally well received at an earlier event in the Democratic stronghold of Baltimore, where he and the city's mayor spoke warmly of their working partnership. What is surprising is how large a lead Mr Hogan holds over his Democratic rival, Ben Jealous, in a state where Democrats hold seven out of eight congressional seats and Hillary Clinton won 60.5% of the vote. What is equally surprising—and more welcome, as a reminder to Americans that the country was not always so fractious and polarised—he has built his career on bipartisanship and compromise.

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Mr Hogan follows two conventionally partisan governors: Martin O'Malley, a Democrat who served from 2007 to 2015, and Robert Ehrlich, a one-term Republican who preceded Mr O'Malley. Mr Hogan learned political independence early. His father was a congressman who in 1974 became the only Republican on the judiciary committee to vote for all three articles of impeachment against Richard Nixon. The younger Mr Hogan twice ran for Congress and built a property firm, where he became frustrated by a Maryland that was "overtaxed, over-regulated and...had kind of an anti-business attitude...That's why I ran for governor." Despite trailing 13 points behind the Democratic nominee just weeks before the 2014 election, he won.

Mr Hogan has to be bipartisan. Democrats hold supermajorities in the legislature that can override his veto—and have done so, to pass bills that expand the state's use of renewable energy and oblige employers to provide paid sick-leave. Mr Hogan needs their support to get anything done. Marc Korman, a Democratic delegate in the legislature's lower house, says that the governor "will come around and do the right thing, but we have to fight to get there." He cites an increase in funding for the Metro—the transport system serving Maryland, Virginia and Washington, DC. Mr Hogan boasts about this, but took a lot of cajoling, according to Mr Korman.

On the other hand, there is nothing wrong with kicking the tyres before writing a huge cheque. And Republicans tend to be less enthusiastic about public transport and employer-paid sick leave than Democrats; Mr Hogan may not be a Trumpian nationalist or a rigid social conservative, but he is still a Republican. Moreover, Democrats who deride his bipartisanship as

an electoral strategy or something forced rather than felt miss the point. It does not really matter if, for example, he approved \$4bn for Chesapeake Bay restoration because he cares deeply about the dwarf wedge mussel or because he saw an opportunity to curry favour with the state's environmentalists. The money is still spent.

In a survey released last summer, America's two most popular governors were Mr Hogan and Charlie Baker, another Republican in a Democratic state (Massachusetts). Both are fiscal conservatives but socially liberal, or at least loth to rock the boat on social issues, and they act as a check on one-party government. With the Republican Party in its current state, neither man can use his post as a stepping stone to national politics: they would be trounced in the primary. Mr Hogan seems content with that, and with his role as moderator rather than vanguard. "Both parties are being driven to the extremes," he worries, "and most people are somewhere in the middle."

*This article appeared in the United States section of the print edition under the headline "Man in the middle"*

Religion and politics

## A conservative group that frustrates Republicans

*Will the Amish turn out in November?*

Print edition | United States Oct 27th 2018



Alamy

**T**HE AMISH are members of a devoutly religious community with Swiss-German roots who rely on themselves. They do not pay Social Security taxes and lack health insurance. When somebody falls badly ill, the community chips in to pay for care. “They are the original Tea Party,” says Donald Kraybill of Elizabethtown College in Pennsylvania.

Unlike the Tea Party movement, though, the 300,000-strong Amish are almost politically irrelevant. The church does not encourage voting, and only around one in ten eligible Amish voters go to the polls. As an Amish saying goes: “We don’t vote, but we pray Republican”. Republicans dearly hope that will change this year, not least because many Amish live in three politically crucial states: Indiana, Ohio and Pennsylvania.

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A political action committee formed in 2016, Amish PAC, is rallying the faithful. “Our nation and our way of life are still in mortal danger,” reads an advertisement on billboards and in newspapers such as *The Budget* and *Die Botschaft* (print is a good way to reach this technology-averse group). If the Amish stay away from the polls, the advertisement continues, Democrats could remove a president who “has kept his promises to lower taxes, reduce over-regulation and preserve our religious freedoms!”

Like other conservative Protestants, many Amish overlook the personal foibles of a thrice-married president who has been accused of having extra-marital affairs. “God chose him for a reason, so we accept him,” says Sarah Ann Helmuth, who cooks for tourists on her farm in Illinois. The Amish have great respect for the “high and mighty king”, adds Mr Kraybill. Because they do not follow social media or watch television, they are mostly sheltered from the president’s tweet storms and verbal outbursts.

A campaign to get out the Amish vote for George W. Bush seems to have worked in 2004. By comparison, the effort in 2016 failed. A study of Lancaster County in Pennsylvania by Elizabethtown College’s Young Centre for Anabaptist and Pietist Studies found that Amish turnout in 2016 was 24% lower than in 2004, even though the number of eligible Amish voters was much higher. Perhaps the warnings are wearing thin. The continuing growth of this profoundly different religious community through Republican and Democratic presidencies suggests that the Amish way of life is not, in fact, under threat at all.

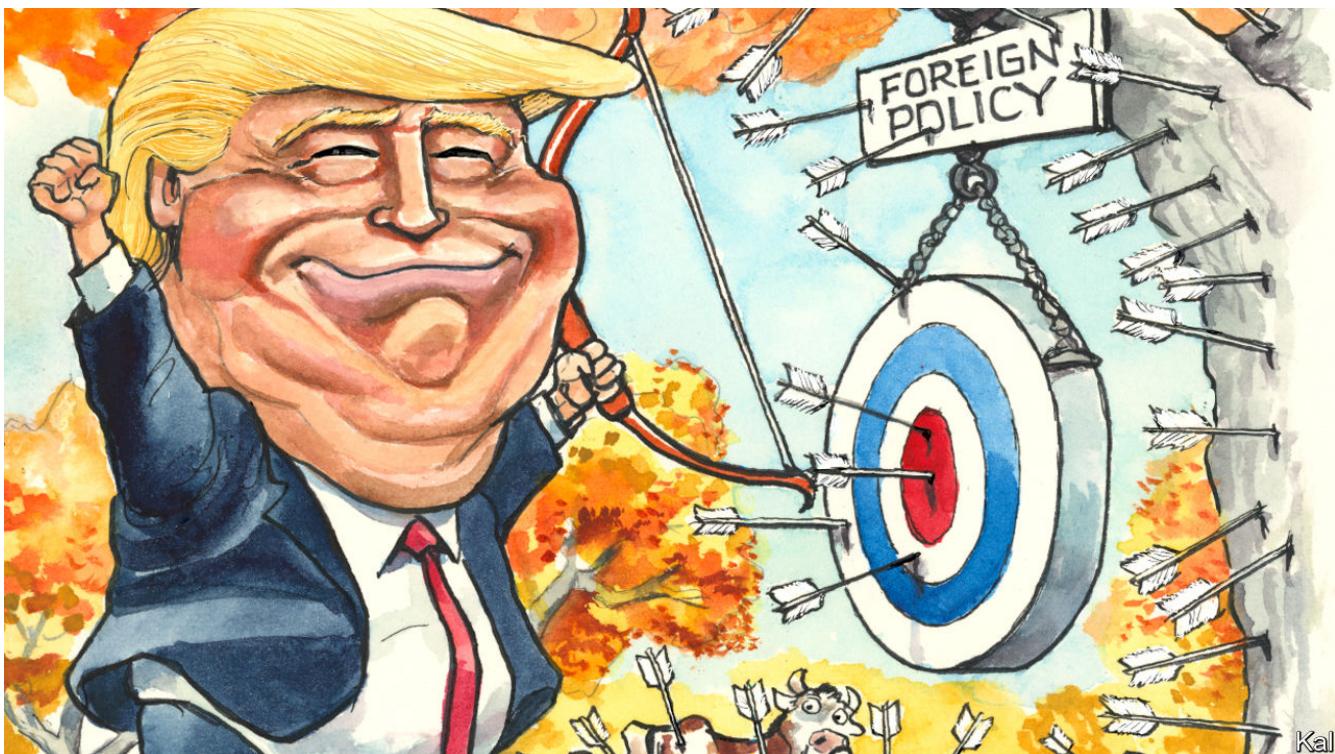
*This article appeared in the United States section of the print edition under the headline “We don’t vote, we pray”*

Foreign policy

## Trump is not doing badly abroad

*Unpredictability has some advantages*

Print edition | United States Oct 27th 2018



FOR CRITICS of President Donald Trump's foreign policy, Jamal Khashoggi's murder and the administration's response to it tell you everything you need to know about its shortcomings. The outsize faith placed in Muhammad bin Salman, the Saudi prince whose minions are accused of killing Mr Khashoggi, smacked of naivety. The administration's flat-footed response to Turkey's revelations of Mr Khashoggi's fate was the chaos you get from running a major alliance via Jared Kushner's mobile phone. Mr Trump's continued effort to deny the grisly obvious was callous and cynical. These criticisms are deserved. Yet they do not capture the drift of Mr Trump's foreign policy, which is a bit more encouraging.

The administration has negotiated updated versions of the North American Free Trade Agreement and a trade deal with South Korea. It has levied tariffs on \$250bn of Chinese imports, and made clear that it views them as part of a wider pushback against China's commercial abuses and military provocations, which has bipartisan support. European NATO members have raised defence spending after years of failing to. It is possible to debate how significant the revisions to the trade deals are, or how sustained the pushback might be. But the first are at least better than expected, and the second could be historic. Neither would have happened without Mr Trump's disruptive approach.

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The same can be said for the administration's talks with the Taliban. Barack Obama pursued this policy, but let it slide after the Afghan government objected. Mr Trump wants a route out of Afghanistan and does not care what its government thinks. Zalmay Khalilzad, the special envoy to Afghanistan, held a second meeting with the militants' representatives in Doha this month. This is starting to look like a foreign-policy record that deserves a cautious reconsideration. Thoughtful supporters of the president's foreign policy always acknowledged his shortcomings. Yet they argued that with naivety comes audacity, with chaos unpredictability, with cynicism realpolitik, and that these are qualities a somnambulant superpower lacked in its dealings with the world. This is sounding more plausible.

Progress of a more conventional kind has taken place, too. Under James Mattis, the defence secretary, America accelerated the demise of Islamic State in Syria and sent more troops to Afghanistan. After a year-long lag, Mr Mattis and Mike Pompeo, the secretary of state, re-emphasised America's partnership with India. Mr Trump's withdrawal from the international nuclear deal with Iran was controversial, but the fallout is at least going as well as could be expected. Iranian crude exports have fallen in response to the prospect of sanctions due next month. Importers of Iranian oil such as India and South Korea are likely to be offered waivers while they arrange alternative supplies.

Mr Trump's foreign-policy team appears to be working more effectively than some of its predecessors. Mr Trump and assorted hawks are focused on China, John Bolton on Russia and Mr Pompeo on everywhere else, especially Iran. A Republican admirer suggests that if Mr Trump gets bogged down in domestic brawls after the mid-terms, his team could make even more headway.

As that implies, it is not hard to see how Mr Trump could make a mess of this. He remains spectacularly ill-informed and incurious about world affairs. He appears to view them mainly as a means for partisan point-scoring and personal glory. More resistance to his presidency at home, if the Democrats take the House of Representatives, would probably therefore lead to more foreign-policy turbulence, not less. Mr Trump already appears to be itching to replace his competent defence secretary. He would then be even likelier to withdraw from Afghanistan, with or without a deal with the Taliban. He might even withdraw from NATO, especially if trade negotiations with the EU go as badly as European insiders fear. Even so, on the basis of his recent progress, Mr Trump's bullyboy diplomacy is not as worrying as it once seemed.

That is mainly because it looks more manageable. The best thing about his rejigged trade deals is that they prevented some of the protectionist measures he had threatened. Much the same is true of North Korea, whose dictator Mr Trump menaced but now claims to love. The most concrete achievement of his North Korea gambit, in short, is to have avoided his own threat of war. There is no sign Kim Jong Un means to give up his nukes and, in the normalising of North Korea's neighbourly relations, a growing risk the world will put up with them. That was once considered a nightmare prospect. On the other hand, it is not obvious Mr Trump's histrionics have made it much likelier. And the dialogue he has launched with Mr Kim retains a hope of more substantial progress.

That may be doubly true of Mr Trump's effort to extract better trade and commercial terms from China. Hit much harder than America by the trade war between the two countries, President Xi Jinping may be prepared to make concessions. Mr Trump's norm-busting diplomacy would in that case look like a catalyst for progress. In other instances, however, the president's pragmatism, recently manifest in his broader trade policy, may be a welcome safety-check on conservative orthodoxy.

### **He cares about moolah, not mullahs**

The Khashoggi debacle illustrates the need for this. It is not primarily a window into the haplessness of Mr Trump's foreign policy. It mainly reflects America's weakness in the Middle East, after decades of misadventure, and an over-reliance on an embarrassing ally that long predates Mr Trump. The notion that Saudi Arabia could do the heavy lifting for America in a confrontation with Iran, as Republican hawks inside and outside the administration maintain, looked wishful even before Prince Muhammad showed his stripes. Happily, Mr Trump appears to have no interest in starting a Middle Eastern war. He would always rather cut a deal. On this issue, that makes him almost a reassuring figure.

*This article appeared in the United States section of the print edition under the headline "More on target"*

## Brazil's election

Jair Bolsonaro and the perversion of liberalism

Brazil's election

## Jair Bolsonaro and the perversion of liberalism

*Reviving Latin America's unholy marriage between market economics and political authoritarianism*

Print edition | The Americas Oct 27th 2018



Lo Cole

**I**N JULY, AT a convention of his small and inaptly named Social Liberal Party, Jair Bolsonaro unveiled his star hire. Paulo Guedes, a free-market economist from the University of Chicago, has done much to persuade Brazil's business people that Mr Bolsonaro can be trusted with the country's future, despite his insults to women, blacks and gays, his rhetorical fondness for dictatorship and the suddenness of his professed conversion to liberal economics. At the convention Mr Guedes praised Mr Bolsonaro as representing order and the preservation of life and property. His own entry into the campaign, he added, means "the union of order and progress".

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That prospect seems poised to make Mr Bolsonaro, a former army captain, Brazil's president in a run-off election on October 28th. A survey by Ibope, a pollster, gives him around 52% of votes, to 37% for Fernando Haddad, his opponent from the left-wing Workers' Party (PT); 9% of respondents said they would abstain. Mr Bolsonaro has benefited from a public mood of despair over rising crime, corruption and an economic slump caused by the mistakes of a previous PT government.

In the PowerPoint slideshow that passes for his manifesto, Mr Bolsonaro promises "a liberal democratic government". Certainly Mr Guedes champions some liberal economic measures. He proposes to slim Brazil's puffed-up, ineffective and near-bankrupt state through privatisations and public-spending cuts, and to undo the country's serpentine red tape.

Yet Mr Bolsonaro's words are often neither liberal nor democratic. He stands for "order", but not the law. He urges police to kill criminals, or those they think might be criminals. He wants to change human-rights policy to "give priority to victims", though presumably he does not mean the victims of extra-legal killings by police. He lacks a liberal regard for the public good in his plans to favour farmers over the environment and withdraw Brazil from the Paris agreement on climate change.

Whereas Mr Guedes proposes economic deregulation, Mr Bolsonaro wants moral re-regulation. He vows "to defend the family"; to "defend the innocence of children in school" against alleged homosexual propaganda; and to oppose abortion and the legalisation of drugs. As a congressman, he proposed birth control for the poor. He calls the generals who took power as

dictators in Brazil in 1964 and ruled for two decades “heroes”. In July one of his sons, Eduardo Bolsonaro, who is a congressman, said “a soldier and a corporal” would be enough to shut down the supreme court. (The candidate distanced himself from these “emotional” comments, saying “the court is the guardian of the constitution.”)

### **When Comte hijacked liberalism**

The combination of political authoritarianism and free-market economics is not new in Brazil or Latin America. Indeed, Mr Guedes’s phrase at the convention harks back to the point in the history of Latin American thought when the notions of economic and political freedom became divorced. “Order and Progress” is the slogan stamped across Brazil’s flag. There is no mention of “freedom” or “equality”. The slogan was dreamed up when Brazil became a republic in 1889 under the influence of positivism, a set of ideas associated with Auguste Comte, a French philosopher. Positivists believed that government by a high-minded “scientific” elite could bring about modern industrial societies without violence or class struggle.

Positivism was little more than a footnote in Europe. But it was hugely influential in Latin America, especially in Brazil and Mexico. It combined a preference for strong central government with a conception of society as a hierarchical collective, rather than an agglomeration of free individuals. Positivism hijacked liberalism and its belief that progress would come from political and economic freedom for individuals, just when this seemed to have become the triumphant political philosophy in the region in the third quarter of the 19th century. According to Charles Hale, a historian of ideas, positivism relegated liberalism to a “foundation myth” of the Latin American republics. It was to be paid lip service in constitutions but ignored in political practice. In a sentiment to which Mr Bolsonaro might subscribe, Francisco G. Cosmes, a Mexican positivist, claimed in 1878 that rather than “rights” society preferred “bread...security, order and peace”.

The divorce between the ideas of political and economic freedom in Latin America was in part a consequence of the region’s difficulty in creating prosperous market economies and stable democracies based on equality of opportunity. But it has also been one of the causes of that failure.

Liberalism had struggled to change societies marked by big racial and social inequalities, inherited from Iberian colonialism, especially in rural Latin America. Liberals abolished slavery and the formal serfdom to which Indians were subjected in the Andes and Mexico. But the countryside remained polarised between owners of *latifundia* (large estates) and indentured labourers. Missing were yeoman farmers, or a rural bourgeoisie. André Rebouças, a leader of the movement to abolish slavery in Brazil (which happened only in 1888), envisaged a “rural democracy” resulting from “the emancipation of the slave and his regeneration through land ownership”. It never happened.

Positivists rejected the liberal belief in the equal value of all citizens and imbued the “scientific racism” and social Darwinism in vogue in late 19th-century Europe. They saw the solution to Latin American backwardness in immigration of white European indentured labourers, which initially prevented a rise in rural wages for former slaves and serfs.

### **The ignored lesson of Canudos**

The high-minded positivists who ran the Brazilian republic were humiliated by a rebellion in the 1890s by a monarchist preacher at Canudos, in the parched interior of Bahia in the north-east. It took four expeditions, the last involving 10,000 troops and heavy artillery, to crush Canudos, at a cost of 20,000 dead (some of the defenders had their throats cut after surrendering). Euclides da Cunha, a positivist army officer-turned-journalist who covered these events, wrote in “Os Sertões” (“Rebellion in the Backlands”), which became one of Brazil’s best-known books, that the military campaign would be “a crime” if it was not followed by “a constant, persistent, stubborn campaign of education” to draw these “rude and backward fellow-countrymen into...our national life”.

That was a liberal response from a positivist writer. Again, it didn’t happen. Veterans from the Canudos campaign would set up the first favelas in Rio de Janeiro, which soon were filled with migrants from the north-east. Their descendants may end up as victims of Mr Bolsonaro’s encouragement of police violence.

Liberalism never died in Latin America, but in the 20th century it often lost out. With industrialisation and the influence of European fascism, positivism morphed into corporatism, in which economic freedom yielded to the state’s organisation of the economy, as well as society, in non-competing functional units (unions and bosses’ organisations, for example). Corporatism, with the power it awarded to state functionaries of all kinds, appealed to many of the region’s military men.



That became clear when many countries suffered dictatorships in the 1960s and 1970s. The Brazilian military regime would intermittently adopt economic liberalism, especially under the aegis of Mario Henrique Simonsen, a brilliant economist (and one of Mr Guedes's tutors). He twice tried to impose fiscal and monetary squeezes to curb inflation. His nemesis was Antonio Delfim Netto, who favoured expansion through debt and inflation, which would cost Brazil a "lost decade" in the 1980s. The dictatorship that Mr Bolsonaro so admires ignored Da Cunha's plea: it left to civilian leaders a country in which a quarter of children aged seven to 14 were not at school. Only in the current democratic period, under the constitution of 1988, has Brazil achieved universal primary education and mass secondary schooling.

The exception to military corporatism was General Augusto Pinochet's personal dictatorship in Chile from 1973 to 1990. Pinochet sensed, rightly, that corporatism would require him to share power with his military colleagues. Instead, he called on a group of civilian economists, dubbed the "Chicago boys" because several had studied at the University of Chicago, where the libertarian economics of Friedrich Hayek and Milton Friedman held sway.

#### Trial and error from the Chicago boys

The Chicago boys applied these principles in Chile, whose economy had been wrecked by the irresponsibility of Salvador Allende, a democratic socialist overthrown by Pinochet. Their programme would eventually lay the foundations for Chile to become Latin America's most dynamic economy at the turn of the century. But it was akin to a major operation by trial and error and without anaesthetic. They slashed import tariffs and the fiscal deficit, which fell from 25% of GDP in 1973 to 1% in 1975. They privatised hundreds of companies, with no regard for competition or regulation. Worried that inflation was slow to fall, they established a fixed and overvalued exchange rate. The result of all this was that the economy came to be dominated by a few conglomerates, heavily indebted in dollars and centred on the private banks.

In 1982, after a rise in interest rates in the United States, Chile defaulted on its debts and the economy slumped. Poverty engulfed 45% of the population and the unemployment rate rose to 30%. Pinochet eventually dumped the Chicago boys and turned to more pragmatic economists, whose policies contributed to Chile's post-dictatorship prosperity.

Something similar happened in Peru under the presidency of Alberto Fujimori, who governed from 1990 to 2000. He sent tanks to shut down congress and pushed through a radical free-market economic programme. Again, that laid the basis for a dynamic economy but carried heavy costs. Mr Fujimori's regime engaged in systematic corruption, and his destruction of the party system and of judicial independence had consequences that are still being felt. In Guatemala and Honduras, Hayekian anti-state libertarianism has led to dystopias from which citizens migrate en masse to escape from weak governments unable to provide public security or encourage economic opportunity ([see article](#)).

Mr Bolsonaro is a fan of Pinochet, who "did what had to be done", he said in 2015. (This included killing some 3,000 political opponents and torturing tens of thousands.) So is Mr Guedes, who taught at the University of Chile in the 1980s, when the dean of its economics faculty was Pinochet's budget director. Mr Guedes wants a flat income tax, a libertarian but not liberal measure. (Adam Smith, the father of liberal economics, favoured a progressive tax.)

So is Brazil in for a dose of *pinochetismo*? Mr Bolsonaro is not the army commander—indeed he was eased out of the army for indiscipline in 1988. And he is not a convincing economic liberal. At heart, he is a corporatist. As a congressman for 27 years, he repeatedly voted against privatisation and pension reform, and for increases in the wages of public servants.

Many of Mr Guedes's proposals are vague, but sensible in principle and overdue. They include cutting the deficit and the

public debt and reshaping public spending. Many of his proposed privatisations are necessary. As he told *Piauí*, a newspaper, Brazil is “paradise for rent seekers and hell for entrepreneurs”. He rightly wants to change that. But in many of these things Mr Bolsonaro may be his opponent. Mr Guedes may not last long.

Under a Bolsonaro presidency, Brazil could hope for a reformed, faster-growing economy and a president who keeps his authoritarian impulses in check. But there are plenty of risks. Perhaps the biggest is of illiberal democracy in which elections continue, but not the practice of democratic government with its checks and balances and rules of fairness. That could arise if a Bolsonaro presidency descended into permanent conflict, both within the government and between it and an opposition inflamed by Mr Bolsonaro’s verbal aggression. Frustrated, he might then lash out against the legislature and the courts. Separating economic and political freedom may seem like a short cut to development. But in Latin America it rarely is: the demand for strong government has vied with a persistent yearning for liberty.

**The Hondurans are coming!****Donald Trump and the “onslaught” from Central America**

TAPACHULA “caravan” of migrants gives Donald Trump something to talk about

Print edition | The Americas Oct 27th 2018



AP

THE HONDURANS are travelling light. Most carry just a backpack with a few articles of clothing. Some have brought pushchairs for children, who bear their ordeal with remarkably few tears. The group passed through Tapachula, near Mexico's border with Guatemala. Most plan to head to the United States.

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They know Donald Trump will not make them welcome. He calls the “caravan”, which is irresistible to television news programmes, an “onslaught of illegal aliens” and vows to send the army to shut the United States’ southern border. He gleefully expects the fuss to win votes for the Republican Party in mid-term elections to be held on November 6th. Carolina Gerazo, a mother of two who sold tortillas in Honduras, expresses a hope that seems universal among her fellow travellers, that God will touch Mr Trump’s heart.

Migrant caravans have been heading to the United States for more than a decade. Earlier ones were formed in Tapachula by an NGO, Pueblo sin Fronteras (People without Borders), to help migrants already en route reduce the risk of robbery and rape. They were less successful in bringing people to their destination. Just one, which started in April this year, reached Mexico’s northern border. In Tijuana 250 people applied for asylum in the United States.

The caravan now headed north is the biggest yet, with 7,200 people, according to the UN. Unlike those born in Tapachula, it formed spontaneously, in San Pedro Sula, Honduras’s business capital. The travellers say they made an impromptu decision to join the group after seeing news of it on Facebook or television; some even joined as the column passed their houses. They are leaving Honduras, many say, because the little money they make is extorted from them by gangs, which threaten non-payers with death. Many complain about petrol prices, which have risen 11% this year. Another caravan of Hondurans is on its way.

Central Americans have replaced Mexicans as the largest group of migrants seeking entry to the United States. For three of the past four years American border agents have caught more Central Americans than Mexicans crossing illegally. The United States wants Mexico to police its porous southern border and Mexico has tried to comply. It deports around 100,000 people a year back to the Northern Triangle, as Guatemala, El Salvador and Honduras are collectively known. But unarmed Mexican guards put up just token resistance to the Honduras caravan. Officials encouraged migrants to seek asylum in Mexico, but the police have not tried to stop them moving as they have earlier caravans.

This may signal the start of a change in the way Mexico and the United States co-operate on migration. Mexico’s president, Enrique Peña Nieto, who will leave office on December 1st, has little desire to risk violence by blocking migrants. His left-wing

successor, Andrés Manuel López Obrador, has his own ideas about how to handle them. He wants a regional plan including the United States, which would spend three times as much on development and state-building in Central America as Mexico does on border security.

Mr Trump prefers to deter immigration by force, and has said he will cut aid to countries that allow their citizens to head north (which might spur more migration). In a telephone conversation in July, Mr Trump and Mr López Obrador agreed on the need to reduce immigration from Central America. “I’m not sure they understood [the issue] the same way,” says Roberta Jacobson, until recently the United States’ ambassador to Mexico.

Faced with American hostility, some Central Americans are staying in Mexico. Nearly 2,000 applied for asylum in Tapachula this week, compared with 15,000 in all of last year. “If I go to the United States and don’t speak English, I am not going to find work,” says Javier Celaya, a teenager from Honduras. “I want to live here in Mexico, work, and make a life for myself.”

Those who make it to the United States can apply for asylum but can expect a long wait. Officials in Tijuana accepted just a dozen applications a day when the caravan that set off in April showed up, says Adam Isacson of the Washington Office on Latin America, a think-tank.

The caravan could disperse as it continues its month-long, 4,000km (2,500-mile) journey. By the time the Hondurans reach the United States’ border, the mid-term elections will be over. If they show up in small groups, television will lose interest and Mr Trump will perhaps find other threats to hyperventilate about.

*This article appeared in the The Americas section of the print edition under the headline "The Hondurans are coming!"*

**Security in Afghanistan**

Ballots amid bullets

Ballots amid bullets

**Afghans vote as the war drags on***A messy election suggests that America has no option but to talk to the Taliban*

Print edition | Asia Oct 27th 2018



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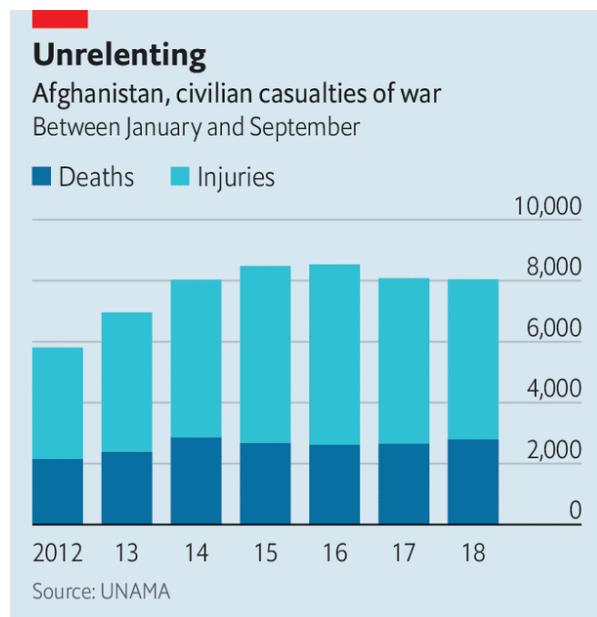
**G**ENERAL ABDUL RAZIQ, police chief of Kandahar, was not yet 40 but had run through more than nine lives. For America, he was a bulwark against the Taliban; to Human Rights Watch, he was Afghanistan's "torturer-in-chief". After dodging what he proudly called "countless" attempts on his life, his luck ran out on October 18th, when he was shot dead alongside the local spy chief. The attack wiped out the people in charge of security in Kandahar, a pivotal southern province which gave birth to the Taliban in the 1990s. It very nearly decapitated America's war effort, too. General Austin "Scott" Miller, America's commander in Afghanistan, had stepped out of the room and into a helicopter only moments before. Another American general, Jeffrey Smiley, was injured.

The men had gathered in Kandahar city to review security for Afghanistan's parliamentary election, the first organised and run by Afghans themselves, which took place on October 20th and 21st after a delay of over three years. They had much to discuss. Ten candidates were killed in the run-up. Hundreds of people probably died in election violence, though the government strong-armed media outlets into playing down the problem. It did not inspire confidence that next year's presidential poll will go smoothly.

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Less than a third of the population registered in the first place, and less than half of those cast their ballots. Those who did, often queuing for hours, did not have an easy time of it. A third of planned polling stations did not open. Neither the province of Ghazni, whose capital city was partially overrun by insurgents in August, nor Kandahar, rocked by the double assassination, voted at all. The Taliban were far from the only source of violence. In Paktia, a south-eastern province bordering Pakistan, local strongmen beat up election officials and carried off ballot boxes. Biometric voting machines, installed in roughly 60% of polling stations, confounded many election workers. The country's independent Electoral Complaints Commission has expressed "grave concern".

Afghanistan's government is in desperate need of democratic approval. America's own Department of Justice deems it to be "lawless, weak, and dysfunctional". It is plainly unable to provide security. Insurgents control about a fifth of the country, and a similar area is contested. According to the UN, the Taliban are threatening more of the country than at any time since American-backed forces chased them from power in 2001. The result is that nearly 2,700 civilians were killed in the first nine months of the year (see chart), the highest number since 2014.



The Economist

The armed forces fare little better. America has lavished over \$70bn on Afghanistan's security services since the beginning of the war. Yet 30-40 Afghan soldiers and policemen are being killed daily, up from 22 in 2016, even as recruits dry up; 10,000 died in 2017 alone. "There have been armies that have taken much bigger casualties and been sustainable," says Christopher Kolenda, a former American soldier who took part in past talks with the Taliban. "But those armies believed in the government and system they were defending."

As the war has dragged on, peace talks have looked more appealing. But talking is no easier than fighting. A brief ceasefire between the government and the Taliban in June saw rank-and-file insurgents flood peacefully into cities to break bread with their fellow Afghans. The festive atmosphere did not lead to substantive negotiations, however. The Taliban consider the Afghan authorities untrustworthy puppets. They prefer to talk to America directly. But discussions between the two have sputtered on for years in various guises without getting anywhere.

That may be changing. Zalmay Khalilzad, America's special representative to Afghanistan, met Taliban negotiators in Qatar on October 12th. Mr Khalilzad, an Afghan-American who served as ambassador to Kabul from 2003 to 2005, is one of the most senior Americans to have parlayed with the insurgents; he also has the ear of President Donald Trump.

There may be some common ground between Mr Khalilzad and his interlocutors. Mr Trump has made no secret of his exasperation with the war. "My original instinct was to pull out," he acknowledged last year. Despite their successes on the battlefield, the Taliban are weary too. One study last year, based on interviews with insurgents, concluded that "many Taliban feel that the war has lost direction and purpose, and is corrupting the movement." Some Taliban leaders have emphasised that they no longer have dealings with al-Qaeda, whose attack on America prompted the war in 2001, and say they may be able to tolerate the continued presence of a small American force in Afghanistan if it confined itself to fighting international terrorist groups such as Islamic State.

But America is talking to the Taliban's political commission, rather than the military commission that runs the war from Pakistan. Even if the Taliban's commanders wanted to talk to America, it would not be easy to arrange. Not only might American leaders balk at giving safe passage to the very men terrorising Kabul with suicide-bombs, but Pakistan's intelligence agency, the ISI, keeps tight control of leaders and their families, and has locked up those who seem too independent-minded.

The biggest challenge may be Afghanistan's own politics. America needs its Afghan allies to endorse its diplomacy, but Ashraf Ghani, the president, is furious that Mr Khalilzad has kept him out of the loop on the latest talks. Mr Ghani's opponents, particularly factions in northern Afghanistan that spearheaded opposition to the Taliban in 2001, are bitterly opposed to a deal. They, too, must be brought round. America's budding outreach might not survive the next wave of violence.

*This article appeared in the Asia section of the print edition under the headline "Ballots amid bullets"*

In the wings

## A 20-year-old rivalry is shaping Malaysia's government

*Relations between Anwar Ibrahim and Mahathir Mohamad remain tense*

Print edition | Asia Oct 27th 2018



**C**ONVERSATIONS STOPPED. Lawmakers in the parliamentary lounge rose to their feet. Supporters thronged forward, offering their hands and congratulations. Anwar Ibrahim, the head of the largest party in Pakatan Harapan (PH), the governing coalition, had returned to parliament after a three-year absence, having won a by-election earlier this month. He could not fight for a seat during the election PH won in May, paving the way for Malaysia's first ever change of government, because he was languishing in prison, for a third time, on trumped-up charges of sodomy (a crime in Malaysia). The man who first sent him there during a previous stint as prime minister, Mahathir Mohamad, now runs the country once again. First allies, then enemies and now allies again, the pair have a fraught relationship, the evolution of which will define the new government, for good or for ill.

Mr Anwar's Parti Keadilan Rakyat (PKR) has 50 of PH's 125 seats in parliament. The party run by Dr Mahathir, Bersatu, commands just 13. But Dr Mahathir, who was prime minister from 1981 to 2003, has star power. His huge popularity among *bumiputras*—Malays and other indigenous groups who make up most of the population—helped PH to victory. And because Mr Anwar was behind bars during the election, it is Dr Mahathir who holds the top job.

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Dr Mahathir seems preoccupied with fortifying his own position. As prime minister he can dispense plum jobs. And his vast experience means he can easily steer the callow cabinet. Mr Anwar covets his spot. During the campaign Dr Mahathir said he would give way after two years. Recently, however, he has declared that the two-year handover was merely “a suggestion”. Managing the competing interests of PKR and Bersatu, says a member of the Democratic Action Party, the second-biggest in the coalition, is like trying to adjudicate between two fighting elephants.

Dr Mahathir appears to be encouraging dissent within PKR. The party is in the middle of a hard-fought campaign to decide its deputy leader. One candidate, Azmin Ali, who leads an occasionally rebellious faction, appears to have his tacit support. “The prime minister is more focused on political manoeuvrings than running the country,” complains a politician from PKR.

Another source of tension is the lack of agreement within the coalition on the affirmative-action policies enshrined in the constitution. They give the *bumiputras* preferential access to government jobs, places at university and state handouts. Both Dr Mahathir and Mr Anwar first rose to political prominence as members of UMNO, the ruling party until May, which champions this system. Bersatu does too: it does not even grant full membership to non-Malays. But PKR has many ethnic-Indian and -Chinese members and a much more egalitarian philosophy.

Mr Anwar says he plans to remain a backbencher, staying out of the cabinet until Dr Mahathir hands over the reins. He speaks publicly of frequent meetings and good relations with the prime minister, soothing talk of any deep rift. “In this period of transition [the prime minister] needs to be given full support and endorsement,” he says.

Yet Mr Anwar admits that many in PKR are disgruntled: “There’s a lot of dissatisfaction among party members because they would have expected more recognition.” His return to parliament is likely to heighten tensions. Many hope his presence will help spur liberal reforms, which are sorely needed after decades of increasingly authoritarian rule by UMNO, but which Dr Mahathir has been slow to adopt.

Until Mr Anwar becomes prime minister, which still appears the most likely outcome, controversial reforms will probably linger untouched, to preserve peace within the government. The rift over racial policies will remain “swept under the carpet”, according to one MP. Instead the coalition will concentrate on fighting corruption, reviewing expensive infrastructure projects initiated by the previous government and attempting to reduce the cost of living. Filling the 21bn ringgit (\$5bn) fiscal hole created by its flagship pledge—to replace a despised goods-and-services tax with a less lucrative alternative—will be the focus of the coalition’s first budget. The PH’s electoral victory was revolutionary; its achievements may be less so.

*This article appeared in the Asia section of the print edition under the headline “In the wings”*

Play or pay

## India's and Pakistan's cricket teams fight it out—in court

*The world's biggest sporting rivalry gets even testier*

Print edition | Asia Oct 27th 2018



WHEN INDIA'S explosive batsmen face Pakistan's scorching bowlers, cricket fever grips both nations. People crowd into tea stalls, huddling around a single television or radio. Cities in the winning country celebrate with fireworks. Angry fans from the losing side burn their players' effigies.

In terms of sheer numbers, it is the world's biggest sporting rivalry: the two countries together hold a fifth of the world's population. But cricket matches between India and Pakistan have become exceedingly rare. Only 20 have been played in the past decade, compared with 63 in the one before. Instead, the Pakistan Cricket Board and the Board of Control for Cricket in India are battling it out before an arbitration panel in Dubai. The panel, which heard evidence earlier this month, is assessing the Pakistanis' claim for \$63m in compensation, after India backed out of a series of matches.

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India had undertaken to play Pakistan a total of nine times in 2015 in the United Arab Emirates. (The Pakistanis have played their "home" games there since terrorists attacked Sri Lanka's cricket team in Lahore in 2009.) But the Indians say these matches could not go ahead without their prime minister's say-so. Narendra Modi, a Hindu nationalist who takes a hard line against Pakistan, has so far withheld it. But many Pakistanis suspect that the Indian board shares Mr Modi's prejudices. It does not help that Pakistan's relatively poor cricketers need the revenue from the tour more than India's do.

The arbitrators, who are due to rule in the coming weeks, can compel India to pay Pakistan, but not to play them. The two teams have played just one series against one another since 2008, when Pakistani terrorists killed 166 people in Mumbai. Instead, they meet only at international tournaments. The fans, starved of such contests, await them eagerly. A television audience of half a billion watched India trounce Pakistan in the World Cup in 2011, and 300m saw Pakistan return the favour in last year's Champions' Trophy. Yet politics still streaks across the pitch. Indian police charged 15 people with sedition last year, for the crime of cheering for Pakistan. (The charges were later dropped.)

This is not the first time cricket between India and Pakistan has been stymied. Between 1962 and 1977, during which time the two countries were twice at war, their teams did not play at all. But cricket diplomacy has also helped bridge political divisions. In 2005 Pervez Musharraf, then Pakistan's president, and Manmohan Singh, Mr Modi's predecessor, restarted peace talks by watching a cricket match together in Delhi. A similar rapprochement began when Mr Singh invited his Pakistani counterpart to watch their teams play at the World Cup in 2011. Some hope that Mr Modi and Pakistan's new prime minister, Imran Khan, a

former cricket star, can hit it off too. But progress between the two countries off the field is less likely if they hardly ever meet on it.

*This article appeared in the Asia section of the print edition under the headline "Play or pay"*

### Pop-culture pitch

## Wooing young voters in Indonesia

*Millennials, not older voters, are politicians' prime target*

Print edition | Asia Oct 27th 2018



Alamy

RECENTLY THE public appearances of Joko Widodo, Indonesia's president, who is usually known as Jokowi, have been full of unstatesmanlike jokes and stunts. A video played at the opening of the Asian Games in Jakarta in August showed him performing a variety of stunts on a motorbike. A few weeks later, at a World Economic Forum event, he joked that the brewing trade war between America and China must not become an "Infinity War", a reference to a superhero film. On October 12th at an IMF-World Bank meeting he quoted characters in "Game of Thrones", a popular television show, warning delegates: "Winter is coming."

Such antics, whether cool or cringeworthy, have a purpose. Election season is approaching. In April Indonesia's 187m voters will pick members of parliament and local and regional legislators, as well as the country's president. The battle for the top job is a rematch of the previous poll in 2014, when Jokowi beat Prabowo Subianto, a former army general, by a narrow margin.

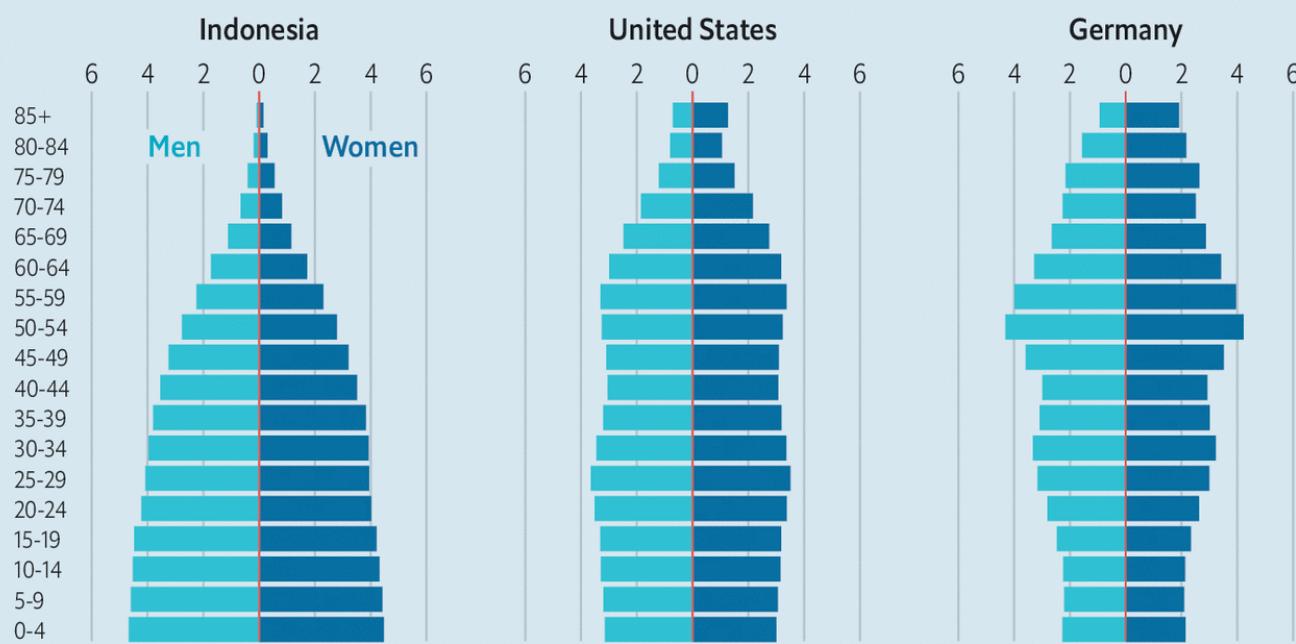
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Serious policy proposals play little part in Indonesian elections, but identity politics looms large. Religion was a big factor in the presidential race in 2014. Jokowi is perceived to lack piety, a weakness in a mainly Muslim country. Baseless rumours that he is a closet Christian are rife. That prompted him to make a quick trip to Mecca two days before the poll. This time he has chosen as his running-mate Ma'ruf Amin, the leader of Indonesia's largest Muslim organisation, Nahdlatul Ulama. That, the thinking goes, will bolster his Islamic credentials and appease conservative voters.

But in this campaign the focus is shifting from conservative Muslims to millennials. In the West, politicians woo older voters, because they are just as numerous as younger ones, and more likely to turn out. Indonesia, by contrast, is a young country. Its population structure is more like a textbook pyramid (see chart). The median age is 28. About 45% of eligible voters are between 17 and 36. These youngsters will play a pivotal role in the elections.

## Juvenile Java

Population by age and sex, % of total, 2018



Source: UN Population Division

The Economist

What makes them tick? In some ways they look much like their counterparts in any other country. They spend more time than their elders staring at screens, posting on social media and scouring the internet. Jokowi's stunts were in part intended to create online buzz and a burst of internet memes. Young Indonesians are more apathetic and less loyal than older folk, says Ali Hasanuddin of Alvara, a research firm. Their turnout in the elections is expected to be lower than the overall figure. Agung, a young barman from Sulawesi, typifies a millennial attitude when he says he cannot see the point of voting because politicians are all the same.

In 2014 the youngsters who did vote tended to opt for reform-minded Jokowi. This time things are fuzzier. Pollsters suggest that Jokowi will win again. Surveys give him a lead across all age ranges of 20 percentage points on average. But the gap narrows among younger people.

That is partly because of Mr Prabowo's running-mate, Sandiaga Uno, a businessman who is a sprightly 49-year-old, whereas Mr Amin is 75. Mr Uno exudes athleticism. Last year, when campaigning to be deputy mayor of Jakarta, he promised to build a football stadium and launched his own line of trainers. In September he donned sleek shades and sports gear to cycle around Purwokerto, a town in central Java. Selfie-seekers turned out in force.

Unemployment is also a burning issue. The difficulty of finding work tends to top surveys of young people's concerns. The overall joblessness rate is about 5%, but for those under 25 years old it is 16%. They tend to blame Jokowi. In the last campaign he promised growth of 7%. Instead the economy has expanded by about 5% a year.

Millennials are hard to please, it seems. The youth wings of most parties are largely ineffective. PSI, a party founded in 2016 to appeal specifically to the young, is expected to win less than 1%. Agus Harimurti Yudhoyono, the 40-year-old son of a former president, ran for mayor of Jakarta in 2017 on a youth ticket but came last with only 17% of the vote. Winning over these all-important voters may take more than fresh faces and pop-culture references.

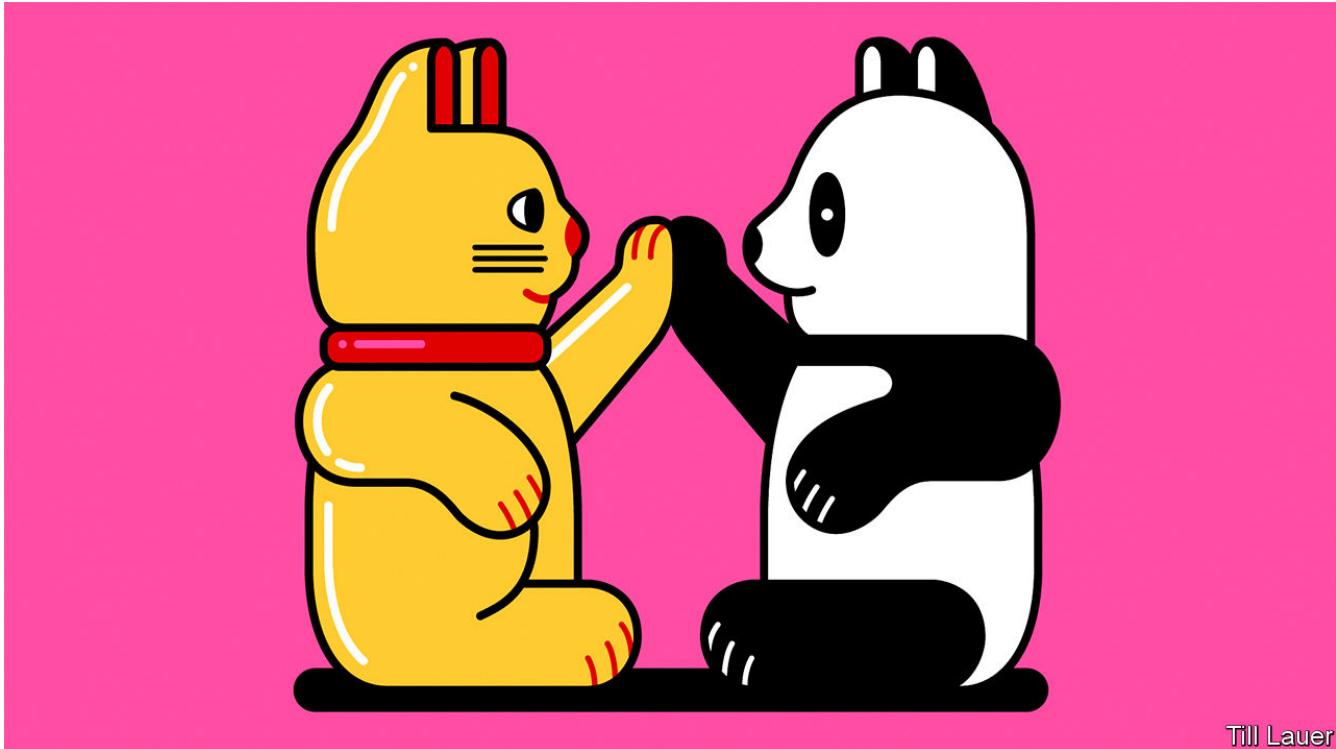
*This article appeared in the Asia section of the print edition under the headline "Pop-culture pitch"*

Banyan

## How to read Japan's rapprochement with China

*Shinzo Abe's trip to Beijing is all banquets and pandas*

Print edition | Asia Oct 27th 2018



Till Lauer

**F**ORTY YEARS ago to the week since Deng Xiaoping normalised ties with Japan by travelling to Tokyo and signing a treaty of peace and friendship, Xi Jinping is feting the Japanese prime minister in Beijing. On October 26th China's president will treat Shinzo Abe to a fine dinner, following a lavish reception in Mr Abe's honour the day before at the Great Hall of the People. The trip will yield a flurry of agreements to co-operate economically across Asia. And Mr Abe may take delivery of two adorable panda cubs.

Par for the course? Hardly. Six years ago China's aggression over the disputed Senkaku islands, which it calls the Diaoyu and wants to wrest from Japanese control, threatened to precipitate a military conflict. Diplomatic relations froze solid. Scarcely a week passed without China hectoring perfidious Japan, as if the peaceable democracy was still jackbooting around Asia. What was previously mutual admiration among ordinary citizens soured into popular scorn. When Mr Abe travelled to Beijing in 2014 to try to ease tensions, Mr Xi offered a reluctant handshake with a pained, puckery expression.

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Now the Chinese president is all smiles. Why the change? China can ill afford to discourage Japanese investment and trade. For one thing, Japan is a crucial supplier of machine tools. More pertinent, though, is America's growing antagonism towards China. Viewing China as an adversary in trade, technology and arms that does not play fair, President Donald Trump is abandoning America's long-held policy of engagement with China for something more confrontational. China's diplomacy is very traditional, an adviser to Mr Abe explains. It will never choose two enemies at the same time. Dealing with America is work enough. Japan is allowed out of the doghouse.

A similar logic informs Japan's wish for rapprochement. It has long taken its alliance with America, essential to its security, for granted. But Mr Trump has unsettled it. In his first act as president, he pulled America out of the Trans-Pacific Partnership, a 12-country free-trade area that Japan had hoped would bind America to the region. He has questioned the worth of alliances. And he has launched pell-mell personal diplomacy with North Korea's dictator, whose missiles threaten Japan. It turns out Japan also does not like two challenges at once.

Some claim Japan risks being squeezed between America and China. Mr Abe cannot become buddies with Mr Xi without risking a black eye from Mr Trump. As Sino-American antagonisms grow, there will surely be a reckoning.

That view rests on a misunderstanding of Japan's intentions. It is asking almost nothing of China, bar the pandas. The most substantial outcome of the summit is the re-establishment of a swap arrangement between the two central banks. If it is used at all, it is likely that China, with its indebted banks and wobbly currency, would be the supplicant.

Then there is Japan's growing willingness to be involved with China's Belt and Road Initiative. Mr Abe is urging Japanese trading houses, insurers and others to look for opportunities that Chinese-led infrastructure creates. The intention is not to abet Chinese diplomacy but to counter it, by boosting Japan's own soft power in South-East Asia and beyond.

The point, Mr Abe's people insist, is to show the region it does not have to be dominated by China. The alternative is an open, rules-based and perhaps even democratic order, in which economies are shaped by markets, not mercantilism. Japan plays the responsible international steward.

This strategy has an official name: a "free and open Indo-Pacific". The alliance with America remains at its heart. Australia is an eager accomplice, and British and French navies supporting actors. One day, Japanese strategists hope, India will also be more assertive. The point of this approach, again, is to counter China.

In the coming months Mr Abe will disguise that. The prime minister needs to get on with his giant neighbour. There is a new emperor to be crowned in the spring. Japan hosts the G20 in Osaka next summer. Mr Xi will make his first state visit to Japan around the same time. And Tokyo hosts the Olympics the following year. One strategist describes Japan's overtures to China as showing the Chinese its soft underbelly. But the fact is that if Mr Trump's hard line towards China is meant to re-assert American hegemony in Asia, some of the line's most ardent backers sit in Tokyo—including the prime minister himself.

*This article appeared in the Asia section of the print edition under the headline "Panda-ing"*

## Keeping veterans happy

Friendly fire

Friendly fire

## Frequent protests by veterans alarm China's authorities

*The protesters are not budding democrats, but they are well organised*

Print edition | China Oct 27th 2018



AP

**T**WENTY YEARS after leaving the air force with a lump-sum payment, Song Zhiming, a mechanic from Henan province, says he has struggled to build a second career. Divorced, and soon to turn 60, he worries about funding his retirement. He feels cross that people who left service only a year or two after him got what he thinks is a better deal. Lately he has been visiting government offices to petition for more help with his future living expenses and medical bills. His persistence, he says, has made him unpopular. When he and some friends tried to present their cases in Beijing this month, they were stopped by police on the outskirts of the city and sent packing.

Mr Song is one of about 57m living veterans of the People's Liberation Army (PLA). While many of China's old soldiers have settled happily into civvies, a large number—particularly from cohorts demobilised in the 1970s, 1980s and 1990s—complain that the government has let them down. Their unhappiness is a persistent irritant for the party, and lately the cause of eye-catching protests. On October 6th veterans armed with wooden sticks and fire extinguishers scuffled with police in the city of Pingdu, enraged by rumours that the authorities had beaten up a group of local ex-servicemen who had asked for help. A few months before, police in Zhenjiang, in Jiangsu province, ejected veterans who were camping out in its central square.

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Former soldiers' complaints are numerous and mixed. One problem is that their entitlements vary widely depending on when and where they were demobilised, resulting in disparities that many think unfair. Whereas in America veterans' benefits are outlined in a single law, in China they are defined by a tangle of national and provincial edicts. Local authorities are required to find most of the cash—a burden for the poorer provinces from which a disproportionate share of soldiers come. Some cash-strapped administrations take advantage of vagaries in the national laws to provide only the bare minimum, and are alert to technicalities that may help them dodge responsibility entirely.

## Demobbed and deceived

Veterans themselves have high expectations—elevated both by recruiters at the time of their enlistment and by the reverent way China's leaders talk about the armed forces. In the past many rural men saw the army as a way to escape village life, and were dismayed to be sent back to their farms on demobilisation. (China's system of household registration puts obstacles in the way of those wishing to start new lives away from their hometowns without the backing of a government agency or influential employer.) The most vocal veterans include former officers who were transferred to civilian roles within state-owned firms. When these government firms began reforming in the 1990s, retrenched veterans felt that they were losing not only their incomes, but a job and benefits which their service had rightfully earned.

The party need not worry that disgruntled veterans are “incipient democrats”, says Neil Diamant, author of a book about them. When they protest they don old uniforms, wave Chinese flags and are sometimes seen renewing their oaths of loyalty to the party. Their calls for a crackdown on corruption and mismanagement—often blamed for their misfortune—match the government's own stated priorities.

Yet unrest among ex-servicemen is still alarming to the authorities. Unhappy veterans have proved quick to cross provincial borders to support comrades they think are being treated poorly. They are well organised. In 2016 thousands somehow managed to gather in Beijing outside the Central Military Commission (they pulled off a similar feat last year, just days before the annual meeting of parliament). The party worries that veterans are more likely to win sympathy from the public than other protesters, and fears solidarity between soldiers, workers and students. RFA, an American news outlet, reported that during the protest in Zhenjiang some taxi drivers ferried old soldiers around free of charge.

More than this, the party frets that veterans' complaints will put off new recruits at a time when it is busily trying to raise their calibre. It fears that veterans' protests will harm the morale of those serving now—especially of police or soldiers who are asked to help contain them. Nagging doubts about post-service life make it trickier for the party to pare the PLA, even if today's demobilisations are better funded than in the past and soldiers' expectations more realistic. It has only just completed a plan, announced in 2015, to shave 300,000 people from the 2.3m-strong force.

In April the government opened a new Ministry for Veterans' Affairs. It will take on tasks that have previously been shared among many different departments, says Jane Hu, a Chinese academic. In July it announced it was raising by about 10% the standard stipends paid to disabled veterans, among others. It says it plans to deliver “plaques of honour” to the homes of all acting and demobilised soldiers, one simple way of making them feel more appreciated. It is also drafting a new national law that could clarify veterans' rights.

Cynics wonder if the ministry is a panicked reaction to the demonstrations, rather than a sign of a genuinely new approach. It remains to be seen whether it will simply urge local authorities to meet their existing responsibilities or provide help itself. America, which has had a ministry for veterans for 30 years, spends more on its former servicemen than China does on its entire armed forces.

Unless veterans or their supporters in civil society are invited to help devise reforms, Mr Diamant argues, little will change. China has no state-sanctioned veterans' club of the type provided for unions, homeowners and other such interest groups. The new minister is not a veteran, either. Mr Diamant thinks the hotch-potch of benefits may suit the authorities, since their priority is to prevent veterans forming a united front. The party could be gambling that half-measures can muffle dissent for a few more years. By then the most disaffected former soldiers may be too frail to keep kicking up a fuss.

*This article appeared in the China section of the print edition under the headline "Friendly fire"*

Fresh meat

## A fashionable aesthetic confounds Chinese parents—and officials

*The Communist Party is unsure where it stands on men wearing make-up*

Print edition | China Oct 27th 2018



**N**EW F4 ARE actors-turned-musicians with pebble-smooth chins and artful coifs (the “F” is short for “flower”). Yet the boy band’s appearance last month on a patriotic children’s show caused a kerfuffle, and not just among fans. Some parents, already angry that the government had ordered them to ensure their primary-school-aged children watched the programme, complained that the foursome were not appropriate role models for young boys. What lessons could they learn from them, asked one enraged blogger, except “how to use eyeliner and lipstick?”

Slim young male stars with a taste for make-up are enjoying a moment in vogue. Labelled “little fresh meat” by their fans, who consist mostly of women in their teens and twenties, they mimic an aesthetic pioneered by singers from South Korea and Japan. The most mainstream adopt faux-innocent personas vaguely reminiscent of the way music executives once promoted Justin Bieber, a Canadian celebrity. Last year brought brief fame for the more experimental FFC-Acrush, a “boy band” whose members are women.

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These groups reflect a growing interest among wealthy male urbanites in preening and snappy dressing. In 2018 sales of men’s grooming and beauty products will grow nearly 8% in China, reckons Euromonitor, a research firm. Irving, a twenty-something banker in Beijing, is one eager consumer: he puts on foundation and concealer whenever he wants to look smart, saying that it helps boost his confidence and disguise some facial scars. His parents were alarmed at first but have had to accept it, because “they want me to be happy.”

Not everyone is so tolerant. Of late the popularity of “little fresh meats” has been adding fuel to an old debate about whether young Chinese men are manly enough. During the World Cup this summer football fans speculated that a fashion for beauty over brawn could explain the woefulness of China’s national side. Pessimists like to fret, without much evidence, that the one-child policy has wrought a generation of pampered softies. Toughening them up is one justification for the obligatory boot camps that still take place annually in schools and universities. Military types complain that it is getting harder to find good recruits. Last year the armed forces reported that more than half of candidates in one city had failed basic physical tests (it blamed vices including masturbation and video games).

The Communist Party looks undecided. In July an opinion piece in the *Global Times*, a nationalist tabloid with government links, suggested that boys who spend a lot of time thinking about their appearance risk becoming “too delicate to deal with difficulties in their lives.” Shortly after New F4’s performance, Xinhua, the state newswire, published an editorial saying that

the trend for “sissy men” was “a sick aesthetic” that “challenged tradition and order”. Yet this hyperventilation provoked an angry response on social media and earned a swift rebuke from the *People’s Daily*, the party’s primary mouthpiece, which noted that “courage and responsibility” come in all shapes and sizes. A newspaper published by the party’s women’s union also objected to such narrow-mindedness.

When all is said and done China’s leaders probably find well-groomed and mostly well-behaved pop idols preferable to the bad boys celebrated in some rock and rap culture. As recently as January the television watchdog was inveighing against what it considered to be the corrosive influence of hip-hop. Moreover “little fresh meats” have become bankable ambassadors for all manner of brands hoping to woo young female shoppers. Irving reckons women are simply less tolerant of men who look “basically a mess”.

*This article appeared in the China section of the print edition under the headline "Fresh meat"*

## What a new bridge says about Hong Kong's relations with mainland China

*"One country, two systems" is losing its appeal*

Print edition | China Oct 27th 2018



Hanna Barczyk

A GREAT PHALANX of Chinese politicians turned up this week to open the world's longest sea-crossing bridge, connecting Hong Kong with the mainland city of Zhuhai and the former Portuguese colony of Macau. The throng of Communist grandes, who strode into the opening ceremony with President Xi Jinping at their head, was fitting, because the project makes more sense as a political symbol than as a transport link.

Nine years in construction, 55km long and wildly over budget, the bridge consists of a series of six-lane bridges and tunnels, winding between man-made islands across the Pearl River delta. It was hailed at the opening by Han Zheng, a Chinese deputy prime minister, as a boost for the principle of "One Country, Two Systems". Under that ingenious slogan, in the late 1990s, Communist-run China took back Hong Kong from Britain and Macau from Portugal, with a promise to preserve their rumbustious, neon-lit capitalist systems for 50 years. Mr Han's tribute was a bit disingenuous. No obvious free-market forces conjured the bridge into existence. Sceptics in Hong Kong call it an expensive way to bind their city and its 7m people to the motherland.

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Hong Kong's chief executive, Carrie Lam, dutifully called the bridge a chance for her city to play a more active role in the development of mainland China, and in particular the "Greater Bay Area", Team Xi's name for the region spanning Hong Kong, Macau and the southern province of Guangdong. She also declared the bridge an engineering marvel, which it is.

But many Hong Kongers are not sure what it is for. Nifty routes to China are welcome. A high-speed railway between Hong Kong and the next-door metropolis of Shenzhen has been a hit since opening in September. There is less demand for new links to Macau, a gambling and tourism enclave, and still less to Zhuhai, the Chinese city that adjoins it. Most travellers will ride buses over the bridge, even though these may often be slower than the ferries that already criss-cross the delta. Private cars will need to collect separate permits from Hong Kong, Macau and Zhuhai to cross the bridge, a process that takes over two weeks. Hong Kong's share of the bill for the project reportedly stands at HK\$120bn (\$15bn).

Centrally planned follies are not the only example of Hong Kong scrambling to please the central government. In a first for Hong Kong, officials recently refused to renew the visa of a *Financial Times* editor, Victor Mallet, after he moderated a talk at the Foreign Correspondents' Club by a local politician who advocates independence for the territory. Chinese officials later said the event crossed the "red line" dividing free speech from subversion.

A human-rights report published in April by the US State Department expressed concerns about Hong Kong government actions with a “chilling effect” on free speech. It noted moves to criminalise actions mocking China’s national anthem, and the disqualification of pro-independence candidates in Hong Kong’s semi-democratic elections. The British government said the rejection of Mr Mallet’s visa undermines the freedom of the press, and called confidence in Hong Kong’s rights and freedoms “an essential component of its future success”.

Westerners have been trying these arguments on China since Deng Xiaoping, the paramount leader of the day, started offering “One Country, Two Systems” in the early 1980s. The formula was adapted from an idea floated past the government of Taiwan a few years before, as a way to sweeten the prospect of reunification with the Chinese mainland under Communist rule. In 1984 Britain’s foreign secretary told Chinese counterparts that Hong Kong was “a Ming vase, an object of priceless value” that had to be handed over without a slip. Alas, the two sides never agreed what exactly the phrase “One Country, Two Systems” was intended to protect. Deng took an unsentimental view of Hong Kong as a place made valuable by free markets and a strong, unelected government. If socialism were imposed on an unwilling Hong Kong, he said in 1984, it would lead to “turmoil”, if not armed conflict.

Deng, no liberal, seemed to accept some of the openness that makes Hong Kong tick. Describing its future, he talked of a city run by technocrats and business leaders who, as long as they loved China, should be allowed to criticise communism. He foresaw Taiwanese envoys in Hong Kong, free to argue their island’s merits “because the Communist Party cannot be toppled by criticism”.

### Taking liberties

Officials are less relaxed now. Zhang Xiaoming, director of the central government’s Hong Kong and Macau Affairs Office, on October 18th complained to bosses from Hong Kong news outlets that some residents of their city “still adopt an antagonistic attitude towards the mainland’s political system”.

Defenders of Hong Kong’s pluralism typically urge China to have more confidence in its grip on the city, and not squeeze so hard. They may be missing a big change. Among Chinese officials, paranoia increasingly combines with hubris. Deng talked of preserving Hong Kong so that China could gain access to foreign capital, technology and management techniques. “Without Hong Kong, we would not be well informed,” he said in 1989. Today’s China is vastly more confident, says Anson Chan, who served as chief secretary of the Hong Kong government under the British and for the first four years of Chinese rule. Though China’s leadership is not monolithic, she says, “The hardliners’ view is, who needs Hong Kong? The rest of the world will come to us on bended knee.”

Hong Kong remains important to China as a global financial centre. That tempers Communist leaders’ irritation at grumbling from the city and their alarm at the rise of “Hong Konger” as a local identity, over “Chinese”. But as confidence in an all-Chinese model grows, the perceived value of tolerating two systems shrinks. Hong Kong feels that. Taiwan, too. China should re-learn Deng’s self-knowledge, or risk divides too wide for any bridge.

*This article appeared in the China section of the print edition under the headline “The embrace of the motherland”*

### Saudi Arabia

The prince tries to explain

The killing of Khashoggi

## A journalist is confirmed dead. Saudi Arabia's crown prince is defiant

*Muhammad bin Salman stands firm. But will the world move on?*

Print edition | Middle East and Africa Oct 27th 2018



AP

THE ROOM went dark, then filled with beams of light. A man danced with a drone on stage. That is how Saudi Arabia's big investment conference, nicknamed Davos in the desert, began on October 23rd. But the real spectacle came later, when Muhammad bin Salman, the crown prince, swept into the hall to a standing ovation. The next day he spoke, at last addressing the killing of Jamal Khashoggi, a Saudi journalist, in the Saudi consulate in Istanbul on October 2nd. "It is a heinous crime that cannot be justified," said Prince Muhammad, sidestepping any blame.

In the days leading up to the conference, rumours swirled around Saudi Arabia that Prince Muhammad would be dismissed. For two weeks the kingdom insisted that Mr Khashoggi had left the consulate safely—until October 19th, when it claimed that the mild-mannered journalist was accidentally killed in a brawl. President Donald Trump, a Saudi ally, called it the "worst cover-up ever". But the international outcry has not dimmed the confidence of Prince Muhammad, who spoke like a man who is secure in his job.

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The question now is whether other world leaders will continue to press the issue. Arab rulers, such as King Abdullah of Jordan and Muhammad bin Rashid of Dubai, have rallied around Prince Muhammad. Even Saad Hariri, the prime minister of Lebanon, whom Prince Muhammad detained for two weeks last year, sat next to him on stage. ("He will be here for two days, so no rumours that he's been kidnapped," joked the crown prince.) More important, Prince Muhammad's tone suggested that he had reached an understanding with President Recep Tayyip Erdogan of Turkey.

### Pardoning Turkey

For days it seemed that Mr Erdogan would discredit Prince Muhammad by revealing what he called the "naked truth" about Mr Khashoggi's death. Turkish officials had already leaked gruesome details of the killing, carried out, they said, by a Saudi hit squad. But in a speech on October 23rd Mr Erdogan held back. Though he described it as "a planned operation" and called on

Saudi Arabia to punish those responsible, “from the person who gave the order, to the person who carried it out”, he did not allocate blame. Nor did he mention the recordings of Mr Khashoggi’s last moments that Turkish investigators claim to possess.

It sounds as if Mr Erdogan is “playing ball” with the Saudis, says a confidant of Prince Muhammad. In return, some suspect that the kingdom will inject cash into Turkey’s frail economy or release Islamist dissidents. Mr Erdogan may want more. He disagrees with Saudi Arabia over its confrontation with Iran, its blockade of Qatar and its rejection of democratically elected Islamist governments. Turkish officials see Prince Muhammad as a destabilising force in the region. “Erdogan does not want him as king,” says Behlul Ozkan of Marmara University in Istanbul. A good gauge of whether relations have truly improved is if the leaks stop.

Mr Trump, for his part, is sending the kingdom mixed messages. He called the Saudi investigation of Mr Khashoggi’s death credible, before casting doubt on it. Mike Pompeo, the secretary of state, said America would deny visas to some of those who took part, but not Prince Muhammad. Mr Pompeo and Jared Kushner, the president’s son-in-law, are said to have told the crown prince to change his ways. But Mr Trump’s priority appears to be selling arms to the kingdom, and enlisting its help in squeezing Iran.

American lawmakers and European governments have threatened harsher punishments. Germany recently cut off arms sales. But Prince Muhammad has reasons to be confident. He has neutralised royal rivals, stifled critical clerics and bought the loyalty of powerful institutions, such as the National Guard. He restricts access to his father, King Salman, who has just approved changes that increase Prince Muhammad’s power. The crown prince himself will now chair a committee tasked with overhauling the intelligence services, which have been implicated in the killing of Mr Khashoggi.

The Saudi people are also rallying around Prince Muhammad. Public opinion is difficult to read, not least because critics of the government are afraid to speak out. But young Saudis—around two-thirds of the population is under 30—laud the crown prince for easing social restrictions. “If 18 people failed you, then 30m are with you”, reads a widely shared tweet, referring to the 18 suspects whom the government has arrested in the Khashoggi case. Many Saudis see the affair as a plot by rivals to undermine the kingdom. Saudi media, largely controlled by the state, have blamed “haters” and “ill-wishers” in Qatar.

Largely forgotten was the conference itself, which aimed to attract foreign investment. Many of those invited pulled out of the event. Some who attended voiced concerns about Prince Muhammad and his inner circle of advisers (two of whom have been fired over the Khashoggi affair). Foreign direct investment had already plummeted from \$7.45bn in 2016 to \$1.42bn last year. In response to the death of Mr Khashoggi, global fund managers withdrew \$650m from Saudi Arabia’s equity market in one week.

The Saudi economy, meanwhile, is stagnating. Unemployment rose to 12.9% in the first quarter and is about twice as high for young people. Prince Muhammad, aware of the unhappiness this causes, hopes to create 450,000 new jobs by 2020. But that largely depends on increased foreign investment, which, in turn, depends on the crown prince showing better judgment.

*This article appeared in the Middle East and Africa section of the print edition under the headline "The prince tries to explain"*

Bunker mentality

## Rare bats are thriving amid the ruins of war

*Peace may force them out again*

Print edition | Middle East and Africa Oct 27th 2018



Alamy

EVER SINCE the six-day war of 1967, most of the western bank of the River Jordan, the eastern limit of land occupied by Israel, has been off-limits to humans. When Israel made peace with Jordan in 1994, it abandoned its bunker posts along the border, but a strip of land on the Israeli side, 70km long and up to 2km wide, remains heavily mined. The faded "Keep Out" signs along the rickety fence are all but redundant. No sane person would dare to wander in.

This desolation is great for wildlife. With no people to threaten them, endangered species thrive. The Jordan valley is an increasingly important corridor for birds migrating between Europe and Africa. It is a haven for endangered gazelle, jackal, hyena and caracal. And most of all, for a dozen species of rare bats. The crumbling bunkers that once guarded the border are ideal summer roosts for these nocturnal creatures.

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Shmulik Yedvab, an ecologist at the Society for the Protection of Nature in Israel, leads a team of experts who have been monitoring the bat colonies. Equipped with a head-torch and an app on his iPhone, he records and identifies the different species by the frequency of their ultrasonic squeaks.

The roosts are flourishing, thanks in part to volunteers who have cemented mesh to the smooth concrete ceilings, creating better batty toeholds. Some of the colonies number in the thousands, and new species are still being found. Almost all of them are endangered in the region. Some, such as Geoffroy's horseshoe bat, are exceedingly so. "From the conservation point of view, closed military zones are the best," says Mr Yedvab. "Frankly, we hope the river zone is never de-mined."

Some 22% of Israel is already set aside for parkland or nature reserves. But with Israel's population growing at 2% per year and Palestine's at almost 3%, competition for land is intensifying. Medjool date-farming is already booming and Israeli farmers are itching to expand their plantations eastward, even if it means clearing the mines at their own expense. Some Israeli farmers are also grumbling that they will be kicked out of two small areas of land along the border with Jordan in a year. Jordan's King Abdullah gave notice in mid-October that he would not renew a 25-year lease over the areas known as Naharayim and Tzofar in Hebrew (al-Baqura and al-Ghamar in Arabic) that had been granted as part of Jordan's peace treaty with Israel.

West Bank Palestinians, for their part, complain that they have already lost enough land. The area has been closed to them for half a century, but this was always seen as temporary, pending a Palestinian state emerging alongside Israel. They worry that they will never be allowed to farm the area if it is turned into a nature reserve. So the bats may be thriving—but on borrowed time.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Batty borders"*

Snuffed out

## Egypt stops privatising state-owned firms

*Even a firm that sells cigarettes to addicts is a hard sell*

Print edition | Middle East and Africa Oct 27th 2018



Alamy

**O**WNING A CIGARETTE company ought to be a surefire way of making money in Egypt. Half of Egyptian men smoke, one of the highest rates in the world. Restrictions on lighting up are almost non-existent. Taxi drivers puff away in the queues at petrol stations. Passengers on EgyptAir flights often catch a whiff of smoke from the cockpit. A value-added tax introduced in 2016 and new sin taxes have pushed prices up by around 20%, but few smokers have kicked the habit. Eastern Company, a state-run tobacco firm, posted a 4.2bn Egyptian pound (\$239m) profit in its most recent fiscal year, up 43% from the previous one.

So when the government announced plans to flog off 4.5% of Eastern, it should have been an easy sell. The firm was to be the first of five put up for sale this year as part of a push to offload bits of the bloated public sector. But with investors nervous about putting money into emerging markets generally—the MSCI emerging-markets stock index has slumped by 25% from its recent peak in January—the government put those privatisations on hold. Even private firms are reluctant to go public. Sarwa Capital, a leasing firm that listed its shares on October 15th, watched them promptly fall by 15%. No one knows when the state will resume public offerings. Though business is good, shares in Eastern are down by 16% over the past month.

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Egypt's government is trying to reverse decades of bad economic policy by cutting subsidies and hawking off state-run firms to close a whopping fiscal deficit of 9.7% of GDP. But it is running out of luck. The finance ministry had hoped to raise 10bn Egyptian pounds through this year's public offerings to reduce the deficit to 8.4% of GDP in the fiscal year to June. That goal now seems out of reach.

Adding to the fiscal pressure is a higher oil price, since the government subsidises petrol and cooking gas. It has raised fuel prices three times in two years, most recently in June, when some grades of petrol jumped by 50%. Cooking-gas prices rose even faster. The most recent increase was meant to shave 50bn Egyptian pounds off the annual subsidy bill.

But the budget for the current fiscal year is based on an oil price of \$67 a barrel, and it has not touched that floor since April. As *The Economist* went to press, a barrel of crude fetched about \$76. Each dollar above the baseline adds 4bn pounds in subsidy costs, meaning higher oil prices have almost wiped out the savings from raising fuel prices. With America set to re-impose sanctions on Iran's energy sector in November, analysts expect oil to be even dearer next year.

Egypt's import bill is also rising, despite slivers of good news. In September Egypt accepted its last shipment of imported natural gas. Energy firms have discovered vast deposits of gas in its waters. These are enough to make the country self-sufficient—saving it \$2bn a year in gas imports. In the future it may be an exporter.

Egypt is running deficits on its current account of \$6bn a year (or about 2.4% of GDP) that it covers by borrowing abroad. It owes foreigners \$93bn, equivalent to 37% of GDP, up from 16% of GDP two years ago. About a quarter of that is due in the next two years. With emerging markets in turmoil, the finance ministry is struggling to raise more money. It cancelled four consecutive bond auctions in September after prospective buyers demanded high yields. Foreign holdings of Egyptian treasuries fell by 39% in the six months to September. Stressed bureaucrats may need a smoke.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Snuffed out"*

**Waiting for gas**

## Mozambique's economy is in the doldrums

*It was growing fast, but has lost its fizz*

Print edition | Middle East and Africa Oct 27th 2018



Getty Images

**L**OOK AT THE state of this school," says Manuel Jaime. It is not a pretty sight: cracked window panes, pockmarked floors and walls etched with graffiti. For this resident of Beira, in central Mozambique, the condition of Amilcar Cabral School, which doubled as a polling station during local elections on October 10th, typifies the state of the country. He lists teachers who do not show up, hospitals without medicine and a lack of public transport. Sighing, he adds: "I'm 43, and I've never had a formal job."

A few years ago Mozambique was perky. With 30m people and a coastline longer than that of the western United States, the country was feted by aid agencies and plucky investors. A peace deal signed in 1992, at the end of a 15-year civil war, had more or less held. From 1995 to 2015 GDP had grown on average by more than 8% a year. Mozambique was one of the world's ten fastest-growing economies.

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Its momentum came to a halt in 2016, when it emerged that three companies controlled by the intelligence service had hidden state-backed loans worth \$2bn. Donors and the IMF suspended financial aid and Mozambique defaulted on its debt. Negotiations with bondholders are still going on. Growth fell to 3.8% in 2016 and 2017, barely enough to keep pace with an expanding population.

Despite a surge in the production of coal, which makes up half of Mozambique's exports, the damage of the hidden-debt crisis endures. Total public debt as a share of GDP, at 112%, is Africa's fourth-highest. Mozambique remains one of the world's poorest countries.

Yet many still believe salvation is on the horizon. In 2010 huge reserves of natural gas were discovered in the Rovuma basin off the northern coast. Some predict that Mozambique will become one of the world's top producers of liquefied natural gas—an African Qatar. Two large projects off the northern coast are due to start production in 2023 and 2024. "We're waiting on the gas boom," says a consultant. "Everyone is expecting miracles."

That is dangerous. A simmering insurgency in the north may delay production. But even if gas starts flowing in 2023, it will take another decade for it to reach "transformational levels", reckons Renaissance Capital, a bank. And Mozambique may well suffer a resource curse. Transparency International, a watchdog, estimates that corruption cost the country nearly \$5bn between 2002 and 2014.

Nowadays FRELIMO, a former guerrilla movement that has ruled since independence from Portugal in 1975, is a mafia-like party with links to criminal enterprises. Other African countries have a “big man president”, says Edson Cortez of the Centre for Public Integrity, an NGO. “We have a big party.” Gas will merely bring “more FRELIMO millionaires”, says a Beira-based businessman (himself a FRELIMO member).

At least the dash for gas may encourage FRELIMO to nail down a peace deal with its long-running foe, RENAMO, before production begins. On October 4th Filipe Nyusi, the president, announced that Javier António Perez, an Argentine general who supervised the disarmament of Colombia’s FARC guerrillas, would co-ordinate demilitarisation. But progress will be slow until RENAMO appoints a full-time successor to Afonso Dhlakama, its leader for almost 40 years, who died in May.

The conduct of the recent local polls will not have helped. In the first vote since the debt crisis, RENAMO had its best showing. Even allowing for chicanery, it won 39% of the vote to FRELIMO’s 52%. In several cities FRELIMO won by suspiciously narrow margins of less than 1%. A clutch of journalists and opposition activists have gone into hiding following death threats in what Amnesty International calls “a post-election witch-hunt”. All of which bodes ill for the general election next October.

*This article appeared in the Middle East and Africa section of the print edition under the headline "Waiting for gas"*

## Hunger in Africa

# Famines are becoming more frequent in the Sahel

*Climate change, advancing deserts and low-tech farming all play a part*

Print edition | Middle East and Africa Oct 27th 2018



TAKING OFF her veil, Fatou (not her real name) begins to wrap her dead child in cloth. It does not take much. The toddler is half the size she should be. But Fatou cannot tie the final knot. Her mouth opens and then closes. Slowly she straightens her back and walks out of the room.

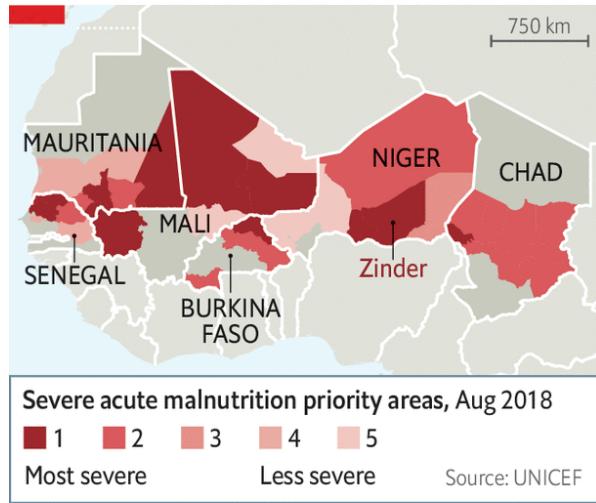
The main hospital in Zinder, a southern region of Niger, treats hundreds of starving children every week. Rehydration and peanut paste save most of those who make it here. But some are too far gone to help.

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The Sahel, the arid region that borders the southern fringe of the Sahara, is hungry. This year 6m people are unable to feed themselves without help in Mauritania, Mali, Burkina Faso, Chad, Niger and Senegal, says the World Food Programme.

In 2005 drought devastated crops, leaving 3.6m people needing food aid in Niger alone. It struck again in 2012, prompting aid workers to feed 8m people in the Sahel. Two years later 6.3m people needed help. This year is scarcely any better.

Over the past few months, as in previous crises, charities have helped to avert mass starvation by delivering food and setting up specialist clinics to treat starving children. The number of clinics has jumped to about 8,000 from 1,110 in 2008.



The Economist

Abdou Dieng, the director of the World Food Programme in west and central Africa, argues that the Sahel is stuck in a cycle of hunger. “We’re just a plaster on a gushing wound,” says a worker for ECHO, the European Union’s aid service.

Underlying the bouts of hunger are a changing climate, increases in conflict and unproductive farming. Start with the changing weather. Although the Sahel is not much drier on average than it used to be, its rainfall is becoming more erratic, says Alex Orenstein of Action Against Hunger: “It floods for a week, destroys crops and grassland, then dries out for a month.”

At the same time, the Sahara is advancing. Natalie Thomas and Sumant Nigam from the University of Maryland say that from 1920 to 2013 the desert expanded by about 10%. Water sources are drying out, driving nomadic herders farther south in search of grazing and water. Nowhere is this seen more clearly than at the once vast Lake Chad, which has lost 90% of its surface area over the past century.

The region’s farmers and herders are particularly vulnerable to the effects of drought because there are few dams or irrigation systems. In Niger, for instance, just 0.2% of agricultural land is irrigated. Population growth of about 3% a year adds further pressure. If productivity (agricultural or otherwise) were advancing more quickly, the Sahel would have no difficulty feeding itself. But food production—never mind the wider economy—is not keeping up with the baby boom.

There are some obvious remedies. The first would be to invest in sprinklers, cisterns and pumps. The World Bank reckons that roughly 20% of the region’s irrigation potential has been developed. Another idea would be for governments and aid agencies to fund research into new seeds and farming techniques to improve yields and make crops less vulnerable to drought.

Instead, governments are reducing the share of spending they devote to agriculture, perhaps because city-dwellers complain more loudly when their roads have potholes or their hospitals run out of medicine. This is a missed opportunity since many countries in the region depend heavily on agriculture.

Farming and fishing in Niger still generate about 36% of GDP—a share that has barely changed since 1990—and provide 75% of jobs. Moreover some 85% of Niger’s people live in the countryside, much the same proportion as in 1990. Over the same period the government budget allocation to agriculture has fallen by 10 percentage points, to 8% of the total. Similar trends are evident across the region, even if they are less stark. Yet improving farm productivity offers higher returns than many other sorts of public investment, according to the World Bank. And unless the region’s rural resilience improves, many of the mothers tending their babies in Zinder will be back at the clinic in a year or two.

*This article appeared in the Middle East and Africa section of the print edition under the headline "The forever famine"*

Presidential praise-singers

## Why Donald Trump is popular in Africa

*Most Kenyans and Nigerians like him, and not just because they like America*

Print edition | Middle East and Africa Oct 24th 2018



AFP

DONALD TRUMP has never set foot in Africa. And he has seldom been polite about the continent either, allegedly dismissing Nigerians as hut-dwellers and African states as "shitholes". Yet he is more popular in Africa than in any other region, according to a 25-nation survey by Pew, a pollster. Some 59% of Nigerians and 56% of Kenyans believe he is a positive influence on world affairs. South Africans are less keen: only 39% express confidence in Mr Trump. But that is still 12 percentage points higher than the global median (see chart).

Granted, Mr Trump is less popular than Barack Obama, whose father was Kenyan. But Mr Obama was also liked in Germany, where just 10% of respondents have taken to his successor. Can Africans really be so fond of a president who thinks "Nambia" is a country?

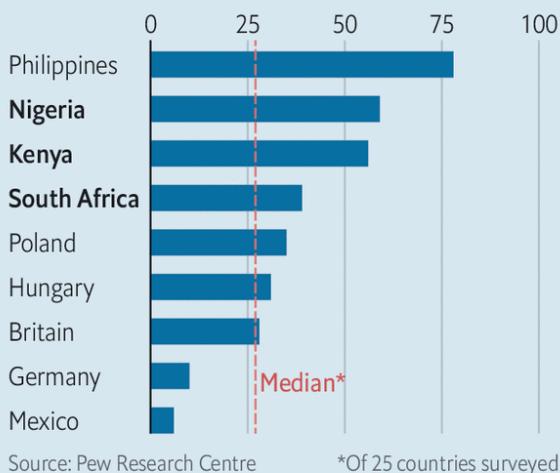
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Ipsos, another pollster, found that 38% of Kenyans could not name the American president, so perhaps ignorance plays a part. It is hard to take against someone you have not heard of.

Richard Wike of Pew suggests that perhaps Africans say they like Mr Trump because they like America. Nigerians, Kenyans and South Africans are twice as likely to hold pro-American views as the average German. American culture is certainly trendy. "Black Panther" was a huge hit in Africa. Hip-hop and American fast-food joints are also popular.

## Bigly in Nambia

Confidence in Donald Trump to do the right thing regarding world affairs  
2018, % responding



The Economist

Yet perhaps there is more to it than that. “As an African, there’s just something familiar about Trump that makes me feel at home,” said Trevor Noah, a South African comedian, in 2015. He noted that Mr Trump’s boasts about his wealth, power and brains are similar to those of the late Ugandan dictator, Idi Amin. Others agree that Mr Trump’s style grates less on a continent that is used to bombastic presidents. “Somali parents like to name their sons after powerful men,” says Saddam Hussein Adani, a logistician from Mogadishu. “If Trump were a Muslim, I’m sure you would have a few baby Donalds today.”

In the pubs of Mai Mahiu, a settlement in Kenya’s Rift Valley, daytime drinkers praise Mr Trump for being tough enough to stand up to China. Kenyans prefer an American-led world to one dominated by China by a ratio of two to one.

Mr Trump has also tried to sound more conciliatory of late. “Africa is so beautiful,” he gushed ahead of his wife Melania’s recent tour of the continent. Even so, many of Mai Mahiu’s boozers prefer Mr Trump’s usual blunt talk over what they see as the insincere flattery of other Western leaders. “He’s only saying what the others think,” says Willie Wekesa, a truck driver, glancing away from the American wrestling show on the television behind him. “At least he’s honest about it.”

*This article appeared in the Middle East and Africa section of the print edition under the headline "America's "big man""*

**Poland**

The limits to PiS

**The limits to Law and Justice****Poland's ruling party does well in the heartland, but not in big cities***It fails to capture Warsaw*

Print edition | Europe Oct 24th 2018



**P**OPULISTS MAY be on the rise in Europe, but not in Warsaw. In an unexpectedly abrupt end to the city's mayoral race, the centrist opposition's candidate, Rafal Trzaskowski, walloped the populist candidate of the Law and Justice (PiS) party, Patryk Jaki, a forceful 33-year-old deputy minister of justice, in the first round on October 21st. As Poland enters election season, leading up to parliamentary elections next autumn, the local and municipal ballots confirm that the appeal of PiS's brand of populism has its limits. Yet to return to government in 2019 the opposition will need to be more than just anti-PiS.

These were the first elections since PiS came to power nationally three years ago. It faced a centrist coalition led by its old rival Civic Platform (PO), which ran the country from 2007 to 2015. Shortly before the elections, PiS released a video accusing PO of wanting to take in refugees and urging Poles to choose "safe local government". In fictional news clips, it imagined Poland in 2020 with "enclaves of Muslim refugees". "Sexual assault and acts of aggression have become part of residents' everyday life," said the voice-over. The video was much condemned, but it had an effect.

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At 54%, the turnout was the highest for local elections in Poland since communism collapsed in 1989. According to exit polls, PiS came first with 32% of the countrywide vote, more than five points higher than it scored in the previous local elections in 2014, and well ahead of the PO-led coalition's 25%. It will have a majority in at least six of the country's 16 regional assemblies, up from just one before. Yet it has failed to win over voters in big cities. As well as in Warsaw, PO mayors won outright in Lodz and Poznan. Run-offs in other cities will be held on November 4th.

Meanwhile, the government is under fresh pressure from the EU, which accuses it of undermining the rule of law by trying to pack the courts. This summer, a new law lowering the retirement age for Supreme Court judges from 70 to 65 forced around one-third of them out. On October 19th the European Court of Justice ordered the temporary suspension of the law. (A final judgment will be issued later.) This week, the judges returned to work.

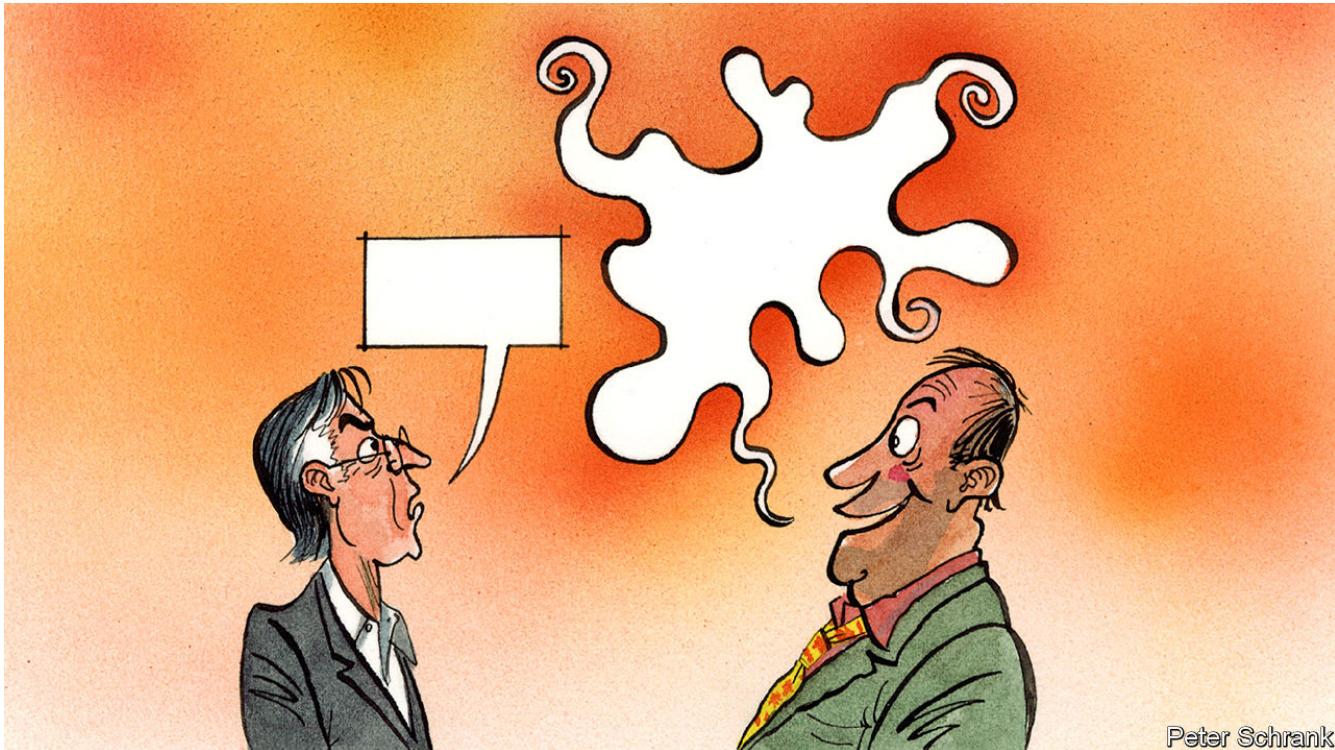
A former Europe minister, Mr Trzaskowski embodies the legacy of Donald Tusk, who led PO until he moved to Brussels in 2014. His victory in Warsaw, which has had a PO mayor since 2006, was expected, even if its scale was not. But to defeat PiS in 2019, the party will need to reach beyond urban centres, perhaps working with the agrarian Polish People's Party, which came third. The countdown has begun.

*This article appeared in the Europe section of the print edition under the headline "The limits to PiS"*

Parisian or derision

**A row over mocking non-standard French accents***There's a word for it now: glottophobie*

Print edition | Europe Oct 27th 2018



**I**T TOOK AN outburst that went viral to introduce the French to a new word: *glottophobie*. Derived from the Greek words for tongue and fear, it refers to discrimination against those who speak the language of Molière and Proust with non-standard pronunciation. Regional accents are hardly unique to France. But a history of imposing homogeneity means that, even today, those whose French does not sound Parisian face derision.

The episode emerged last week when Jean-Luc Mélenchon, a far-left firebrand, mocked a reporter with an accent from south-west France. "What does that mean?" he snapped, imitating the journalist's Occitan twang; "Has anyone got a question phrased in French, and which is more or less comprehensible?" His put-down was as bizarre as it was offensive. The Paris-based Mr Mélenchon is a member of parliament for Marseille, a city known for its Provençal lilt.

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After the filmed exchange went viral, Mr Mélenchon back-pedalled. "I thought she was mocking me," he pleaded, dismissing the fuss as "ridiculous". Glottophobia, though, says Philippe Blanchet, a linguist at the University of Rennes who coined the term, is far from absurd. Just as France forged a modern nation by progressively imposing a common language after the revolution, so the state in the 1950s and 1960s enforced standard pronunciation. Today, says Mr Blanchet, those discriminated against most are from the north, whose intonation is known as "Ch'ti".

Deputies have denounced such snobbery. Bruno Studer, from the east, adopted an Alsatian accent in parliament this week to make a point. Laetitia Avia, a deputy who grew up in Seine-Saint-Denis, a tough *banlieue* of Paris, even proposed legislating against *glottophobie*. She had learned the hard way, she said, by ditching her accent when she first studied on the Left Bank. But the prejudice seems likely to persist in a centralised country whose public broadcasters make little effort to buck it. Things have not moved on all that far from the days when Georges Pompidou, an ex-president, advised Charles Pasqua, a southern politician, to take diction classes to overcome his "handicap".

*This article appeared in the Europe section of the print edition under the headline "The fear of accents"*

They shall not pass

## Border checks are undermining Schengen

*Europe's open-border zone is being compromised*

Print edition | Europe Oct 27th 2018



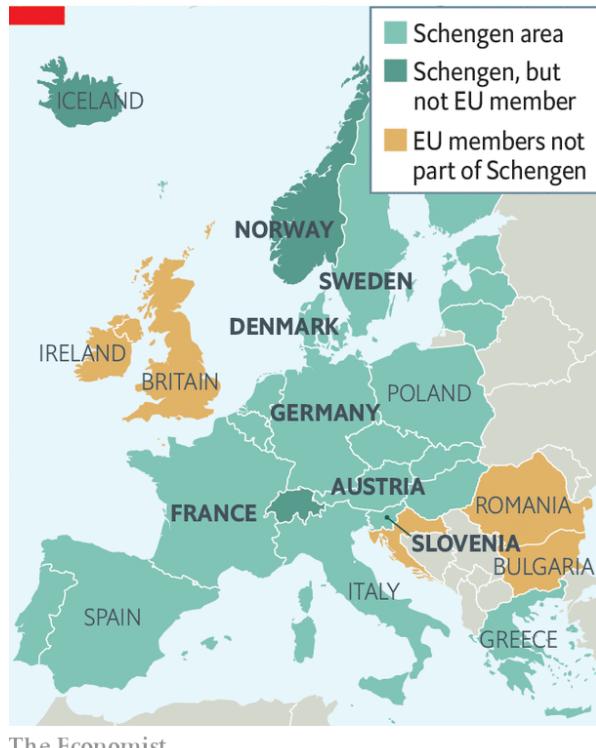
BORDER CHECKS within the Schengen area are meant to be a thing of the past. For a generation, passport-free travel was the norm across much of Europe (22 of the 28 members of the European Union belong to Schengen, along with four non-EU states). Border controls were rarely used and, when they were, they lasted only the length of a political summit or a football tournament. But since the refugee crisis of 2015, “temporary” border controls have become more or less permanent in six European countries. Existing checks are now likely to be extended for another six months, after co-ordinated announcements this month from France, Germany, Austria, Denmark, Sweden and Norway.

The French authorities cite terrorism, after two fatal attacks in 2018. Others explain their decision on the basis that too many people are still entering, living in or moving round Europe illegally. Between January and August 2018, 7,467 illegal entries into Germany were detected at the Austrian border alone. Of those, 3,818 were turned away; the rest followed asylum procedures. In light of this, the German interior minister, Horst Seehofer, said that in his country “the requirements for lifting the internal controls are currently not met.”

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However, some disagree. “There are no objective justifications for internal border controls,” says Marie De Somer, an analyst at the European Policy Centre, a think-tank in Brussels. Migrant flows on all routes have decreased by 95% since the crisis, and the number of secondary movements (when migrants move on from where they originally entered the EU) has gone down, too. But for Germany and its neighbour, Austria, the figures remain too high.

Extending the controls comes at a price. The European Parliament estimates that reintroducing border controls in the Schengen area could cost up to €20bn in one-off expenses and €2bn in annual operating expenses. There are also knock-on effects, as ID checks delay commuters, tourists and truckers. The European Parliament, possibly exaggerating a little, has criticised the controls for having “crippling effects on the economies of the member states”. More concretely, a spokesman for the Slovenian government explains that, as a small country, Slovenia’s business was hurt by the uncertainty that internal border controls create. “We are closing countries in, but we need to trade,” she insists. The introduction of temporary border controls, she reckons, was understandable in the case of France, but is less so when it comes to the decision of Austria to limit movement on the border the two countries share. Given that the number of migrants has fallen, “it’s an abuse of a system which is one of the cornerstones of the EU.” In 2018 so far, just 14 people have been returned across the border from Austria into Slovenia.



Trucking firms suffer most. According to Marco Digioia of the European Road Haulers Association, recent ID checks on three main roads in Belgium led to costly queues. More than 70% of goods in Europe are transported by road. Since drivers are paid by the hour and manufacturers depend on just-in-time supplies, the costs of delays quickly mount up. The French government has promised to smooth border crossings, and the European Commission has said it will push for police checks to take place in border areas, rather than at the border itself, to reduce tailbacks.

European and national leaders profess a common goal: a safe and secure Europe, where people can once again move freely within the Schengen area. They say that internal borders can be fully reopened only when the EU's external border is stronger. But even with plans afoot to give extra force to Frontex, the EU's external border force, one Austrian official reckons that their assessment is not likely to change much in the medium term.

In the view of Ms de Somer, the decision to extend controls despite declining arrivals shows that leaders are guided by "a political rather than a policy rationale". The leaders of France and Germany are under pressure to look tough, and the Austrian coalition government includes the nationalist Freedom Party. "Leaders need this situation for their migration rhetoric," says the Slovenian official. In the meantime, the costs are rising.

*This article appeared in the Europe section of the print edition under the headline "They shall not pass"*

**Saturday Mothers silenced****A crackdown on grieving mums in Turkey***The parents of the disappeared want the truth*

Print edition | Europe Oct 27th 2018



AFP

EVERY SATURDAY morning, Ikkbal Eren, a retired teacher, used to travel by bus from her home on Istanbul's western fringes to a small square in the middle of Istiklal Avenue, the city's main shopping street, put on a T-shirt adorned with a black-and-white photograph of a young man, and sit down with dozens of other, mostly elderly women. Their vigil would begin at noon. The man pictured on Mrs Eren's shirt, her brother Hayrettin, was detained by police in Istanbul in the autumn of 1980, months after the army toppled Turkey's government. Hundreds of thousands of people were rounded up in the wake of the coup. Another wave of arrests followed years later, when war erupted between Kurdish insurgents and Turkish security forces. Scores were tortured in custody. Several hundred, including Hayrettin, were never heard from again. "We haven't found any record of his arrest in 38 years," says Mrs Eren.

Today, Mrs Eren and the other Saturday Mothers, the group she and other relatives of the missing founded in 1995 to hold the state accountable for abductions and extrajudicial killings, have no place left to grieve. In August the government of President Recep Tayyip Erdogan banned their sit-in, claiming the group was becoming a front for the separatist Kurdistan Workers' Party (PKK). When the Mothers and their supporters defied orders to disperse, riot police doused them with tear-gas. Around 40 people, including Emine Ocak, a woman in her 80s whose son disappeared two decades ago, were briefly detained. Police have prevented the group from gathering every Saturday since then.

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The Mothers seldom had it easy. Constant police harassment, including beatings and scores of arrests, forced them to suspend the vigils in 1999. By the time the group resurfaced ten years later, Mr Erdogan's government, in power since 2002, had launched peace talks with the outlawed PKK and loosened restrictions on the use of the Kurdish language. The disappearances themselves had stopped. An end to a conflict that has killed some 40,000 people suddenly appeared possible. As a ceasefire took hold, the Mothers became a symbol of hope and of possible redress for past wrongs. Mr Erdogan personally took up their cause, promising to shed light on the fate of their loved ones.

Such hopes soon went up in smoke, together with the peace process itself. Following a spate of PKK attacks in 2015, plus an electoral setback for Mr Erdogan's ruling party, the army besieged insurgent strongholds across the Kurdish south-east and bombed them into the ground. More than 3,000 people died in the fighting. Hundreds of thousands were displaced from their homes.

Backed by his nationalist allies, Mr Erdogan has since declared open season on the Kurdish political movement. Thousands of members of the Peoples' Democratic Party (HDP), including elected mayors and nine parliamentarians, have been thrown behind bars.

On a recent Saturday, the square where the Mothers used to gather was sealed off by police barriers. Half a dozen armoured vehicles patrolled the area. A few blocks away, Mrs Eren sat inside the office of a human-rights group. She and the Mothers had just attempted to march towards what used to be their regular meeting place, only to be driven back by the police. "The state no longer wants to face up to its crimes," she said. If the government was capable of going after a group as harmless as the Saturday Mothers, she said, there was little hope for the rest of Turkey's civil society. "There is a noose around our necks, and it is tightening each day."

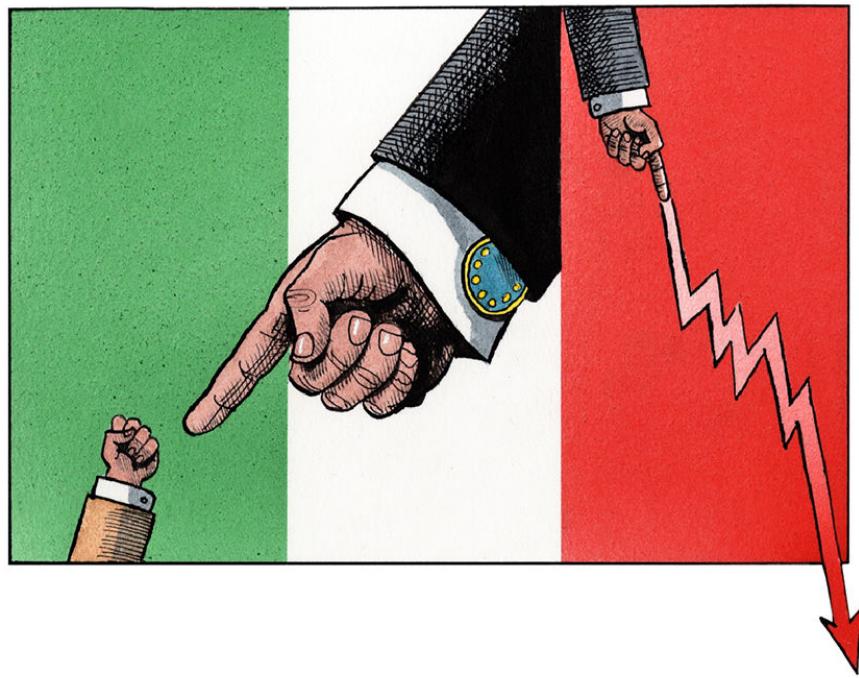
*This article appeared in the Europe section of the print edition under the headline "Silencing the women"*

Charlemagne

## The tension between globalisation and democracy

*Italy's conflict with Brussels reveals a European trilemma*

Print edition | Europe Oct 27th 2018



Peter Schrank

**I**N HIS NOVEL “The Year 3000: A Dream”, from 1897, the Italian writer Paolo Mantegazza proved a deft oracle. Citizens of his imagined future enjoy air-conditioning, clean energy, credit cards and virtual-reality entertainment. A giant war in Europe has been followed by peace, the continent’s integration and a single currency. Yet here the author’s imagination overshoots today’s reality. His United States of Europe is a paragon of democratic federalism. Power and consent flow smoothly from “cosmopolitan” citizens to the level of government where they are most appropriately exercised. Subsidiarity reigns. “How easy and straightforward it is to govern”, comments the narrator, “when men, families and communes are self-governing.” The capital of Mantegazza’s united Europe is Rome. And nowhere quite sums up the gap between these lofty ideals and today’s fractured continent as well as Rome does.

On October 23rd, for the first time, the European Commission rejected a euro-zone member’s budget. Italy’s government, a coalition of the anti-establishment Five Star Movement and the right-populist League, has a mandate from voters to enact tax cuts and spending increases. Its proposals would push Italy’s deficit to 2.4% of GDP—above the level the EU considers appropriate for a country with such high debt, at around 130% of GDP. Technocratic rules agreed on in Brussels are thus in collision with a democratic national government. Supranational discipline is up against the will of the people. Mantegazza would be dismayed.

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The saga points to a modern reality that the Italian novelist failed to predict: what Dani Rodrik dubs “the inescapable trilemma of the world economy”. In a globalised world, theorises the Harvard professor, a country can have economic integration, the nation-state or democratic politics, but not all three fully. It can choose integration and the nation-state but give up democratic control to technocratic, supranational institutions. It can choose integration and democracy, but give up the nation-state and disappear into supranational government. Or it can choose the nation-state and democracy by embracing impoverished autarky. The confrontation between Rome and Brussels, which could yet bring the single currency to the brink, sums up Europe’s inability to negotiate this trilemma. (Australia, though, as we report elsewhere, seems able to do it, at least for now.)

The euro zone is integrated enough to enjoy economic benefits. Italy has a trade surplus and racked up much of its current debt before it joined the euro, when the lira lurched from one devaluation to the next. But the benefits of integration are not palpable enough in a country that has experienced sluggish growth over the past two decades. This is visible everywhere in Italy. Even prosperous regions are striking for their lack of newness. From shop windows and office blocks to train stations

and public squares, it often seems that little has been renovated, rebuilt or replaced for decades. A beautiful country is uglified by a stagnation that hardly illustrates the benefits of economic integration. No wonder Italians voted for parties determined to take on Brussels.

On the nation-state issue, likewise, the euro zone does not fail entirely. Governments can pursue somewhat distinct paths and set their own budgets. Even if Brussels and Rome cannot find a compromise, the most the EU can do is fine the Italian government. Yet throughout the long euro-zone crisis national sovereignty has been, if not quashed, then at least trimmed by Brussels and the markets. In 2011 European pressure helped to push out Silvio Berlusconi in Italy and George Papandreou in Greece in favour of technocratic replacements. In 2015, 61% of Greeks voted against bail-out conditions that the government then accepted. Earlier this year Italy's president vetoed the new government's proposal for finance minister, Paolo Savona, for his Eurosceptic views. And today "*lo spread*," the large gap between Italian and German bond yields, is a major force in Italian politics.

All of which might be acceptable if voters had more democratic control. Yet here, too, Europe falls short. The EU is democratic—its executive commission is appointed by elected governments, elected governments make up the council, voters pick the parliament directly—but this democracy is flawed. Turnout in European elections is low. Germans and other northerners do not feel enough solidarity towards southerners to share their debts. Southerners do not feel enough ownership of common rules (even ones their governments helped develop), and resent them as an outside imposition. A degree of common feeling exists, but not enough.

### **Take your pick**

The sensible thing would be for Europeans to decide, once and for all, which of the points on Mr Rodrik's triangle they are most willing to forfeit. Different political tendencies take different positions on this, but none is honest about the trade-offs. The EU's management of euro-zone strains acknowledges the separate existence of nation-states and seeks to preserve the benefits of economic integration, but at the expense of full democratic control. Federalist types like Emmanuel Macron want more integration and more European democracy, but are reluctant to admit that this means weakening nation-states. And Eurosceptic nationalists like the League's Matteo Salvini flirt with leaving the euro, albeit less so now than in the past, in effect promoting democracy and the nation-state above economic integration without being honest about the cost.

For now the EU will continue to muddle on, trying and failing to have all three components of Mr Rodrik's triangle. But eventually members may have to choose. It is unlikely, yet still imaginable, that the conflict between Brussels and Rome will blow up into a full crisis forcing Europeans to choose between integration and the nation-state, for example. Even if it does not, it would be foolish to ignore one of Mantegazza's most pointed predictions: that European integration advances only through crisis.

*This article appeared in the Europe section of the print edition under the headline "Europe's trilemma"*

The showdown nears

## The European Commission rejects Italy's budget

*But it gives Rome three weeks to think again*

Print edition | Europe Oct 27th 2018



LIKE A COUPLE of prizefighters before a grudge match, the European Commission and the Italian government are standing toe to toe. On October 23rd Brussels demanded that the populist coalition in Rome rewrite its 2019 budget. It is the first time since the launch of the euro that the commission has rejected outright the fiscal blueprint of a member state.

It argues that the Italian budget represents a deviation from agreed targets “without precedent in the history of the stability pact”, the EU’s agreement on disciplining public finances. The coalition partners in Rome, the anti-establishment Five Star Movement (M5S) and the hard-right Northern League, plan a deficit of 2.4% of GDP—three times the limit hammered out with Italy’s previous government.

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Neither party's leader gave any hint of flexibility in response. The commissioners, declared the League's Matteo Salvini, were “not attacking a government, but a people”. His fellow deputy prime minister, Luigi Di Maio of the M5S, borrowed from Franklin Roosevelt to tell Italians: “The only thing to fear is fear itself.” His allusion was doubtless intentional: like FDR, Mr Di Maio, the main proponent of a higher deficit, sees the budget as laying the foundation for a New Deal that will deploy higher spending to lift Italy out of its prolonged economic stagnation.

## Reaching the tipping-point?

Ten-year government-bond yields, %



Source: Datastream from Refinitiv

The Economist

The budget envisages an extension of welfare benefits to the poor and unemployed, and selective tax cuts. It also unpicks a pension reform so that some workers will be able to retire at 62. (The coalition imagines, unrealistically, that by shunting greybeards out of the workforce, it will create jobs for the young.) Parts of the budget might stimulate growth in the medium term, though much-needed reforms are missing. But what daunts the commission, and the markets is that, in the meantime, a wider deficit will not do enough to bring down Italy's scary public debt of around 130% of GDP. The budget relies on growth projections that wildly exaggerate the multiplier effects of the new spending.

The danger, then, is that failing confidence in Italy's ability to repay its debts could trigger a renewed emergency in the euro zone. The concern over Italy focuses on a "doom loop" connecting euro-zone states to their banking systems: as investors demand ever-higher yields on Italian bonds (which are already at five-year highs), their value would decline, eroding the balance-sheets of Italy's banks, which are stuffed with the paper. Moody's, a ratings agency, downgraded Italian debt to one notch above junk on October 19th, and one index of banks' share prices is down 20% since the start of the row a month ago.

For years Italian debt has been the elephant in the room of the common currency area, a giant that has threatened a crisis in an economy that (unlike Greece's) is far too big to bail out. The commission initially dealt with the new Italian government in a cautious spirit, encouraged by a compromise proposed by the finance minister, Giovanni Tria, of a 1.9% deficit. The commission hoped that by avoiding confrontational rhetoric and giving the government time it could help Mr Tria moderate his colleagues' ambitions—his arguments bolstered by a steady rise in "*lo spread*", the gap between Italian and German bond yields which the Italian media follow obsessively. It is now up to a dangerous 3.2 percentage points. On October 18th Pierre Moscovici, the doveish economic commissioner, visited Rome in a last-ditch bid to "clarify" the budget plans. But his visit only confirmed what many in Brussels have come to suspect: that Mr Tria has little real power in an idiosyncratic government dominated by party leaders to whom the commission has little access.

Who will blink first? The fear of neither side backing down was credible enough this week to unsettle stockmarkets already fretting over the US-China trade dispute and the Khashoggi affair. Yet the time horizons in this dispute are long. The Italian government has until November 13th to reply to the commission's rejection. Then the commission has another three weeks to reply to the reply. Even if no agreement is found, it could take until April, and the publication of new growth forecasts, for Brussels to launch its excessive-budget procedure, and another half-year for sanctions actually to be imposed.

Other factors will bolster the populists' resolve. The soaring popularity of the League, which has nosed ahead of the M5S having almost doubled its poll ratings since the general election in March, has locked the coalition partners into a rivalry that leaves them little room for compromise. It will be particularly difficult for Mr Di Maio to back down, because he has touted the securing of cabinet approval for a bigger deficit as his main achievement since coming into office. "They want to be perceived as very tough," says Giovanni Orsina, the director of the school of government at LUISS university in Rome. "There might be a compromise, but only if there is a significant effect on the spread. I don't see them yielding to the commission, but they might yield to the financial markets." So far the markets have not panicked.

The Italian drama looms over wider debates. A summit in December is due to discuss moves towards a common budget and a stronger bail-out fund for ailing banks—the modest remains of much grander reform proposals advanced by Emmanuel Macron, France's president, last autumn. An alliance of hawkish Nordic and Baltic member states, dubbed the Hanseatic League, is opposed even to these mild proposals. A rule-breaking, commission-defying government in Rome makes it infinitely harder to persuade such sceptics that the plans do not jeopardise the savings and budgets of thrifty northern Europeans.

*This article appeared in the Europe section of the print edition under the headline "The showdown nears"*

**The mess in Hesse**

## Angela Merkel worries about Frankfurter voters

*Losses at a regional election could prompt the break-up of her coalition*

Print edition | Europe Oct 27th 2018



Getty Images

**H**ESSE DOES not look like a place on the verge of political revolution. Old money is stashed in the grand villas of the region's capital, Wiesbaden, a wealthy spa town. New money is made in the gleaming towers springing up in Frankfurt, Germany's financial capital. Even the sleazy area around Frankfurt's railway station is looking smarter. But despite Hesse's booming economy, grumpy voters could shake up national politics in a regional election there on October 28th.

The region's governing coalition, made up of Angela Merkel's centre-right Christian Democrats (CDU) and the centre-left Greens, is credited with unspectacular but effective compromise. That is more than can be said for Mrs Merkel's federal government in Berlin. Her coalition with the centre-left Social Democrats (SPD) has been plagued by internal squabbling and undignified spats over migration. The "grand coalition" in Berlin, nicknamed GroKo in German, has never been so unpopular. Voters in Hesse could use the state election to express their irritation. The latest polls put the CDU at 26%, with the SPD hovering around 21%, falls of 12% and 10% since last time. "Hesse is a referendum on the central government," says Wolfgang Schroeder, a political scientist at Kassel University.

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The Greens, who are in opposition nationally and have kept out of the rows in Berlin, are also at around 21%, making them potential kingmakers, with the option of staying with the conservatives, or forming a new left-wing coalition. "Tarek instead of GroKo" reads one Green Party election poster, referring to Hesse's Green leader, Tarek Al-Wazir, a man with a record of pragmatic consensus-building.

A poor SPD result in Hesse would increase pressure on the party leadership to quit the federal coalition with Mrs Merkel: left-wingers believe the party is losing its identity because of compromises with the conservatives. A CDU defeat, meanwhile, would reflect badly on the chancellor, who faces re-election as party leader in December. The worst scenario for her would be if her close ally and fellow centrist, Volker Bouffier, the CDU premier of Hesse, were pushed out of office. Speculation is growing that, in that case, her government could collapse.

But the GroKo parties' weakness also shows why the coalition may stay together, for now at least. The SPD lacks the leaders, the policies and the money to fight another election. For the conservatives, there is no clear successor to Mrs Merkel. Both parties could win even fewer seats than they did last time, so neither of them may want to risk a fresh election. Voters are already irritated. A government collapse would leave them exasperated.

Mrs Merkel is aware of the threat, so she has taken energetically to the campaign trail in Hesse. “If you’re angry about what’s happening in Berlin, write me a letter,” she joked during a rally on October 22nd. “Right now it’s about Hesse.” But by getting involved so visibly, she increases the chance that the result will indeed be seen as a verdict on her own government.

*This article appeared in the Europe section of the print edition under the headline "The mess in Hesse"*

## Universal credit

Keep the benefits

Keep the benefits

### If universal credit is to succeed, the government must act now

Tory MPs are waking up to these problems

Print edition | Britain Oct 27th 2018



**I**N THEIR BOOK on the public sector's most spectacular foul-ups, "The Blunders of our Governments", Anthony King and Ivor Crewe chronicle the botched roll-out of tax credits under Labour in 2003. Practically overnight, Britain switched to a new system of paying benefits. Computer systems gummed up. Thousands of Britons were temporarily left with nothing. One MP even lent money to a desperate constituent. The fiasco contributed to the evaporation of Labour's big polling lead over the Tories.

The next edition of the book will need another chapter. Universal credit, the Conservatives' reform of the welfare system, merges six working-age benefits, including tax credits, into one. It represents the biggest shake-up of welfare since the Beveridge report of 1942. Five years into its roll-out, more than 1m people are signed on. Over 5m have still to join the scheme, including those living on the old-style benefits, who may start to switch over within the next year. Some £60bn (\$78bn) a year, or 7% of all state spending, will be managed by the new system.

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It is going badly. Politicians of left and right worry that the tax-credits fiasco of 2003 will pale in comparison. Gordon Brown, who was chancellor at the time, worries about a "summer of discontent" next year if universal credit continues on its current path. Sir John Major, a former Tory prime minister, frets that his party will face "the sort of problems [it] ran into with the poll tax in the late 1980s", when riots in response to a regressive new property tax helped to bring down Margaret Thatcher. The government is committed to carrying on with universal credit. Whether or not it turns into a disaster will depend on what action Philip Hammond takes in his budget on October 29th.

Universal credit has a lot going for it. Streamlining benefits into one monthly payment will eventually make the system easier to administer. It removes perverse incentives whereby somebody moving from welfare to work can lose about as much in benefits as they earn. Allowing people to make a single application for all their benefits should improve take-up, and so reduce poverty. The system, not unreasonably, also reduces payments to people with substantial savings of their own.

## The universal and the particular

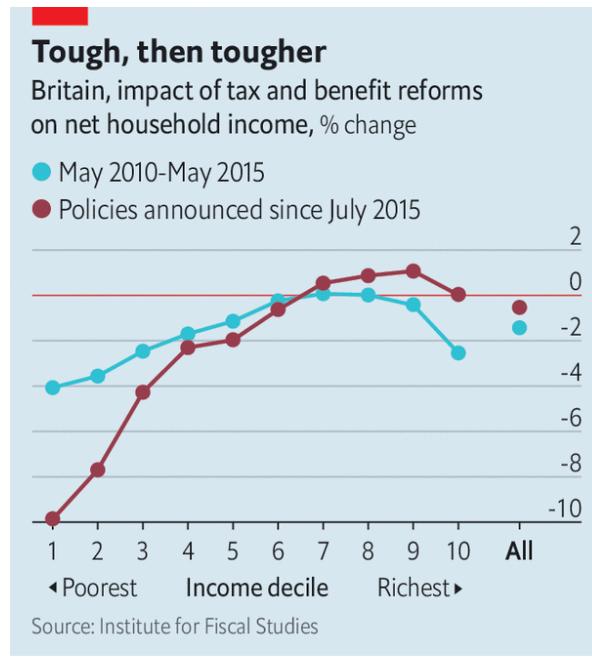
But what should have been a popular, progressive reform has been undermined by its botched implementation. Claimants must usually wait for five weeks before receiving their first payment, as employees often do when starting a new job. That is a tall order for those moving on to universal credit, many of whom have scant savings to fall back on. Administrative cock-ups compound the problem. Statistics for early 2018 suggest that one in 20 new claims has not been paid in full even five weeks after the end of the waiting period.

Claimants can get money to tide them over. But this is later recouped from their payments, along with other debts. Frank Field, the independent MP for Birkenhead, cites the example of a man in his 50s who was reduced to tears when almost £200 was taken from his monthly payment of £300. The man could barely afford food or fuel. Tory MPs are waking up to these problems, too. In the past year universal credit has been introduced more quickly in their constituencies than in Labour ones. Many report that universal credit is the most common issue raised by constituents.

More grim stories are likely to emerge as the programme is extended. Under a process called “managed migration”, which may start next year, 2m households on old-style benefits will move over to the new system. Many such people already live close to the breadline. It seems naive to expect the transition to go smoothly.

The government insists that there is nothing to fear. The state will bump up payments for people transferring from the old system, ensuring that they are not immediately left worse off. But claimants risk losing that “transitional protection” if their circumstances change—say, if they break up with their partner. They could also lose it if they move into work, are subsequently made redundant and then reapply for universal credit. Expect to hear stories of claimants who say that they cannot leave a violent relationship or take a job, for fear of ending up with lower benefits.

Even if these administrative gremlins can be nixed, a bigger problem remains. Universal credit was originally conceived as a slightly more generous system than the one it replaced. But the government has come to see it as a way to save money. In the late 2000s universal credit’s proponents recommended a “taper rate” of 55%, meaning that for every £1 of extra earnings, claimants would see only a 55p cut in their benefits. The idea was to make new work pay. Yet the government chose to set the rate at 65% (which it changed to 63% last year). That saves the state money, but weakens the incentive to work. In 2015 George Osborne, then chancellor, went further, reducing the “work allowance”, the amount that claimants can earn before their benefits start to be withdrawn. He also froze most working-age benefit payments in cash terms from 2016 to 2020.



The Economist

Universal credit probably still does a better job of getting people into work than the old system. But the changes have put a painful squeeze on already hard-pressed households. Most of those moving across from the old system will lose out, many by large amounts. Working households without children will be over £500 a year worse off than before. Working single parents will be £1,000 poorer. Alongside changes to other benefits, this leaves the poorest facing big drops in their income (see chart).

For some, universal credit is so compromised that scrapping it is the only option. John McDonnell, the shadow chancellor, has hinted that he favours the idea. The government may also wonder whether universal credit is worth the effort. The roll-out will not be completed until at least 2023, more than a decade after the legislation creating it was passed. But returning to the old system would be expensive—and those moving off universal credit and back to the old benefits would face a fresh period of uncertainty.

A better approach may be to tweak. Restoring work allowances might cost £3bn. Lowering the taper rate to 55% would cost about the same. Either measure would raise the returns to work and reduce poverty. Mr Hammond might get more public support for extra funding than he expects: 56% of Britons think that “cutting welfare benefits would damage too many people’s lives”, a 15-year high. Universal credit has great promise. But like the people it is designed to serve, it now needs help.

*This article appeared in the Britain section of the print edition under the headline "Keep the benefits"*

Played by the Moldovans at trade

## Brexit's latest obstacle? A Moldovan veto

*An affront caused by delayed visas could have big consequences*

Print edition | Britain Oct 27th 2018



Getty Images

OF ALL THE possible obstacles to Britain's smooth exit from the European Union, few can have seemed less likely than Moldova. But on October 17th the little republic roared. In June Britain filed to rejoin the Government Procurement Agreement (GPA), part of the framework of the World Trade Organisation (WTO). It now finds its bid unexpectedly blocked. A country of 3m people, whose largest exports are insulated wire and sunflower seeds, stands between Britain and a global public-projects market worth \$1.7trn a year.

The GPA lays out open, fair and transparent conditions for businesses competing in government-procurement markets. The agreement has 19 parties, of which some are multi-member organisations like the EU. Britain takes part only by virtue of its EU membership. For British companies to retain their equal footing in bids abroad after Brexit, Britain must be readmitted. If not, companies like Serco Group, the global government-services provider whose American subsidiary won a \$1.3bn commission to administer aspects of Obamacare in 2013, could lose lucrative gigs. Moreover, lapses in the agreement could disrupt the complex supply chains of firms in industries such as pharmaceuticals.

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The wrath of Moldova seems to have been sparked by a personal affront. Last year Corina Cojocaru, Moldova's economic counsellor to the WTO and wife of Moldova's foreign minister, suffered the indignity of her and her colleagues' British visas being withheld for several months after they planned to make an official visit to the country. In blocking Britain's bid to rejoin the GPA, Moldova cited worries that its companies might face the same hold-ups as its envoys. It called for simplified visa procedures for its citizens and firms.

Moldova is not the first country to query Britain's application. America and New Zealand have also held it up, while several others have expressed concerns. But those countries' complaints are administrative, regarding missing information about post-Brexit trade relationships. Moldova is the only country with a substantial complaint.

It is likely to be cleared up in time. Once the administrative gripes of other countries are sorted out, Moldova is unlikely to stand alone against Britain. But Britain is again reminded of its weak negotiating position. Though it vaunts its own procurement market, worth some £68bn (\$88bn) a year, it is bidding for access to a global one 20 times that size. Other countries may use the situation to extract concessions, such as preferential terms in post-Brexit trade negotiations. Moldova's stand shows that demands can come from unexpected places and for obscure reasons. Mihai Popsoi, a Moldovan opposition politician, suggests that his country's government is seeking token concessions to improve its poor popularity at home.

Moreover, the idea that Britain can at least revert to WTO rules has long been taken for granted. As leaving the EU without a deal becomes a growing possibility, bolstering WTO agreements becomes more urgent. With the WTO knee-deep in problems of its own, from trade wars to blocked judicial appointments, its director-general, Roberto Azevedo, has signalled that a “bumpy road” lies ahead for Britain.

On November 27th the WTO’s government-procurement committee will consider a provisional agreement to the British bid. By that time Britain needs to have secured unanimous support for its application. It had better make sure it is in everyone else’s good books.

*This article appeared in the Britain section of the print edition under the headline "Machiavellian Moldova"*

Backstop pains

## Compromise on the Irish border risks rejection in Brussels and London

*Nonetheless, there is still reason to believe a deal will be struck*

Print edition | Britain Oct 27th 2018



THE BREXIT game is getting fraught. Hardline Tories threaten to rebel and even unseat Theresa May for conceding too much. Yet the prime minister seems little closer to a Brexit deal. This week she told Parliament that 95% of the withdrawal agreement was settled. But she then set four new conditions for the missing 5%, a Northern Irish “backstop” to avoid a hard border, that Brussels cannot easily accept. And still she faces fierce opposition from the Northern Irish Democratic Unionists, who prop up her government.

Her first proposal is that the backstop should keep the whole United Kingdom, not just Northern Ireland, in a customs union with the EU. Brussels may accept this idea, but only in a long-term deal, and not as a legally binding part of the withdrawal agreement. Second, she suggests extending the transition period after next March to longer than the planned 21 months, to lessen the chance of the backstop coming into force. The EU will live with this, and indeed may welcome continuing British payments into its budget.

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Not so her third demand, which is to make the backstop explicitly temporary, to avoid any risk of Britain being stuck in a customs union indefinitely. The EU cannot accept this, as the backstop must by definition be permanent until another way is found of averting a border. Hence its insistence on writing into the deal a second backstop for Northern Ireland alone.

Given Mrs May’s weakness in her own party, this impasse looks impossible to solve. Yet nuances around her statements offer some hope. On extending transition, she once talked of only a few months; now she just says Britain must be out well before the next election, due in 2022. She referred to avoiding a “customs border” in the Irish Sea, not any border. Along with her fourth demand, that Northern Irish businesses keep access to the rest of the UK market, this may open the way for checks on goods entering the province from Britain.

A further reason for optimism is the talks that continue in Brussels. The trick will be to find a link that seems legally binding between the withdrawal agreement and a future UK wide customs union. With an extended transition period in place, that would make it easier to claim that a Northern Ireland-only backstop is theoretical and will never be used. And though making it temporary may not fly, Britain can pull out of any agreement at a price—just as it is doing with the EU itself.

The final reason to believe in a deal is growing worries about no deal. The absence of serious preparations for this is increasingly alarming. This week the cabinet heard about last-minute plans to charter ferries to keep food and medicines flowing. Several Northern Irish businessmen told Parliament there were no plans for their border if there were no deal. And

the National Audit Office, a spending watchdog, reported that neither customs officials nor exporters were prepared for border controls next March. The NAO said 11 out of 12 “critical” computer projects will not be delivered on time. It also warned that organised crime would quickly exploit any weaknesses in border enforcement.

Despite all this, the risk of a deal being rejected by Parliament is high. And that will surely encourage those calling for a second referendum, who staged a big march through London on October 20th. Ironically, their best hope of success may lie in the very determination of die-hard Brexiteers to sink Mrs May’s plans.

*This article appeared in the Britain section of the print edition under the headline "Backstop pains"*

Flock-rustling

## Trendy new churches poach worshippers from stuffy ones

Bishops hope “planting” new churches will lure in young agnostics

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Harbour Church

HELD WITHIN the blackened walls of a disused department store, the evening service at Portsmouth’s Harbour Church resembles a gig in a trendy nightclub. Guitars take the place of a church organ; hymn books have been swapped for plasma screens displaying song lyrics. Alex Wood, the vicar, favours skinny black jeans rather than a clerical robe. Swathed in blue light, his congregation of teenagers and 20-somethings sing their way through a playlist of uplifting Christian rock.

Churchgoing has plummeted in Britain. Only 740,000 worshippers regularly make it to Anglican churches on Sundays, half as many as in 1970. To halt this decline, the Church of England has launched an evangelism drive. Part of its strategy is to attract young agnostics by “planting” churches, an American model where members of a healthy church set up a new one elsewhere. Holy Trinity Brompton (HTB), a thriving evangelical church in west London, has been planting churches since the 1980s. Now the clergy’s top brass want to emulate its success. According to Ric Thorpe, the Bishop of Islington and a former HTB man, 2,400 church plants are planned by 2030.

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New evangelical churches have proved capable of astonishing growth. Harbour Church was planted by 15 missionaries from St Peter’s in Brighton in 2016. Now its four services pull in around 600 worshippers each Sunday. St Peter’s itself was set up by 30 HTB parishioners in 2009 and now boasts a flock of 1,000.

Their success lies in repackaging Christianity to appeal to the young, says Bishop Thorpe. Harbour Church’s main morning service (where worshippers have an average age of 27) starts with pastries and micro-brewed Brazilian coffee; the evening service (average age: 19) is followed by hot dogs and craft beer. Ryan Forey, a trainee priest at the church, is frustrated by perceptions of Christianity as stuffy. “Jesus’s first miracle was turning water into wine; he kept the party going,” he says.

Harbour Church says it is not a church for people who are already Christian. Yet some worry that these young, vibrant churches are not winning new converts as intended, but rather cannibalising existing congregations. In 2016 a study of five HTB churches in London found that 38% of parishioners had transferred from another church. A show of hands at Harbour Church suggests that about a third left another congregation to join. Another large group are students looking for a term-time church. One worshipper explains that he defected from his old church because it was rigid and traditional. Mr Wood says he does his best to persuade such parishioners to return, but if they claim God called them to his church there is little he can do.

Planting is changing the face of the Church of England. Not so long ago, evangelicals armed with guitars were politely dismissed as an oddball fringe. But Justin Welby (who attended HTB before he was ordained) has staked his career as Archbishop

of Canterbury on getting more bums on pews. The missionary zeal of evangelicals and their eagerness to plant churches means they are at the forefront of his push.

This rankles with some vicars. Talk of a takeover is rife. Alarm bells ring when HTB comes to town with a new plant, as priests fear losing the youngsters in their flocks. Rural parishes complain that funding goes to flashy urban ventures. And despite the guitars and coffee, evangelicals tend to be “anti-gay and a bit funny on women”, says Linda Woodhead, a sociologist at Lancaster University. She warns that, as the church grows more evangelical, it risks morphing into a sect that appeals to a dwindling pool of conservative enthusiasts.

At Harbour Church, Mr Wood acknowledges Christianity can seem odd to young people. As an ex-BBC producer and former atheist, even he thinks “it’s bizarre that I’m a vicar.” Bishops are hoping church plants can stem Anglicanism’s decline by inspiring similar leaps of faith.

*This article appeared in the Britain section of the print edition under the headline "Flock-rustling"*

Funny money

## Who should appear on Britain's new £50 note?

*Shakespeare faces a showdown with Peppa Pig*

Print edition | Britain Oct 27th 2018



Dave Simonds

THERE ARE few things more controversial—and less consequential—than the design of a national currency. Just ask Mark Carney, the governor of the Bank of England. In 2013 he inherited a dispute over the replacement with Winston Churchill of Elizabeth Fry, a social reformer, on the £5 note. Previously, as governor of the Bank of Canada, he had to apologise after an Asian female scientist due to appear on the C\$100 bill was bumped by a white woman. In the same year a new C\$20 note was called “pornographic” for its depiction of scantily clad statues. So it must be with a sense of weariness that Mr Carney confronts the public debate on who should appear on the bank’s new £50 note.

It may hardly seem to matter. Cash accounts for just a third of retail purchases by volume in Britain. Within a decade it will be used for just 16%, according to UK Finance, a trade body. The £50 note is used least of all: there are more than twice as many tenners in circulation and six times as many twenties. Few cash machines dispense them. Shopkeepers distrust them. With the exception of crooks, the only group that uses £50 notes in any number is tourists, so the sensible thing may be to choose an ambassador easily recognisable by visitors. William Shakespeare, perhaps—or, since the Bard used to feature on the £20 note, maybe Peppa Pig.

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Some countries avoid controversy by settling on a single unifying figure. India features only Mahatma Gandhi on every denomination, South Africa only Nelson Mandela, and China only Mao Zedong. Another solution is to avoid humans altogether. The Bank of Ireland, which issues sterling in Northern Ireland, a province with deep fissures, puts a whiskey distillery on the back of every note except the £100, which has a university. Euro notes feature made-up bridges. Norway takes it to the extreme by pixellating its notes to such a degree that they resemble websites from 1993.

But since British passions have been aroused by a note that few ever use, why not simply produce more? An £84 note could feature George Orwell. A series of £60s could depict the Beatles. A note worth £9¾ might show Harry, Hermione and Ron. Postal authorities throughout the world produce novelty stamps. Central banks may as well follow suit.

These could be produced in such small quantities as to render them instant collectors’ items, thereby reducing the problems of fraud and nuisance. (America’s \$2 bill is rarely seen, partly because its unique design tempts people to hoard it.) The Bank of England might even toy with selling them at a premium. The European Central Bank allows the production of €0 notes as novelty items. In April the city of Trier produced such a note featuring its most famous son, Karl Marx. It cost €3.

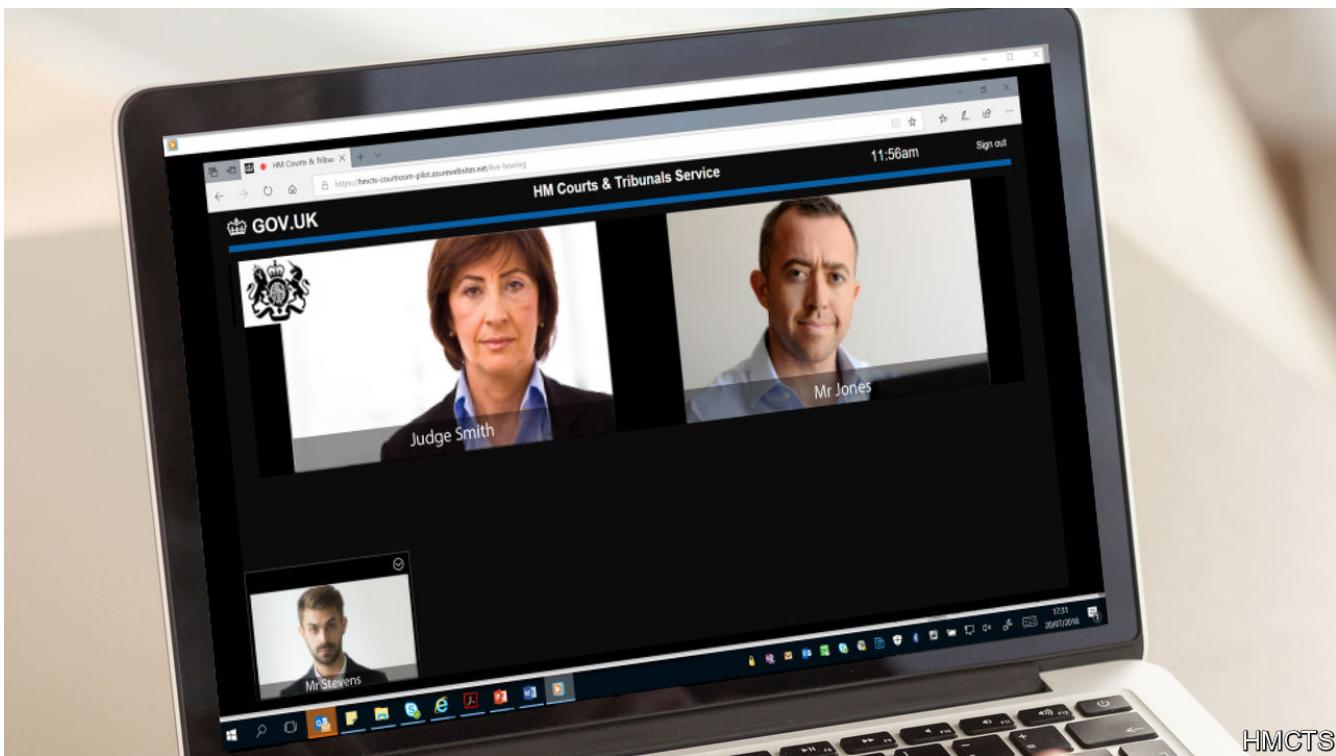
*This article appeared in the Britain section of the print edition under the headline "Funny money"*

Trial by media

## England's antiquated courts get a digital overhaul

*Judges are swapping gowns for online forms and video-link hearings*

Print edition | Britain Oct 27th 2018



ACCORDING TO ONE wag, Medway Magistrates Court in Chatham is “probably the only place in the town centre doing a brisk business”. Yet even here, footfall is dwindling. In a scruffy courtroom with breeze-block walls, the dock is empty. Defendants no longer appear in person; they give their answers from a police station via a video link. Magistrates direct their judgments towards two television screens. “Can you see us now, Mr Bird?” asks one. When one case finishes, a staff member dials the next police station. “I’m calling from the virtual court,” she says.

Such scenes were once unthinkable in England’s courtrooms, where magistrates can be called “your worship” and some judges sport gowns and wigs. But the agency that runs courts and tribunals in England and Wales plans to create what could be the world’s most digitised justice system by 2023. The number of physical hearings in civil and family courts and tribunals should fall from 2.6m to 1m a year. Some preliminary hearings in criminal courts will also go online. Selling under-used courts and cutting staff numbers by almost a third will free up cash to invest in new technology.

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Most civil cases will be handled over the internet. Small claims, divorce and probate applications began to be digitised this year. Juries will still hear criminal trials in person, but administrative hearings beforehand—for example, to choose which witnesses to call—could be held by video. Chatham’s virtual court was part of a pilot of video-link bail hearings. Such hearings could be held with no one in court; judges might appear from their offices. Those who pleaded guilty online to minor offences, like fare-dodging, might have their sentence automatically determined, based on rules set by the judiciary. Citizens in Canada can already file civil claims online and video hearings are common in Australia, but this will be the first time these elements are combined on such a scale.

The reforms are controversial, particularly for their speed. In May a report by the National Audit Office, a spending watchdog, said that civil servants risked making dramatic changes before they had understood the consequences. Many think the plan is primarily intended to save money, not make justice more accessible. It should save the courts service £265m (\$342m) a year from 2023-24, or roughly an eighth of its spending. Nor is the record of courtroom technology promising. In one case in Brighton, a defendant appearing by video link was handed a piece of paper reading “not guilty” when the court could not hear him. To plead guilty, he was told to cover up the word “not”.

Lawyers are keen on digitising paper systems and making arrangements by video, but they question the spread of virtual hearings. They worry that defendants will struggle to understand the process without the physical presence of a lawyer, and

could be tainted by association if they speak from a police station or prison rather than a courtroom. In an evaluation in 2010 of a video-link pilot, defendants were less likely to request a lawyer than those before ordinary courts, but three percentage points more likely to plead guilty. Ten per cent were handed a custodial sentence, compared with 7% of those in other courts. Solicitors reckoned some defendants might have been unwilling to wait around for a lawyer, who would probably do a better job than the defendant of presenting any mitigating factors. Some magistrates, meanwhile, reckon that video links lack the gravitas of a court.

Proponents of reform argue that the theatre of court is too intimidating for those accused of relatively minor crimes. Andrea Coomber of Justice, a charity, says lawyers are comfortable in court but “ordinary people feel pretty awful. They don’t understand the language and the rituals, whether they have a lawyer or not.” Lawyers who oppose the use of more technology have “skin in the game”, she points out: putting civil cases online ought to make it easier for people to represent themselves, cutting lawyers out of the process. The reforms will open up the civil-justice system to those who cannot afford a lawyer and do not qualify for legal aid, she says. Digitising simple processes ought to save everyone time and money. About 40% of paper divorce applications are returned because of mistakes; online, the error rate is 0.4%.

In the end, the public will probably determine the scale and pace of changes. Those who plead guilty to minor offences by post or online have the option to appear before a magistrate. Only about 4% do so. Prisoners loathe “sweatboxes”, as they call the vans that take them to hearings. Future generations will be more accustomed than their parents to interacting with the state online, and may be more willing to trade the chance to make their case in person for convenience. In a pilot of a tax tribunal by video link earlier this year, seven of eight hearings had some sort of technology glitch. But participants were still impressed by a system that saved them time and money. One appeared from Greece. Given the choice, folk increasingly might not want their day in court.

*This article appeared in the Britain section of the print edition under the headline "Trial by media"*

The usual suspects

## Is grooming children for sex a disproportionately Asian crime?

*Asians are over-represented when it comes to certain group offences*

Print edition | Britain Oct 27th 2018



Getty Images

“**A**S CASES OF sexual abuse with which the courts have to deal, this case comes top of the scale,” said Geoffrey Marson QC as he passed sentence on October 19th. Yet the crimes in the northern English town of Huddersfield for which 20 men were convicted followed a pattern that is now all too familiar. Between 2004 and 2011 the men raped and abused at least 15 girls, some as young as 11, often at parties where they were subdued with drugs and alcohol. All of the abusers were Asian, primarily of Pakistani origin. Their victims were vulnerable, mostly white girls, some from care homes. One had the mental capacity of a seven-year-old. Each was first “groomed” by a man who gained her affection with gifts and attention. Threats then kept them in the cycle of abuse that followed.

In the past seven years, similar child-grooming gangs of mostly Asian men have been jailed in more than a dozen towns in England. Some of the crimes date as far back as 1999. “These sick Asian paedophiles are finally facing justice,” tweeted the home secretary, Sajid Javid—himself of Pakistani descent—when the latest verdicts were announced. His comment drew a mixture of condemnation for its racial charge and praise for saying what politicians and officials have sometimes considered unsayable.

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A large majority of those who sexually abuse children in Britain are white men. But there is some evidence that Asians are over-represented among the offenders. In an analysis of patchy police records from 2014-15, about 60% of child-sex offenders were white and 12% were Asian (20% were of unknown ethnicity). Of the population at large, whites made up 86% and Asians 7.5% at the most recent census, in 2011.

Asian men seem to be particularly over-represented in some forms of group-based sexual abuse. According to a study in 2011 by the Child Exploitation and Online Protection Centre, a police agency, nearly a third of those suspected of abusing children outside a family, professional or online setting operated in groups. Most such groups were of a single ethnicity, the most common being Asian. When all suspects in such cases, including solo offenders, were considered, 30% were white and 28% Asian (the ethnicity of 38% was unknown).

Nazir Afzal, a former chief prosecutor for the north-west of England, says white offenders who operate in groups tend to carry out abuse alone, sharing their victims’ details with other members of their circle. By contrast Asian group-abusers are more likely to socialise and commit abuse together, which makes them more visible.

The details that emerged from Huddersfield were, as in past cases, damning of the authorities. The parents of one of the girls said their plea for help was ignored because their daughter refused to file a complaint, which is common among victims controlled by their abusers. Ten years ago, says Rick Muir of the Police Foundation, a think-tank, the police focused on visible crimes such as burglaries or rowdy behaviour. What took place behind closed doors was more likely to be viewed as a matter of personal choice. Child-sex investigations focused on abuse at home. The term "child prostitute", which implies choice and consent, was official.

Some of these mistakes have since been corrected, which is partly why old crimes are being unearthed. Police forces now have specialised units for child-sex crimes, which work with social workers, teachers and doctors to identify children at risk. But for the victims in Huddersfield, and the other places where similar trials are likely to follow, this is all too late.

*This article appeared in the Britain section of the print edition under the headline "The usual suspects"*

**Brexiteers are angry not just with Theresa May, but with reality***As their project goes off the rails, Brexiteers resort to rage*

Print edition | Britain Oct 27th 2018



THE BREXITEERS have become the angry brigade of British politics. Boris Johnson has accused Theresa May of wrapping a suicide vest around Britain. Jacob Rees-Mogg has accused her of being “cowed” by the European Union. And several Tory MPs have used anonymous briefings to savage her in the press. “The moment is coming when the knife gets heated, stuck in her front and twisted,” declared one conspirator who is probably more familiar with “The Texas Chainsaw Massacre” than the complete works of Edmund Burke. “She’ll be dead soon.”

The obvious reason for this is that Brexiteers think that Mrs May is wrecking a project that has consumed much of their lives. They are furious that she botched the election of 2017 with a wooden campaign and a shoddy manifesto. This has weakened the government’s hand in dealing not only with recalcitrant Remainers but also with cunning Europeans who are determined to exploit any sign of British weakness. They are equally cross that she is betraying what they consider to be the glorious principles of Lancaster House, the speech in which she laid down various “red lines” about leaving the European Union.

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There is a lively debate about why Mrs May has done this. Was she always going to betray them? (She voted to remain before briefly becoming the Boudica of Brexit.) Or was she corrupted by establishment types such as Olly Robbins, the civil servant in charge of the negotiations? Or was she simply ground down by European bureaucrats? That she is a traitor is now taken as a given.

There is also a deeper reason why Brexiteers are so angry. Mrs May represents the reality principle in a political world dominated by fantasy and wish-fulfilment. She didn’t fluff last year’s election only because of a wooden campaign and a botched manifesto. She also fluffed it because a more or less equally divided nation was not willing to give her *carte blanche* to pursue a hard Brexit. She didn’t blur the red lines of Lancaster House just because she was manipulated and deceived. She blurred them because she is trying to avoid terrible hazards such as a breakdown of trade with the EU or the imposition of a hard border in Ireland. Irving Kristol, the godfather of neo-conservatism, described his tribe as liberals who have been mugged by reality. Brexiteers are Tories who are furious that reality has proved to be more stubborn than they imagined.

They believed that leaving the European Union would be a cake walk. Liam Fox pronounced that “the free-trade agreement that we will have to do with the EU should be one of the easiest in human history.” John Redwood averred that “getting out of the EU can be quick and easy—the UK holds most of the cards in any negotiation.” In fact, leaving the EU is likely to be one of

the hardest bureaucratic exercises in post-war history. That is not just because the EU is determined to make it difficult (though it is), but because unravelling 45 years' worth of trading regulations is inevitably complicated and time-consuming.

The Brexiteers believed that Britain would be able to have all the benefits of the single market while also striking trade deals with the rest of the world—that “there will be no downside to Brexit, only a considerable upside,” as David Davis said, or that Britain would be able to have its cake and eat it, as Mr Johnson pronounced in a phrase that should be carved on his tombstone. But leaving the EU inevitably involves difficult trade-offs. Britain has to choose between maintaining open access to the EU's single market (which means complying with its rules) or freeing itself to make independent trade deals with the rest of the world (which means losing automatic access to the EU's market). It may yet have to make an even harder trade-off within its own borders: treating Northern Ireland differently from the rest of the UK, which would eventually tie the province more closely to the Republic of Ireland, or accepting a soft Brexit.

The Brexiteers further believed that the EU would prove to be a pushover. During the referendum campaign, Michael Gove promised that “the day after we vote to leave we hold all the cards and we can choose the path we want.” In fact, the EU not only has a lot more cards in its pack than Britain—27 member states, including aces such as France and Germany. It also has more experience, as a regulatory superpower that is used to dealing with other superpowers such as China and America. Some Brexiteers also thought that Britain would be the praetorian guard of a revolution against an ossified global order, represented by Brussels. In fact, the EU has arguably been strengthened rather than weakened by Britain's imminent departure, while pro-Europeanism has gone from being an exotic taste in Britain to a real force. And Britain's fellow rebels against the old world order consist of such dubious figures as Matteo Salvini and Donald Trump.

### **The new moaners**

There is an element of vanity in this. Many Brexiteers spent decades in the wilderness, being dismissed as “swivel-eyed loons” by senior Tories. They thought that the referendum result would finally turn them into prophets and heroes. But it is increasingly looking as if the establishment types got it right. Preparations for a no-deal Brexit are becoming increasingly ominous, as the government prepares to charter container ships to import food and drugs, and turn a Kent motorway into a giant lorry park.

There are two very different ways that you can react to reality when it turns out to be harsher than you expected. You can recognise reality for what it is, and try to render it a bit more palatable by hard work and careful thought. Or you can rage against it—and bolster your rage with talk about ideals betrayed and simple solutions denied. Mrs May is no one's model of a perfect prime minister. But it is to her credit that she has tried hard to grapple with a fiendishly difficult problem. And it is to the discredit of Brexiteers that, rather than helping Mrs May to do her duty, they have decided to rage against her.

*This article appeared in the Britain section of the print edition under the headline "Mugged by reality"*

## Tourism

Wish you weren't here

Wish you weren't here

### The backlash against overtourism

*More people are travelling, and many are visiting the same places*

Print edition | International Oct 27th 2018



Alamy

EVER SINCE the fall of the Venetian Republic in 1797, locals have complained that Venice, its former capital, is being overrun by visitors. Having spent decades trying to attract tourists, the city council is now rethinking its approach. In May it erected pedestrian gates across the historic neighbourhood's main entrances. When crowds get too thick, the police will close them, limiting access to locals who possess a special pass. Although this will restrict the number of visitors, the idea of ticketed entry has upset some locals. "It's the last step to becoming Disneyland," sighs one of the city's urban planners.

It is not only Venetians who think there are too many tourists. In Amsterdam locals are fed up with stag parties, unused to mixing alcohol and cannabis, leaving a trail of litter and vomit. In July protesters attacked tourist buses in Valencia, Palma de Mallorca and Barcelona (where one piece of graffiti read: "tourists go home, refugees welcome"). The newest word to enter the travel industry's lexicon is "overtourism", which was coined to describe the consequences of having too many visitors.

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Governments are starting to react. In March President Rodrigo Duterte of the Philippines banned tourists from the popular island of Boracay for six months, because too many visitors and too few sewers had made it a "cesspool". On October 10th the Thai government restricted overnight stays on the Similan islands. And cities throughout Europe are beginning to investigate ways to crack down on overcrowding, home-sharing websites and anti-social behaviour.

This backlash might seem odd. The World Travel and Tourism Council, a trade body, says that tourism directly accounts for nearly 3% of the world's GDP. The industry employs 5% of the world's workforce. McKinsey, a consultancy, reckons that one in five new jobs are generated by tourism.

Policymakers also like its economic effects on poorer countries. Whereas oil drilling and mining employ relatively few people, tourism employs legions. And it can help the rest of the economy to develop, since policies designed to attract tourists, such as easy visas and good policing, also lure foreign investors.

The growing backlash against tourism has coincided with extraordinary growth in visitor numbers. According to the World Tourism Organisation, an agency of the United Nations, the number of international visitors making overnight stays grew to 1.3bn in 2017. That is twice the number in 2000, and more than four times the level in 1980. Even so, the rise in numbers is not the real problem, says Alex Dichter of McKinsey. “People in 99% of countries in the world are crying out for more, not fewer, tourists,” he explains. The problem is that these extra tourists are converging on the same places.

This has surprised many in the travel industry. The spread of the internet was meant to disperse tourists by making less well-known places easier to find. Why has the opposite happened? Analysts at Skift, a travel website, attribute it to the rise of “bucket lists”. Popularised by a film of the same name in 2007, which featured a “list of things to do before I kick the bucket”, these internet lists direct tourists to the same “must see” places. The desire for the perfect Instagram snap has a similar result.

Mr Dichter also points to several other reasons for the shift. When flag carriers ran air travel as a cartel, flights cost a fortune—over £200 (\$230) for the 300-mile jaunt between London and Dublin in the mid-1980s, for instance. But low-cost carriers like Ryanair (whose average fare was €40, or \$46, last year) have transformed the industry. The rise of services like Airbnb, that allow locals to rent their homes to visitors, means that a place’s capacity for overnight stays is no longer limited by the number of hotel rooms.

Partly as a result, the share of tourists who are making their first trips has soared. Newbies often want to visit famous landmarks. In Amsterdam almost all first-time visitors head for the Van Gogh museum and Anne Frank’s house, says Geerte Udo of its tourist authority. Meanwhile tourists from China and India often dislike tanning and therefore skip beach destinations, adding to the crowds in a handful of popular cities.

Such overcrowding brings costs, which are borne by local residents. City dwellers find that pavements, roads and cycle lanes are clogged. In party towns, like Amsterdam and Prague, residents must put up with late-night hooliganism. Island resorts suffer from litter-strewn beaches and polluted water.

If tourist dollars push up the cost of living, locals may be priced out. Analysts at Islandsbanki, a bank, estimate that 1,225 properties in Reykjavik, Iceland’s capital, were listed on Airbnb in the peak season of 2017—more than the number of new homes that were built that year. The local population in Venice has roughly halved over the past 30 years. So, over the past two decades, has that of Dubrovnik in Croatia, an old walled city best known as King’s Landing in “Game of Thrones”. Academics now worry that services for ordinary residents, such as cheap cafés and doctors’ surgeries, will collapse if populations continue to fall.

Local authorities are cobbling together strategies to cope. An extreme reaction is to ban tourists entirely (as Mr Duterte did in Boracay) or to cap visitor numbers (as Easter Island has done). Many ports, including Venice, limit the number of cruise ships, and there are calls for cities to limit parking spaces for tourist coaches. Both ships and coaches bring tight-fisted visitors. A study in the British city of Cambridge found that the average coach day-tripper spends just £3.

A more subtle approach is to fiddle with taxes and charges, so that they better reflect the costs tourists impose. Tourists staying in hotels in central Amsterdam pay a higher tax rate than those staying farther away. In Edinburgh councillors are reportedly considering a tourist tax, revenues from which would be spent on rubbish collection or improving infrastructure.

Thordis Gylfadottir, Iceland’s tourist minister, says another part of the answer is to spread visits out. In 2010 half of the country’s tourists arrived during the summer. Thanks to marketing campaigns and better infrastructure for travel during winter months, now only a third do. Ms Gylfadottir hopes that new direct flights from Britain to northern Iceland will provide additional relief to Reykjavik and allow undiscovered sites to scoop up welcome tourist revenues.

Many cities are also tackling bad behaviour. Paola Mar, Venice’s tourism chief, thinks a change in the type of tourists has led to more problems. In the 1970s and 1980s most were from western Europe, America or Japan. They came to eat in traditional restaurants and visit art museums. Today tourists are often day-trippers from Italy’s resorts, or are on their first trip abroad from Asia. They crowd the pavements with packed lunches rather than spend money in shops and restaurants. Locals call them “munch and flee” visitors.

The maturing taste of Chinese tourists may reassure Venetian locals. A recent survey by McKinsey finds that they increasingly dislike coach tours, group visits and seeing the main landmarks. First-time tourists travel in tour groups, but more experienced ones prefer independent travel. Nearly three-quarters of the Chinese tourists polled by Oliver Wyman, another consultancy, said they had mostly planned their trips by themselves in 2016, up from 49% the year before.

Venice is currently designing a plan to encourage tourists to stay longer by nudging them to visit more than just the main sights. Another option would be to improve its infrastructure. A study by the University of Venice in 1988 found the city could hold at most 20,750 visitors a day. That is around a quarter of traffic today. The increased demand has not been met by building better public transport.

Traditionalists may object to any new infrastructure in beautiful old cities. But Venice has already built a motorway and a railway station over the past two centuries. More links could benefit residents and tourists alike. One Chinese tourist jostling to see the Rialto Bridge told your correspondent he thought this was a good idea. “I might be able to see more of the history that way,” he explained.

*This article appeared in the International section of the print edition under the headline "Wish you weren't here"*

Peak o' poo

## How to dispose of human waste on Mount Everest

*Unsavoury problems at 18,000 feet*

Print edition | International Oct 27th 2018



Getty Images

**T**AKE ONLY memories, leave only footprints" is more than a clichéd hiking motto at the Sagarmatha National Park in Nepal. The large box of rocks sitting next to the metal detector at the local airport is a testament to that: tourists departing from Mount Everest have to dispose of material they have collected before stepping onto the dauntingly short runway. Fulfilling the second half of this mantra, however, is harder. Tens of thousands of tourists leave more than just footprints. They have created a mountain of faeces, which is becoming an environmental problem.

In 2017, 648 people reached Everest's summit, more than seven times the number two decades ago. Many more make it to base camp. Currently, toilet waste is carried and dumped into pits near the town of Gorakshep, an hour's walk down the mountain. The amount of waste is increasing fast, says Budhi Bahadur Sarkhi, a porter who has been carrying poo from base camp to these pits for 12 years. When Mr Sarkhi started there were seven porters hired for the job. Now there are 30.

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Dumping sites are filling up quickly, and the run-off is infiltrating the region's water channels, some of which feed into wells that supply drinking water. When tests were done at nine water sources in the region, seven were contaminated with significant levels of E. coli. The presence of human by-products in the water, like nicotine and sunscreen, suggests that the contamination came from human faeces, rather than that of the many local yaks.

One innovative solution could help. The Mount Everest Biogas Project, led by two mountaineers, hopes to install a biogas reactor in Gorakshep at the start of next year. All of the faeces from base camp would then be converted into two by-products: fertiliser and methane gas, possibly for cooking. In which case the mountain would be a little less brown and a little more green.

*This article appeared in the International section of the print edition under the headline "A mountain of waste"*

### Australia

The wonder down under

### Australia

## Australia's economy is still booming, but politics is a cause for concern

*Political infighting could harm the economy, says Edward McBride*

Print edition | Special report Oct 25th 2018



Getty Images

THE LAST time Australia suffered a recession, the Soviet Union still existed and the world wide web did not. An American-led force had just liberated Kuwait, and almost half the world's current population had not yet been born. Unlike most of its region, Australia was left unscathed by the Asian crash of 1997. Unlike most of the developed world, it shrugged off the global financial crisis, and unlike most commodity-exporting countries, it weathered the resources bust, too. No other rich country has ever managed to grow so steadily for so long (see chart 1). By that measure, at least, Australia boasts the world's most successful economy.

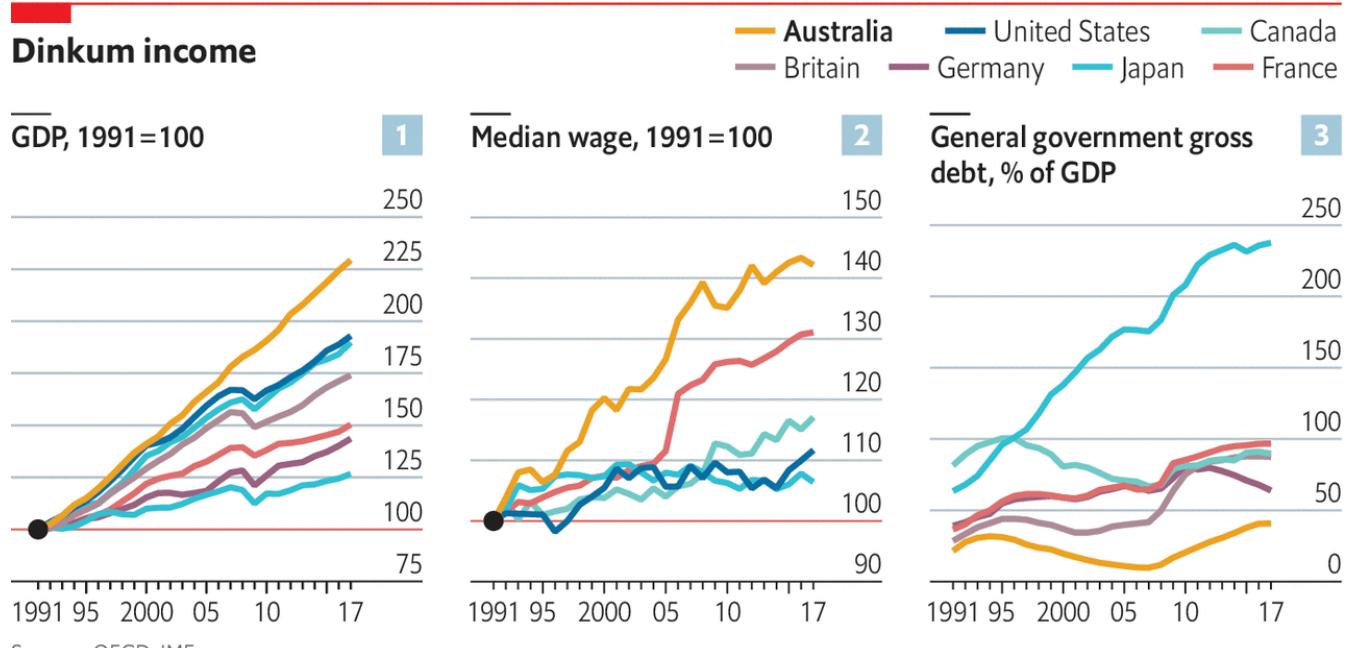
Admittedly, as Guy Debelle of the Reserve Bank of Australia (RBA, the central bank) points out, this title rests on the statistical definition of a recession as two consecutive quarters of decline. Had the 0.5% shrinkage of the fourth quarter of 2008 been spread across half a year, he notes, there would be no record. Yet by other measures, Australia's economic performance is more remarkable still. Whereas many other rich countries have seen wages stagnate for decades, Australia's have grown strongly, albeit less steadily in recent years (see chart 2). In other words, a problem that has agitated policymakers—and voters—around the world, and has been blamed for all manner of political upheaval, from European populism to the election of Donald Trump, scarcely exists in Australia.

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And that is not the only way in which Australia stands out from its peers. At a time when governments around the world are souring on immigration, and even seeking to send some foreigners home, Australia has been admitting as many as 190,000 newcomers a year—nearly three times as many, relative to population, as America. Over 28% of the population was born in another country, far more than in other rich countries. Half of all living Australians were born abroad or are the child of someone who was.

In part, this tolerance for outsiders may be a reflection of another remarkable feature of Australian society: the solvency of its welfare state. Complaints about foreign spongers are rare. Public debt amounts to just 41% of GDP (see chart 3)—one of the

lowest levels in the rich world. That, in turn, is a function not just of Australia's enviable record in terms of growth, but also of a history of shrewd policymaking. Nearly 30 years ago, the government of the day overhauled the pension system. Since then workers have been obliged to save for their retirement through private investment funds. The modest public pension covers only those without adequate savings.

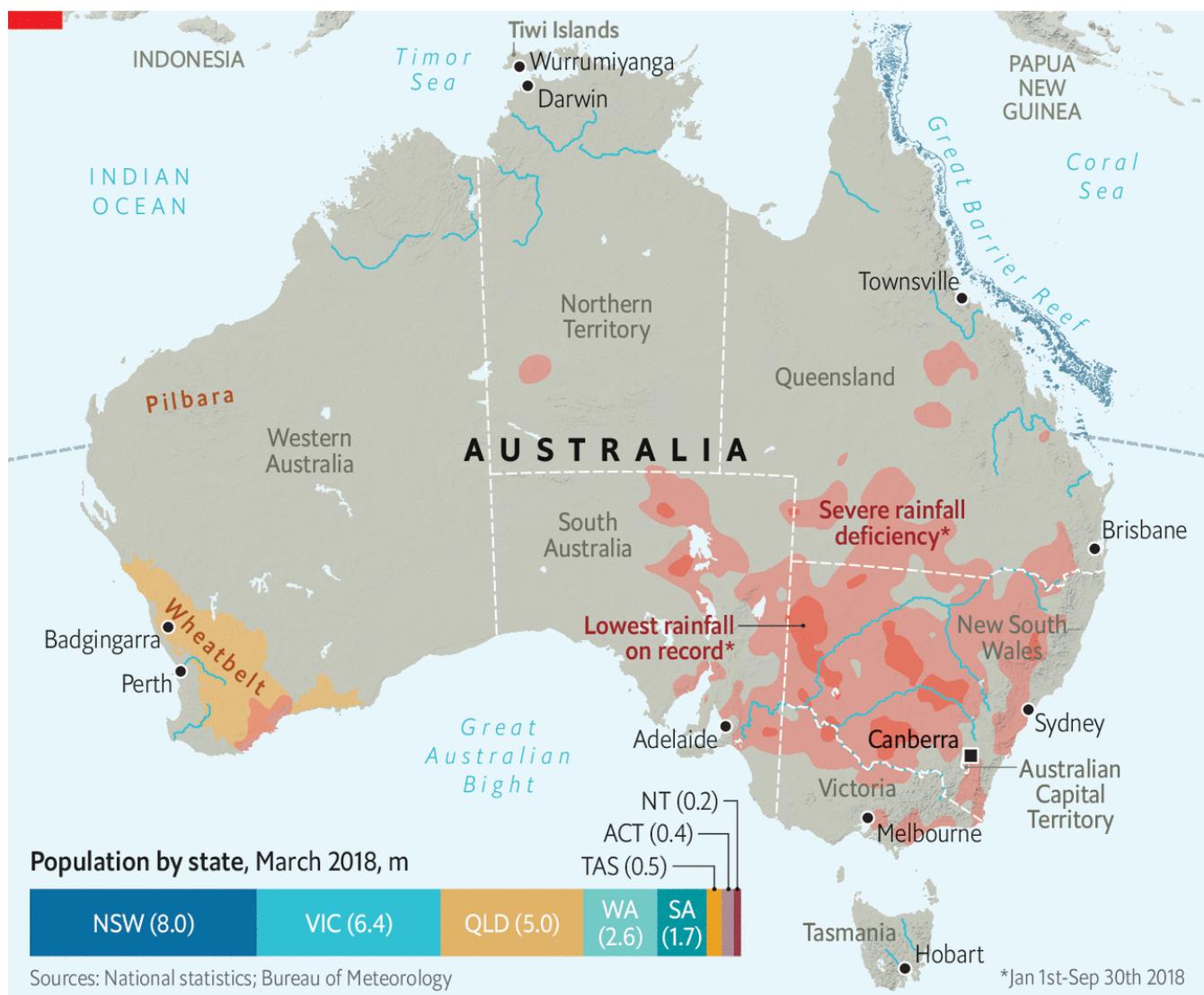


Sources: OECD; IMF

The Economist

Australia's health-care system is also a public-private hybrid. The government provides coverage for all, by paying clinics and hospitals a set fee for every procedure they perform. Those who want more than the most basic service must pay a premium. The government encourages people to take out insurance to cover the gap between the reimbursement it provides practitioners and the rates most of them charge the public. As with pensions, everyone gets looked after, but the government bears only a relatively small proportion of the cost—an arrangement that remains a distant dream in most rich countries.

Not all is perfect, of course. A common concern is that the economy relies too heavily on China, which is the biggest buyer of Australian minerals, the biggest source of tourists and foreign students, even the biggest consumer of Australian wine. People worry that if the Chinese economy falters, it will drag Australia's down with it. Another fear, somewhat at odds with the first, is that China might try to use its economic power to blackmail Australia into weakening its alliance with America.



Population by state, March 2018, m

NSW (8.0)

VIC (6.4)

QLD (5.0)

WA  
(2.6)

SA  
(1.7)

Sources: National statistics; Bureau of Meteorology

\*Jan 1st-Sep 30th 2018

The Economist

There are glaring domestic problems, too. The appalling circumstances of many Aboriginals are a national embarrassment, and the failure to answer their political grievances compounds the rancour. Even more alarmingly, global warming is making an already gruelling climate harsher. Rainfall, never reliable, is scarcer and more erratic in many farming regions. Over the past two years unusually hot water has killed a third of the coral on the Great Barrier Reef, one of the country's greatest natural treasures.

In theory both the governing Liberal-National coalition (which is right-of-centre) and the main opposition, the left-leaning Labor Party, are committed to cutting emissions of greenhouse gases. But in practice climate change has been the subject of a never-ending political knife-fight, in which any government that attempts to enact meaningful curbs is so pilloried that it either loses the next election or is toppled by a rebellion among its own MPs.

Some see the failure to settle on a coherent climate policy as a symptom of a deeper political malaise. Australia used to have long-lived governments. Between 1983 and 2007, just three prime ministers held office (Bob Hawke and Paul Keating of Labor, and John Howard of the Liberals). Yet, since then, the job has changed hands six times. A full term is only three years, but the last time a prime minister survived in office for a whole one was 2004-07. The assassins are usually not voters, but fellow MPs who dispatch their leader in hope of a boost in the polls. As part of the research for this special report, your correspondent interviewed Malcolm Turnbull, the prime minister at the time, who insisted his position was secure. He had been sacked by his fellow Liberals before the interview could be written up.

The changes of PM have come so often that Madame Tussauds, a wax museum, has officially given up trying to make statues of the incumbent, who will inevitably have left office before a likeness is ready. The constant revolution is not just fodder for comedians; it also makes consistent policymaking much harder. For those who consider Australia's unequalled economic performance the result, at least in part, of far-sighted decisions made 30 years ago, the current choppy politics seem like a harbinger of decline.

This special report will try to explain Australia's enviable record, and ask how long its good fortune can last. Is it adopting the reforms needed to keep the economy bounding ahead? Will it have to choose between China and America? Is the current generation of politicians up to the job? Is Australia, in short, as lucky a country as its nickname suggests, or is its current streak coming to an end?

**Correction (November 2nd 2018):** The original version of this story said that when Australia last experienced a recession, the

*internet did not exist. We got our history wrong. That should have been a reference to the world wide web. Sorry.*

*This article appeared in the Special report section of the print edition under the headline "The wonder down under"*

**Beyond commodities****Diversity helped Australia weather the resources bust***Tourism, education and construction have all grown, as commodities have become less important*

Print edition | Special report Oct 25th 2018

**T**OONSVILLE, A COASTAL city of 200,000 in the state of Queensland, owes its existence to commodities. The local agent for a Sydney merchant named Robert Towns founded it in 1864 to make it easier to export cattle from his employer's huge inland ranches (or stations, in Australian parlance). The discovery of a rich nearby goldfield a few years later brought much more business to the port, which is closer to Papua New Guinea than to Sydney, and led to the construction of the city's grand Victorian buildings.

There is not much gold left, but the commodity cycle still has a big effect on Townsville's fortunes. Copper, lead, phosphate and zinc are mined in Queensland's vast, arid outback and shipped to the city for export. The bits of the interior that are not being dug up are still given over to cattle stations. And closer by, dense green fields of sugarcane topped with fluffy white tufts of seed fill the narrow tropical littoral to the north and south of the city. The long "cane trains" that carry the crop to processing plants cross the coastal highway here and there on narrow tracks, bringing traffic to a standstill. The port of Townsville handles more sugar, copper, lead and zinc than any other in Australia. It also recently sent its first shipment of live cattle to China.

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**Swag, man**

At the height of the commodities frenzy in 2013, Australia's investment in new mines, gasfields and associated export facilities—many of them in Queensland—amounted to 9% of GDP (see chart). But when commodity prices began to slide a few years ago, Townsville's economy was dragged down, too. Mining firms stopped hiring "fly-in-fly-out" workers based in the city. A nickel refinery on the outskirts of town folded, putting 800 people out of work and leaving A\$300m in debts. Unemployment rose from 5% in 2013 to 9% in 2016. Property prices sank.

Yet the collapse in commodity prices was not the end for Townsville or Australia. In fact, it was a fillip for other industries, whose growth helped to make up for mining's troubles. The plunge in investment allowed the central bank to lower interest rates, lifting the housing business. The sinking currency, which lost 40% of its value against the greenback between 2011 and 2015, caused the number of foreign tourists and students to surge. It also encouraged foreigners to snap up flats in Sydney and Melbourne, giving construction even more impetus.

Building work had reached a nadir in the first quarter of 2012, when construction firms completed projects worth A\$20bn. In the last quarter of 2017, that reached A\$29bn. Foreigners accounted for a good share of their custom: the Foreign Investment Review Board approved A\$72bn-worth of residential-property purchases in 2016, up from A\$20bn in 2011. At its peak, foreign buying accounted for a quarter of residential-property sales in the two big cities.

Tourism got a similar boost. The number of people visiting has risen by half since 2012, to more than 9m, and the amount they spend has increased by 43%, to A\$21bn in the year ending in March (domestic tourists pony up even more). All told, tourism is Australia's fifth-biggest export. Education ranks even higher, behind only iron ore and coal. Some 540,000 foreign students enrolled in Australian educational institutions this year, up from 300,000 five years ago. They bring in A\$40bn a year.

Townsville is a beneficiary of all these trends. Rows of pleasure boats bob in the harbour, which provides easy access to nearby stretches of the Great Barrier Reef. Cruise ships dock regularly. The city's biggest hotel, the Ville, which overlooks the glimmering Coral Sea, completed a big renovation in July. Occupancy is now 90%. Morris Group, which owns the Ville, has invested A\$260m since 2010 in a string of hotels in northern Queensland.

The city also has two universities, as well as several research institutes. Last year the local branch of James Cook University (JCU) spent A\$80m on a new science centre. JCU plans to invest a further A\$1.9bn redeveloping the campus over the next 20 years, and will hire an additional 1,500 permanent staff. Roughly 18% of its students in Australia (it also has a branch in Singapore) are foreign.

There are other forms of diversification, too. Townsville hosts both an army and an air-force base. The state government has been expanding capacity at the local hospital, which serves as a regional hub. And the local, state and national governments are collaborating to build a big new stadium in the centre of the city, at a cost of A\$250m. In fact, the national government has been spending more on infrastructure around the country in part to compensate for the mining bust.

In the end, Townsville stumbled rather than swooned in the commodity slump. Its economy shrank slightly in 2014-15 before returning to growth. Queensland, meanwhile, managed to avoid a contraction, although growth fell from 5.5% in 2012 to 1.2% in 2015. And Australia as a whole sailed through the mining bust, with GDP growth never falling below 2.4%.

What is more, the commodities bust was not quite what it seemed. Commodity exports have continued to increase, in volume at least. That is partly because the cheaper Australian dollar makes them more affordable for foreigners. But it is also because Australian producers are impressively efficient, and thus able to weather periods of low prices as their competitors go bust.

Iron ore, Australia's biggest export, is a good example. Thanks largely to a decades-long building boom in China, demand rose steadily, lifting the price per tonne to \$187 in early 2011. But as China's economy slowed, and its government tried to boost services at the expense of investment in infrastructure and housing, the iron-ore price began a dizzying descent, to a low of \$39 a tonne. It has since risen to \$70 a tonne. Despite this upheaval, however, Australia's exports of iron ore doubled to 818m tonnes in 2011-17.

Proximity to China means freight costs are lower than for other producers. And the Pilbara region in Western Australia is blessed with concentrated ore, which yields more iron per tonne smelted. Australia's two biggest mining firms, BHP and Rio Tinto, have compounded these advantages with striking innovations.

A decade ago, there was nothing especially high-tech about the pair's operations: iron-rich rocks were blasted apart with dynamite, loaded onto trucks, crushed and shipped by train to distant ports. Burly men in hard hats flew in for a week or two at a stretch to operate the machinery. Nowadays, ever more of this process is automated. Machines controlled from air-conditioned offices 1,000km away in Perth drill holes in the rock and insert the dynamite. Self-driving trucks grind impassively around the gigantic open-pit mines, delivering the ore to the crushers. In July Rio Tinto tested an autonomous train over two-and-a-half kilometres long, composed of 240 freight cars and three locomotives, which it calls the world's biggest robot.

The self-driving trucks are 15% cheaper to run than the human-operated sort, Rio says. There are no idle spells between shifts or during breaks, and there is no need to fly burly men in hard hats up from Perth. The same goes for the automated trains, which deliver ore to port 20% faster. Data gathered by the drills about the rocks they are passing through, meanwhile, can be used to improve the placement of dynamite, monitor the hardness and concentration of the ore, and stagger the waiting trucks accordingly. In investor presentations there is as much talk of data analytics and the internet of things as there is of ore grades and smelting capacity.

In a sense, this impressive search for technological efficiencies is the flip side of a common criticism of Australia: that it is an expensive place to do business. The median wage is higher than in Europe or Asia and the OECD reckons that, at \$22.23 an hour, the minimum wage is the third-highest in the group, measured by local purchasing power, behind only Luxembourg and the Netherlands. The country's remoteness and its small population make all kinds of things pricey, from computers to food to energy.

These costs can be a burden to business. When the Korea Zinc Company sent Yun Choi to run its loss-making refinery in Townsville five years ago, he says, "the thought of shutting it down was on everybody's mind". Refining zinc is an energy-intensive process. Power costs were high, as were wages: a typical worker earns A\$120,000 a year, Mr Choi says. The only way to keep the plant open, he concluded, was to enter the power-generation business.

He set up more than 1.2m solar panels around the factory, that can generate 125MW of power—roughly a third of the refinery's needs. When wholesale prices are high, he stops zinc production and sells the power to the national grid. He wants to invest in wind turbines and batteries, too. Mr Choi has also set up his own trucking unit to reduce haulage costs to the port, halving logistics costs since 2015. The refinery is profitable again, and Korea Zinc is mulling an A\$300m expansion.

It is expensive to do business in Australia but, says Mr Choi, that is an opportunity, too. Others agree: Australia is the world's fourteenth-biggest economy, but ranks seventh in foreign investment received. That ranking has risen despite the end of the resources boom. And a big part of the appeal is the sound management and stability of the economy ([see article](#)).

*This article appeared in the Special report section of the print edition under the headline "More than ore"*

**Economic policy****Clever reforms 30 years ago helped Australia's growth***But can today's politicians make similar, shrewd changes?*

Print edition | Special report Oct 25th 2018



Getty Images

**“W**E WILL JUST end up being a third-rate economy...a banana republic,” warned Paul Keating in 1986. He used such threats to persuade the country to accept a series of radical economic reforms over the next decade, when he was treasurer (finance minister) and then prime minister. Along with his predecessor as PM, Bob Hawke, Mr Keating floated the Australian dollar, abolished import quotas, slashed tariffs, deregulated the financial sector, privatised state-owned enterprises, overhauled the tax code and did away with country-wide wage accords in favour of company-by-company “enterprise bargaining”.

Many of these reforms were instituted during Australia’s last recession in the early 1990s (“the recession we had to have”, in Mr Keating’s words). Most economists believe they have saved it from subsequent recessions by providing the flexibility needed to adjust promptly to changing economic conditions.

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To this far-sighted macro-economic management, the next government, of John Howard (1996-2007), added fiscal prudence, running surpluses in eight out of its 11 years in office and turning the government from a debtor to a net creditor. It also created a regulator to oversee banks and other financial institutions.

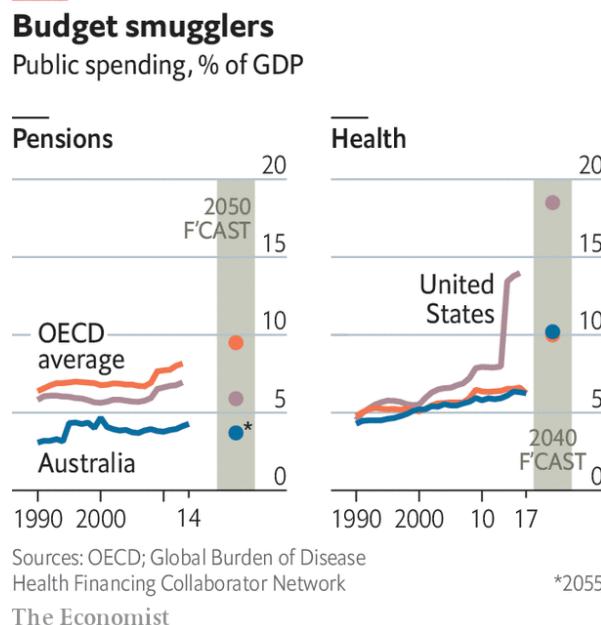
It was these solid policy foundations, as much as the economy’s diversity, that prevented the global financial crisis from causing more problems. Kevin Rudd, the prime minister of the day, was able to spend freely to ward off recession. His stimulus, of roughly 5% of GDP, included A\$900 cheques for many Australians. Yet the country remains in good fiscal shape, with gross government debt of only 41% of GDP, below even Germany’s 64%, let alone Canada’s 90% or Japan’s 238%.

Better yet, thanks to conservative regulation (and less-than-cut-throat competition), Australia’s financial system was in good shape when the crisis struck. It had only one large investment bank, Macquarie. Its other big financial institutions were all commercial banks, whose main business was mortgage lending. The RBA guaranteed their deposits and lent to them profusely when they struggled to raise funds elsewhere, but there were no failures or full-scale bail-outs.

Although the RBA reduced interest rates no more than other central banks, households soon felt the benefit, as most Australian mortgages are floating-rate. It also helped that the crisis was not precipitated by a property crash—on the contrary, Australian house prices barely faltered, propelled in part by lower interest rates.

But the reforms of the 1980s and 1990s did not just help Australia through the financial crisis; their benefits will be felt for years to come. Whereas other rich governments are struggling to pay for pensions and health care, Australia’s fiscal outlook is rosier—thanks again to the shrewdness of Mr Keating in particular.

In 1992 his government made it compulsory for workers and employers to pay part of their salary into private pension funds. This system, known as “superannuation” or “super”, has not replaced public pensions altogether, but has allowed the government to make them more miserly. They are strictly means-tested, based on both assets and income, including accumulated super funds. Public spending on pensions is just 4% of GDP, compared with 7% in America and 14% in France (see left-hand chart). And that is expected to fall in future, even as costs soar elsewhere.



Government spending on health care also looks more sustainable. All Australians are eligible for Medicare, as the public health-care system is known. But unless they go to no-frills doctors and clinics, they have to pay a portion of the cost. Various subsidies encourage them to take out private health insurance to cover their share. The result is decent, universal, affordable health care, but with government only footing about two-thirds of the bill. Government expenditure on health care, at about 6% of GDP, compares well not just with France (9%) or Britain (8%), but also with the United States, which spends 14% of GDP without achieving universal coverage (see right-hand chart).

The pension system and Medicare both have flaws. The financial managers to whom Australians have entrusted their super, it turns out, have been ripping them off by charging hefty fees without achieving commensurate returns. The health-care system will struggle to cope with the growing need for everyday care (as opposed to medical treatment) for the elderly. Still, their problems are smaller than those faced elsewhere. And, thanks to the country's strong growth and sound finances, it is better placed to solve them.

*This article appeared in the Special report section of the print edition under the headline "Healthy, wealthy and wise"*

Foreign relations

## Australian politicians fear having to choose between America and China

*But China's economic leverage is not yet shaking the bonds with America*

Print edition | Special report Oct 25th 2018



AFP

THE CITY OF Darwin occupies a T-shaped peninsula. At one end of the T, facing the Indian Ocean, is Larrakeyah Barracks, home to the headquarters of a detachment of American marines that visits Darwin each year. At the other end, less than 3km away, is Fort Hill Wharf, part of Darwin's port, which is operated on a 99-year lease by Landbridge, a privately held Chinese firm.

When the Northern Territory, of which Darwin is the capital, agreed the lease with Landbridge in 2015, America's president at the time, Barack Obama, complained that his government had not been consulted. Just four years before, as the centrepiece of his trumpeted "pivot" to Asia, Mr Obama had signed the 25-year protocol under which the "Marine Rotational Force-Darwin" (MRF-D) is deployed. America had paraded the deal as proof of its commitment to the region and of the unparalleled strength of its alliance with Australia. Now Australia appeared to be inviting the very country causing all the concern to observe their trysts.

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Never mind that Landbridge denied being an agent for the Chinese government, or that, as an Australian official pointed out, there was no need to buy the port to keep an eye on military comings and goings (you could find out just as much "sitting on a stool at the fish-and-chip shop on the wharf"). The moment embodied the Australian elite's growing anxiety that it might have to pick between its closest ally and its biggest trading partner.

Politicians tend to maintain, in public at least, that there is no tension between strong economic ties with China and a close diplomatic and military alliance with America. In private they accept that the Chinese government wants Australia to be more pliable, and is willing to use its economic clout to bring it to heel. After all, it regularly punishes countries that cross it politically.

China has always loomed large in the Australian imagination. After the "First Fleet" dropped off the convicts and soldiers who initiated British colonisation in 1788, several of its ships stopped in Guangzhou on the way back to London to buy a cargo of tea. There are records of Chinese immigrants to Australia as early as 1818; in the gold rushes of the 1850s some 40,000 arrived. In 2009 immigration from China exceeded that from Britain, previously the biggest source, for the first time. There are now more than 1.2m Australian citizens of Chinese descent. Mandarin is the most commonly spoken language after English.

What has changed in recent years is the way in which China looms over the Australian economy. At Darwin's airport, posters herald direct flights from Shenzhen on Donghai Airlines, a Chinese carrier. That is one of 173 flights a week from China to

Australia. China provides 16% of Australia's tourists—more than any other country. They are also more extravagant, accounting for 26% of tourist spending. Their numbers grew by 14% last year.

A similar story could be told of almost any other industry. China is the biggest buyer of Australia's iron ore, copper, wool and wine. It sends more students to Australia than any other country. All told, it buys 30% of Australia's exports—and rising.

Those who play down China's role note that American firms' cumulative investments in Australia dwarf those of Chinese companies: A\$190bn compared with A\$41bn. But Chinese ones will catch up soon, since they dominate the flow of new investment. In 2017 they won approval from the Foreign Investment Review Board for A\$39bn-worth of deals, compared with American firms' A\$26bn. Some transactions, such as the one involving the port of Darwin, create a stir, but most proceed with little fuss. Recent targets include a pet-food company; a condom-maker; lithium, coal and gold mines; gas pipelines and a chain of radiology clinics.

It is also clear that China's interests are not just economic. In 2016 a senator named Sam Dastyari was caught defending the Chinese government's fiercely disputed territorial claims in the South China Sea, in contravention of the views of both his party (Labor) and the Australian government. It turned out that he had accepted handsome donations from businesses run by men with ties to the Chinese government. Worse, the same businesses had made big donations to both the Liberal and Labor parties.

Stories like that have stoked anti-Chinese hysteria in some quarters. Politicians who try to get on well with China are labelled "panda huggers". In a recent book, "Silent Invasion", Clive Hamilton, an Australian academic, argues that China is systematically infiltrating Australia's institutions and subverting its democracy. He even suggests that China may eventually lay claim to the Australian landmass.

### **Hostage to fortune**

On top of that is the possibility of an economic boycott. Last year, for instance, China stopped its tourists visiting South Korea and orchestrated a popular boycott of the country's brands in China after the South Korean government defied it by going ahead with the installation of an American anti-missile system. It is not hard to see how Australia could end up in a similar fix. Should Chinese tourists disappear, or Chinese drinkers stop slurping Australian wine, many Australians could lose their livelihoods.

Ironically enough, however, the prospect of such bullying appears to have strengthened Australia's alliance with America, not weakened it. Australian politicians seem to assume that, since it would be unthinkable to embrace China's worldview, their best defence against Chinese blackmail is to head it off by demonstrating unequivocally that ties with America are non-negotiable.

The MRF-D helps to reinforce that idea. The number of American soldiers participating in the annual, six-month-long deployments has steadily increased since their inception, in 2012. This year more than 1,500 took part. The weapons and training involved are also becoming ever more elaborate.

This time the marines brought eight MV-22s, aircraft that can fly long distances but take off and land like helicopters, as well as their fanciest field artillery. While the marines were in Darwin, the Australian air force invited ten other European and Asian allies, including India, Indonesia, Malaysia, Singapore and Thailand, to send aircraft for a three-week exercise. Just as significantly, the Americans leave a lot of equipment in Australia each year when they return home. At Robertson Barracks, a few miles from Darwin, ibises and black cockatoos peck at the grass in front of a hangar-like garage filled year-round with rows of American trucks and armoured vehicles.

The Australian government has also been trying to curb Chinese efforts to suborn Australian politicians. In the wake of the Dastyari scandal, it pushed through a "foreign-influence" law that requires any person or company acting on behalf of a foreign government to register, and institutes prison sentences for those who fail to do so. A law banning foreign donations to politicians and parties is also in the works.

The authorities are also pickier about Chinese investment in strategic industries than the example of the port of Darwin suggests. When he was treasurer, the new prime minister, Scott Morrison, banned two Chinese telecoms firms, Huawei and ZTE, from participating in the construction of Australia's 5G mobile network. Without naming the pair, Mr Morrison explained that certain firms had to be excluded for fear that their home government would oblige them to provide "unauthorised access or interference". Two years before, he had barred a Chinese firm from buying part of the power grid. And it is not just Mr Morrison: in 2011 a Labor government banned Huawei from a scheme to build a nationwide broadband network.

Some Australian grandees see all this as folly. They argue that Australia should be seeking to accommodate China in some way, even at the expense of relations with America. Mr Keating, who declared Australia to be part of Asia when that idea was shocking to many of his countrymen, says lack of imagination about China is one of the current crop of politicians' greatest failings.

This idea has grown since Donald Trump became America's president. Australians have less trust in Mr Trump than in the Chinese president, Xi Jinping, according to the Lowy Institute, a think-tank. Fully 42% of Australians see his presidency as a "critical threat"; only 36% say the same of China's growing power. Mr Trump withdrew America from the Trans-Pacific Partnership, a huge free-trade area intended as an economic counterweight to China. He has alarmed Asian governments first by his bellicose tone towards North Korea and now by his credulous response to its promises to disarm. Fear that Mr Trump might drag Australia into an Asian war is widespread.

Yet even with Mr Trump in office, the idea that Australia might start sidling over to China seems far-fetched. Australians have fought alongside Americans in seven wars. The country routinely shares intelligence with America and buys American weapons. The two have agreements on everything from collective security to pensions for expatriates. Institutional ties between them are so strong, in short, that they will be hard to fray. Conversely, Australia has been prevaricating for over a decade about ratifying an extradition treaty with the Chinese.

What is clear, however, is that Mr Trump heightens the awkwardness of Australia's position. China is likely to feel even more frequent disappointment and irritation at Australia's conduct. Even if a fundamental shift seems unlikely, the threat of a damaging row with China will be ever present.

*This article appeared in the Special report section of the print edition under the headline "Keep your friends close"*

**Immigration****Australia takes in far more immigrants than other rich countries, with less friction***It is very strict about who is allowed in*

Print edition | Special report Oct 25th 2018



**KIEN LY'S** story sounds implausible. He was born in Saigon in 1955, the son of an officer in the South Vietnamese army. He qualified as an engineer, but after the communist North won the Vietnam war, he felt he had no prospects at home. So in 1981 he built a boat and fled, taking 54 of his countrymen with him.

Rescued from the South China Sea, he was transferred to a camp in Indonesia. The right-wing Australian government of the day admitted 70,000 refugees from Indochina between 1975 and 1982 in the first significant break with the recently abolished "White Australia" policy. Mr Ly soon found himself in Sydney.

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He did not want to be seen as taking advantage of the generosity of his new hosts so, rather than studying for a local qualification, he took work as a postman. Ten years later, in part to campaign for fairer treatment of immigrants in the workplace, he became a union organiser. That brought him to the attention of the Labor Party, which asked him to stand for the local council in Fairfield, a city in the suburbs of Sydney which encompasses Cabramatta, a largely Vietnamese neighbourhood. Like any other local politician, he now spends his days feuding energetically with his fellow councillors over development schemes and municipal contracts.

Immigrant stories like Mr Ly's are becoming more common. In the late 1980s, when Australia's population was less than 17m, it began admitting over 100,000 people a year. These days the population is 25m, and the annual quota has reached 190,000.

Thanks largely to this influx, Australia's population has been growing by over 1.5% a year. That is a third faster than in Canada and twice America's rate. The immigrants are also young, which gives Australia a median age well below that of most European countries. The IMF estimates that, just by reducing the rate at which the populations ages, the new arrivals will boost GDP growth by 0.5-1 percentage points a year until 2050, provided immigration continues at the current rate. In a country with a long-run average growth rate below 3%, that is no small consideration.

Immigrants make up about a third of the population of all Australia's state capitals except Hobart. The residents of Fairfield used to be largely of Italian stock. These days, however, much of the population is Vietnamese or Arab. As Mr Ly notes with a laugh, "In Cabramatta, if you see a European, they're probably a tourist."

Yet everyone seems to rub along fine. At My Tin jewellers in Cabramatta, the workers are all former Vietnamese refugees who arrived in the 1980s. They are all citizens now, most living in their own houses. They all insist that they have never suffered any serious discrimination as foreigners. Outside, a group of schoolgirls from Iraq and Syria have come to see what the Asian

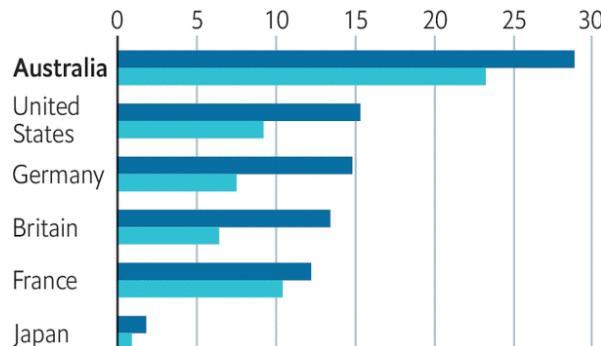
district is like. The main appeal of Australia to their families, they say, is that it is not racked by civil war. What they had not realised, in the words of one of them, is that “people are kind—they always help you.”

Polling data bears out her impression. In a survey conducted by the Lowy Institute, a think-tank, in 2016, more than 70% of respondents agreed with the following three statements: “Overall, immigration has a positive impact on the economy of Australia”, “Immigrants strengthen our country because of their hard work and talents” and “Accepting immigrants from many countries makes Australia stronger”. Only 35% accepted the contention that “immigrants take away jobs from other Australians”.

## The promised land

International migrants, % of total population

■ 1990 ■ 2017



Source: UN Department of Economic and Social Affairs

The Economist

It helps that the main parties of right and left have long supported immigration. There is an explicitly anti-immigrant party, One Nation, but even in its heyday in the 1990s it never won more than 9% of the vote nationally. When its leader, Pauline Hanson, recently attended a Senate debate in a burka to demonstrate the perils of admitting Muslims, she won more mockery than praise.

There are problems. The right-wing press likes to dwell misleadingly on stories about immigrants and crime. It has stirred up a panic about African gangs in Melbourne, despite scant evidence that any such gangs exist. In 2005 a row between residents of a coastal suburb in Sydney and immigrants from poorer inland areas who had come to use the local beach escalated into a riot.

Moreover, public acceptance of high levels of immigration seems to hinge on an especially ferocious policing of Australia's borders. During his re-election campaign in 2001, Mr Howard seized on the case of a Norwegian freighter that had rescued would-be asylum-seekers from a sinking smuggler's vessel on its way to Australia. He sent the army to board the ship and prevent it from docking on Australian territory. This grandstanding quickly developed into the doctrine that anyone seeking to enter Australia by sea without proper paperwork should not be allowed in. “We will decide who comes to this country and the circumstances in which they come,” he intoned, again and again. He went on to erase his deficit in the polls and win the election.

### Back where they came from

Since then, “boat people” unlucky enough to be caught on their way to Australia have been packed off to dismal camps in two impoverished Pacific countries, Papua New Guinea and Nauru, as well as Christmas Island, an Australian speck in the Indian Ocean. Although most have subsequently been judged to be genuine refugees, Australia still refuses to accept them. (It does admit about 20,000 refugees a year, but only through official channels.) Instead it has been trying, with little success, to strike deals with other countries to take them in. But the policy has been successful in another sense, in that few boat people now attempt the passage.

The Labor Party briefly opposed the “Pacific solution”, as the system of offshore detention is known, but has now embraced it, on the grounds that it deters human-trafficking. Ordinary Australians approve too, according to the pollsters. There is so much fuss about the topic that it often seems to dominate discussions about immigration, even though the number of people involved is inconsequential relative to the hordes of migrants Australia readily admits. Indeed, some Australians who cheer offshore detention seem unaware that nearly 200,000 other newcomers are let into the country each year. Those who are aware seem to be developing misgivings. The proportion telling the Lowy Institute's pollsters that too many immigrants are admitted each year has risen from 37% in 2014 to 54% this year.

The political consensus is fraying too. Tony Abbott, a former Liberal prime minister, says that immigration is too high, and should be reduced to allow better infrastructure to be built. Peter Dutton, in his recent campaign for leadership of the ruling Liberal Party, and thus for prime minister, endorsed that view. The man he lost to, Mr Morrison, has not called for the current cap of 190,000 arrivals a year to be lowered. But he, like Mr Dutton, made a name for himself as a junior minister by talking tough about “stopping the boats”. In July, before becoming prime minister, Mr Morrison noisily highlighted data that show the number of immigrants this year is down markedly, to 162,000—proof, he says, that the government is rightly choosy about who

it lets in. Yet Mr Morrison has also made impassioned pleas for openness. All politicians blow hot and cold depending on the circumstances. In Australia, that tendency is especially acute on one vexing topic: climate change.

*This article appeared in the Special report section of the print edition under the headline "Not huddled, but masses"*

## Aborigines

# The condition of indigenous Australians is a national disgrace

*Programmes and policies to help them are often ill-designed*

Print edition | Special report Oct 25th 2018



Alamy

JUST OVER 3% of Australians, around 800,000 people, claim indigenous ancestry. They constitute a tiny minority in every part of the country, except the sparsely inhabited Northern Territory, where they make up 30% of the population. In almost every respect, they are appallingly disadvantaged.

Aborigines typically live a decade less than other Australians. Their infant mortality rate is twice as high. They are twice as likely to be hospitalised for circulatory diseases and 11 times more likely for kidney failure. Only 62% finish school, compared with 88% of the non-indigenous population. Only 47% have some kind of post-school qualification, compared with 73%. Only 48% of those of working age have jobs, compared with 75%. The median income of Aboriginal households is 37% lower than that of other Australians. Only 29% own their homes, compared with 69%. Aboriginal adults are 13 times more likely to go to prison; their children are 24 times more likely to be placed in detention centres. They are six times more likely to suffer child abuse and two-and-a-half times more likely to be victims of domestic violence. They are almost twice as likely to use illegal narcotics and more than twice as likely to commit suicide.

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Successive governments solemnly pledge to improve things. Some of these statistics used to be even more dire. Others, however, have worsened, including rates of incarceration and suicide. In 2016 the federal government and the states spent A\$33.4bn helping Aborigines, or A\$44,886 per person—double the equivalent figure for other Australians. But the money is poorly spent. Programmes and policies come and go, and are often ill-designed. Aborigines may be consulted, says Lawrence Costa, an Aboriginal member of the Northern Territory's legislative assembly, but the effort is often half-hearted. The result, argues Anthony Kickett of Curtin University in Perth, can be “whitefellas telling the blackfellas how to live”.

Long efforts at forced assimilation, including the seizure of Aboriginal children to be reared in orphanages or by foster parents, which stopped only in the 1970s, left generations without any experience of stable family life. Many Aboriginal parents therefore struggle to raise their own children, prompting a disproportionate number to be taken into care, perpetuating the cycle. And rules based on Western ideas about family and lifestyle often clash with indigenous customs.

Mr Costa thinks it is essential for Aborigines to maintain their connection to the land, to stay in touch with their culture and preserve supportive social structures. His constituency includes the two Tiwi islands, together about the size of Crete, which lie 80km off the coast of Darwin. They have a population of around 3,000, about 90% of whom are Aborigines.

Mr Costa's home "out bush" is indeed blissful. Dugongs can be seen from his verandah, briefly disturbing the calm silvery waters of the Timor Sea. As his pick-up rattles down the sandy track to get there, panicked wallabies bound into the sparse eucalyptus forest. But although scenic beauty is plentiful, jobs are scarce. There is a little tourism and tree-farming, but most jobs are in local government.

Private businesses struggle because costs are high. Roughly half the locals have no work, Mr Costa estimates. Bored young people turn to drugs and gambling. He tells the story of a nephew so addled by addiction that he walked out onto a mud flat and was killed by a crocodile. As Mr Costa drives through Wurrumiyanga, the main settlement, a relative runs over to tell him of another suicide the night before.

He thinks there is no use expecting government to solve these problems and that Aboriginals must try to do so themselves. But others think government could be more help if it were more attuned to the complexities of their needs. Yet others see government as the problem: "They're still stealing our land; they're still stealing our children; they're still stealing our knowledge," fulminates Jenny Munro, the head of a charity in Sydney.

Aboriginals are increasingly active in politics: the current government includes the first Aboriginal minister, Ken Wyatt. But their tiny share of the population makes it difficult to influence policy. Hence the campaign for a greater say in the political process, either through a formal treaty with the government or the creation of a consultative body to give advice to parliament. The government says that is too radical. Instead it proposes amending the constitution to state the obvious: that Aboriginals are the original Australians.

*This article appeared in the Special report section of the print edition under the headline "Cook's legacy"*

Climate change

## Harsher weather threatens more than just the Australian environment

*Climate-change policy is one of the biggest causes of political infighting*

Print edition | Special report Oct 25th 2018



**C**LIMATE CHANGE is not threatening Dale Park's livelihood, but it is not making his life easier, either. His small cattle farm near Badgingarra in Western Australia gets about 580mm of rain a year—well below the 650mm that was typical when he first moved there 30 years ago. The rain is also coming at different times, with summer storms more common than they used to be. And the number of really hot days is increasing, especially in spring. Mr Park has been able to adapt, mainly by planting different types of fodder. But for wheat farmers, he explains, as his dogs merrily give chase to a passing flock of emus, it is not so easy.

Only a small corner of the state—the south-western extreme, near the capital, Perth—has ever been arable. To the north or east the crops soon give way to arid bush and then desert. In some places the transition is so abrupt, Mr Park says, that annual rainfall drops by an inch for every mile east you go.

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Now the winds from the Indian Ocean that brought what little rain there was are shifting southwards, causing the arable zone to become drier. Fancy equipment and new planting techniques help farmers make do with less rain. Crops do not fail, but simply grow less well. Some struggling farmers cope by switching crops or rearing sheep instead of planting. All the same, Mr Park concludes, “We’re starting to run out of resilience.”

It is not just farmers who are affected. Because less rain is falling and more water is evaporating due to higher temperatures, the flow into the reservoirs that supply Perth has plunged by 80% since the 1970s. This, along with rapid growth in the city’s population, has meant that it has had to build two desalination plants, as well as a facility to recycle sewage water, at a total cost of well over A\$1.5bn. It has also imposed strict rules on water use. Homeowners, for example, are allowed to use sprinklers only twice a week.

On the opposite side of the country, in Queensland, the effects of climate change are even more obvious. Parts of Eddy Reef, one of the hundreds of separate coral formations that make up the 2,300km-long Great Barrier Reef, are stunning. Gem-like fish dart in and out of twisting brown branches of stag coral. A giant clam opens iridescent blue lips. Feathery fan corals sway in the current.

But a few metres away, the scene is much less colourful. The stag coral here is a drab greyish white. Wisps of algae are starting to coat its surface. There are fewer fish. This is the result of a process called bleaching, in which coral reacts to higher

water temperatures by ejecting the microscopic algae that give it colour. If the temperature does not quickly fall again, the coral dies. This is what has happened to about a third of the Great Barrier Reef over the past two years.

Bleaching, cyclones and infestations of crown-of-thorns starfish, which munch through coral, all damage parts of the reef from time to time. The amount of coral fluctuates depending on how often and how severely such adversity strikes. In the northern portion of the reef, in particular, coral cover is at the lowest level ever recorded. David Wachenfeld of the Great Barrier Reef Marine Park Authority, the government agency responsible for its protection, says that the higher water temperatures brought on by global warming have led to more frequent bouts of bleaching, leaving the reef too little time to recover in between. Like the farmers of Western Australia, it is running out of resilience.

"We're starting to run out of resilience"

It is not just ecologists who are anxious. A study published last year by Deloitte, an accountancy firm, found that the reef generated A\$6.4bn in economic activity in 2016 and supported 64,000 jobs. Already, tourism operators say they are suffering because of all the negative publicity surrounding the bleaching.

Climate change is causing other problems, too. The incidence of droughts, such as the one currently afflicting eastern Australia, is increasing. Parched landscapes, in turn, lead to more frequent and destructive bushfires. And then there are more mundane burdens, such as the extra outlay on air-conditioning in response to rising temperatures.

Yet Australia still gets more than 60% of its power from coal, the fuel that does the most damage to the climate. It is also the world's biggest exporter of coal. Per person, it generates more emissions than any other big economy bar America and Saudi Arabia. And unlike most rich countries, its emissions are growing.

Australia was the first country in the world to set up a government agency devoted to cutting emissions, under Mr Howard in 1998. But since then politicians have feuded endlessly about how to bring about any cuts. Mr Howard refused to commit Australia to stringent reductions by ratifying the Kyoto protocol. Labor took him to task about climate change in the election campaign in which he was finally ousted, in 2007. His successor, Kevin Rudd, ratified Kyoto right away, but then dithered about introducing an emissions-trading scheme, as he had promised. That helped spur the coup in which Mr Rudd was deposed by his deputy, Julia Gillard, who instituted a carbon tax in 2011, only to be pilloried by the right for levying "a great big tax on everything".

This attack helped the Liberals to win the subsequent election, in 2013; they promptly repealed the tax. But they have struggled to come up with an alternative. It was Mr Turnbull's effort to enshrine very small emissions-reduction targets in law that prompted the coup against him earlier this year within the Liberal Party.

Perhaps unsurprisingly, the new prime minister, Mr Morrison, has kept quiet on the subject. But even politically, let alone environmentally, that is not an option. Three-quarters of Australians are worried about climate change, according to a recent poll. A majority think the government is not doing enough. They are keen on renewable energy and on phasing out coal-fired generation. They do not want the government to wait for other big polluters such as America and China to act before trying to cut emissions. "People want a coherent idea about the future," says Tim Winton, a novelist and activist, not "shouting into a bucket".

*This article appeared in the Special report section of the print edition under the headline "Dry as a Pom's towel"*

**Politics****Poisonous politics could spell an end to Australia's winning streak***Few politicians want to take bold or risky decisions*

Print edition | Special report Oct 25th 2018

THAT AUSTRALIA has not managed to institute a sensible, durable policy on a subject like climate change strikes many as a sign that there is something wrong with politics. "This lot couldn't manage a jar of five-cent bits," fumes Mr Keating. It is a common complaint, and not just from the opposition.

It is clearly the case that governments do not last as long as they did (see timeline). Many also believe that they achieve less. The Grattan Institute, a think-tank, counts 15 big economic reforms in the 12 years that Messrs Hawke and Keating were in government, eight during Mr Howard's 11-year stint and six in the decade since.

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There is also a view that politicians used to be more able to rise above partisan politics and defy their supporters. Nowadays, the argument runs, politicians of either stripe are too busy poring over the polling data or looking over their shoulders to do anything remotely risky. If so, they would be right to: Rod Tiffen of the University of Sydney points out that, at both the state and federal level, "spill motions", meaning internal challenges for the leadership of a party, have become much more common. And one of the most common excuses for mounting such coups is that the incumbent trails in the polls.

In some ways, Australian politics appears more stable than that of other rich countries. Insurgent parties are not displacing the established ones, as in Europe, nor are populist candidates taking control of political machines, as Donald Trump has in America. But Australia is not free from discontent; it is just insulated from it by its electoral system.

No matter how disaffected Australians are with their choices, they must vote, and are fined if they do not. This helps to keep politics grounded squarely in the centre. It also favours the big parties, since those who might not be interested in politics seem unlikely to plump for an obscure option.

Moreover, when they vote, Australians do not just pick one candidate for each office. They rank them in order of preference. When the ballots are counted, the one with the least first-choice votes is eliminated. His or her votes are then redistributed to whichever candidate was listed as the second choice, and so on, until one has more than half of the vote. This also favours the two main political forces (Labor and the Liberal-National coalition) since even those who select a small party as their first choice tend to list a big one below. Only five out of the 150 members of the lower house (the House of Representatives) are from neither the coalition nor Labor.

But just because the system is stable does not mean that it is loved. Public esteem for politicians has declined markedly. In 1969, 51% of people polled by the Australian Election Study, a long-running survey, agreed that "people in government can be trusted"; in 2016, only 26% did. Whereas in the 1980s more than 90% of voters selected one of the two big parties as their first choice for the House of Representatives, at the most recent election, in 2016, only 77% did. Voters report ever less interest in elections and their outcome, and ever less confidence that their vote will make any difference. More and more think that politicians are in it for themselves and that special interests have too much sway. Only 60% say they are satisfied with democracy.

**A few kangaroos loose in the top paddock**

The constant churn of prime ministers is fodder for these feelings of disillusionment. Four of the past five changes have come from spill motions, not from elections. Parties keep presenting one person to voters as their prime-ministerial candidate, only to boot him or her out after a year or two. It is natural for voters to feel deceived. And no party that has turned on its own PM in the past decade has done better at the next election than at the previous one.

Mr Tiffen argues that spills will only fall out of fashion when it is clear that voters will punish a party for resorting to them. Proof may be coming soon. After the latest one, in which the Liberals ejected Mr Turnbull in favour of Mr Morrison, the party did not even see a brief bump in the polls. One government MP called the petition for a spill a "suicide note"; another was so enraged that he moved to the crossbenches, depriving the government of its majority in the House of Representatives.

The infighting, in other words, is clearly impeding the business of government. And even if Mr Morrison wanted to pursue bold reforms, he does not have time before the next election, which is due by May. Figuring out where Australia should get its energy from or how warmly to embrace China will have to wait yet another six months, at least.

It is easy to imagine a cycle in which the constant changes of leadership make policymaking even less consistent, further sapping faith in government and making politicians even more timid. That is especially alarming because the trend of rising incomes which marks Australia out from the rest of the rich world is running out of steam, and the consensus around policies that underpinned it, such as openness to immigration, is eroding. If politicians do not sort themselves out, Australia risks becoming as troubled as everywhere else.

*This article appeared in the Special report section of the print edition under the headline "Spills and thrills"*

## Digital advertising

Amazon's ad-renaline rush

Ad-renaline rush

### Amazon's ambitious drive into digital-advertising

*Building a big ad business will help the firm to keep expanding*

Print edition | Business Oct 27th 2018



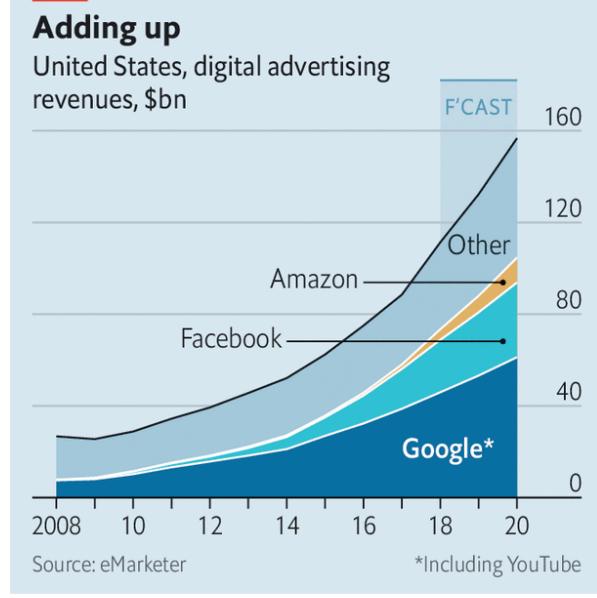
Luca D'Urbino

**A**N AWARD-WINNING series, “The Marvellous Mrs Maisel”, follows the fortunes of a woman in the 1950s who undergoes an unlikely transformation from a typical housewife of the day into a talented standup comedian. It is produced by Amazon and can be viewed on Prime Video, the e-commerce giant’s on-demand service. Since its birth in 1994, Amazon has starred in several dramatic metamorphoses of its own. It has pushed beyond retailing into fields as varied as electronic books, private-label goods and cloud computing, as well as online video. Now it is intent on becoming a force in digital advertising.

Amazon has a long way to go before it catches up with the giants of the industry. It has 4% of an American market worth \$111bn, compared with Google’s 37% and Facebook’s 21% (see chart). But Amazon started experimenting with ads only six years ago, and its young business is growing fast in a rapidly expanding market. By the end of the year it will overtake Microsoft, a software giant, and Verizon, a big telecoms firm, to rank third in America, according to eMarketer, a research firm.

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Despite trailing far behind the leaders, Amazon’s ads are having an outsize effect on the company itself. Its revenues from ad sales worldwide in 2018 could hit \$8bn, contributing perhaps \$3bn in operating profit—over a quarter of the total. Michael Olson of Piper Jaffray, a brokerage, says that by 2021, it is “highly likely” that profits from Amazon’s ad business will exceed those from its lucrative cloud-computing unit, Amazon Web Services. Amazon loses money on its core e-commerce business, but can use the fat profits from advertising in the same way as it has used the cash from cloud computing—to push into new businesses and countries, says Brian Nowak of Morgan Stanley, an investment bank.



The Economist

Closing the gap between Facebook and Google will be difficult but not impossible. Like those two, Amazon has a rich pool of data about users which it can use to aim its ads, including information about past purchases, which product reviews consumers have read, where they are and their online browsing behaviour. Amazon has a unique advantage, because consumers who are using the site usually intend to buy things right away. Some 56% of Americans start the search for any product on Amazon.

That will help it to grow as brands shift marketing dollars away from physical retailers. “Trade spending”—payments to retailers by makers of soap, mouthwash, canned food and other household basics for prime shelf space and promotional offers—adds up to around \$200bn in America alone. Amazon is especially attractive to makers of such consumer packaged goods. Brand loyalty is weak and buyers are more likely to be swayed by prominent ads.

Amazon’s ads will not appeal to all businesses. Firms that do not sell goods through the site, such as fashion brands, car-makers and travel companies, will not advertise there. But online video is one potential opportunity to attract more business. Amazon allows video ads on Twitch, its online-gaming site, but it could also put adverts onto Amazon Prime to win some of the advertising spending aimed at conventional television channels.

Allowing advertising on Alexa, its voice-assistant, and Echo, its smart speakers, is another possibility. In the future, when people ask questions of Alexa or order something by voice, Amazon could incorporate advertising. Earlier this year it was reported that Amazon was in discussions with Procter & Gamble and Clorox about voice ads for their wares.

As it chases growth, Amazon will face three obstacles. First, it must consider whether its advertising will put off customers. Voice ads butting in to conversations, even ones with inanimate objects such as smart speakers, are potentially irritating. And subscribers who have paid to watch online videos are unlikely to enjoy sitting through commercial breaks. Amazon must take care to avoid alienating the people it spends so much trying to please.

Second, Amazon will have to balance its relationship with vendors and address potential conflicts of interest. Advertisers can buy space at the top of product searches or pay to sponsor products. In addition, some search results are labelled “Amazon’s choice”, which could favour important vendors and advertisers, says Matti Littunen of Enders Analysis, a research firm. (Amazon does not disclose how products get this designation.) And as Amazon becomes a manufacturer and seller of more of its own private-label items, it will have to decide how much prominence to give paying advertisers and how much to its own goods.

According to research by RBC Capital, an investment bank, of 100 product searches on Amazon’s app, in only three instances was the top ranking result not a sponsored ad. Those were for three Amazon devices: two smart speakers and a Kindle e-reader. Makers of competing products will be unhappy if it appears that Amazon is favouring its own products on its site or discouraging competition by driving up the cost of ad space on products that directly challenge its private-label goods.

Amazon will also have to contend with a more active regulatory environment. In September the European Commission announced a probe into its use of data and whether it could use information about third-party retailers on its site, which are also competitors, to boost its profits. As the inquiry progresses, advertising practices could become an area of interest.

Amazon has so far avoided a privacy backlash from customers. “Facebook uses your personal life and friend graph to target ads. Amazon has a more clearly commercial relationship” with users, says Jonathan Nelson, the head of digital at Omnicom, a large advertising agency. But as its ad business grows, so will scrutiny. Amazon gives users little control over how much information they share for advertising purposes, which could violate new data-collection and privacy rules in Europe, says Mr Littunen.

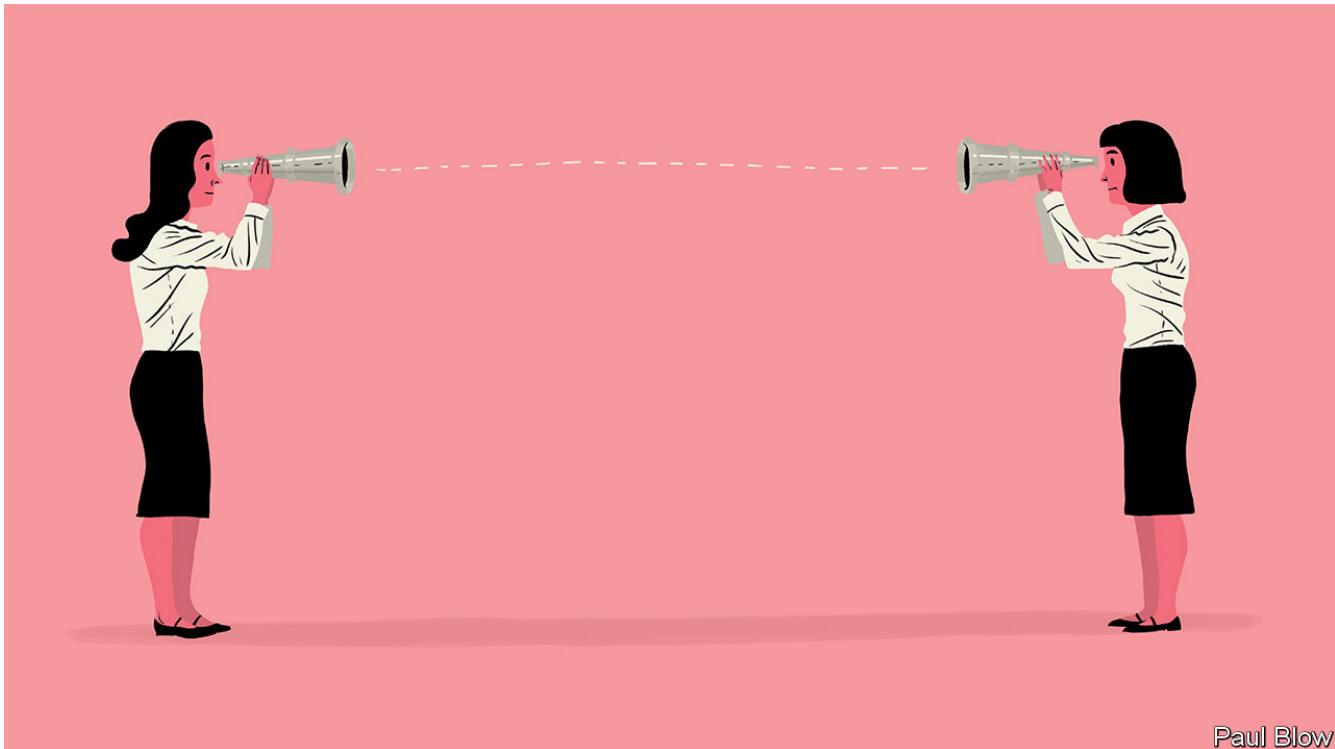
As it gathers more information about people in the physical world, including their spending habits at Whole Foods, the grocer it bought last year for \$13.7bn, its dossier of data on consumers will become larger and more personal. That will propel Amazon’s rise. Just as Mrs Maisel discovers she has a new talent for cracking jokes, Amazon has a chance to thrive in a new venture. Before long it could make the digital-ad duopoly a three-way affair.

*This article appeared in the Business section of the print edition under the headline "Amazon's ad-renaline rush"*

Bartleby

**For richer, not for poorer***When executives are matched together*

Print edition | Business Oct 27th 2018



Paul Blow

**T**HIRTY-SOMETHING executive with great plans for a startup business would like to meet similar. Must possess relevant experience and have GSOH (graduated from Stanford or Harvard).

Romance-seekers place adverts like this on the internet all the time. So why not entrepreneurs? People who want to start a business may be aware they do not have all the skills required to make the operation a success. If that is the case, they need to find a co-founder.

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That is how Kim Atherton and Erinn Collier ended up running Just3Things, a software company, together. The firm offers a platform designed for companies that want to be "agile", a popular model in recent years. Agile companies organise themselves in small interdisciplinary teams designed to complete a single project, rather than with a more formal hierarchical structure. The software keeps the team members both informed and connected.

The system was developed by a group at OVO Energy, a British energy-supply firm, where Ms Atherton worked. She had dreamed up the idea when working as chief people officer. There was nothing available on the market, so she hired developers to create it. When she spoke about it at a conference in 2017, a delegate asked if the platform was available for other organisations.

That inquiry made Ms Atherton see an opportunity to spin the business out from OVO. But she had trained as an occupational psychologist and had spent seven years working in human relations. She therefore had no idea how to sell a software platform to potential customers. She needed a partner. Her answer was to ask a recruitment business, Stanton House, for help. This led to an exhaustive process, involving interviews with 35 to 40 candidates.

Ms Collier had previously worked for both Salesforce and Uber on the sales side. She first met Ms Atherton in November 2017. Like many romantic couples, they started their corporate courtship slowly. It took four or five meetings, including a dinner, before Ms Collier joined the company in May this year.

It makes sense that it will take a while to see if two executives can work together. A good relationship is essential given the number of hours that they will spend in each other's company. When starting a business, executives are likely to spend more time with their colleagues at work than with their families at home.

Ms Atherton says that she wanted "someone in the trenches with me", so finding the right person was essential. Ms Collier says the main reason for her change of career was that she wanted to be a co-founder rather than just a sales leader. But it had

to be with the right person. “The further you get in your career, the more critical it is that you like the people you work with,” she says.

In such instances of “executive dating”, the most important element is to ensure that the philosophies of the potential partners match. Ms Atherton said that many of the people she interviewed talked about money or contracts, but she was impressed that Ms Collier asked: “Tell me what kind of company you want to build.” The answer, according to Ms Atherton, was to create a business that she could be proud of, and which had good working conditions. That turned out to be the reply Ms Collier was hoping to hear.

It may not work out, of course, but nor do plenty of relationships. In this case, the partnership might not last if the outcome is “for poorer” rather than “for richer”. But at least the co-founders have started out on corporate life together with their eyes open.

David Fleming of Stanton House, the recruiter who brought the women together, says this was an unusual assignment. Normally a business will be founded by a small team who already work together. Ms Atherton was unusual in realising that she needed someone with complementary skills. There were a lot of people actively looking for someone new. But finding someone who had the same values and principles was much more difficult.

This kind of executive link-up will probably never become the norm. But if the key to generating more economic growth is the creation of more startup companies, then there is the need for a way to bring entrepreneurs together. Instead of eHarmony, there could be eEquity; instead of Tinder, Turnover. Now there’s an idea. Would anyone like to be a co-founder?

*This article appeared in the Business section of the print edition under the headline "For richer, not poorer"*

**Spoiling shipping for a ha'p'orth of tar****Sulphur-emissions rules for shipping will worsen global warming***The IMO's rules could also wipe 3% off America's GDP*

Print edition | Business Oct 27th 2018



Getty Images

**D**P WORLD LONDON GATEWAY, a container terminal on the Thames estuary, is Britain's fastest-growing port. The borough of Thurrock, where the port is situated, has the country's third-worst levels of air pollution, in part because of fumes spewed out by ships in the port. Upriver, in London, the International Maritime Organisation (IMO), the United Nations agency for shipping, began a meeting on October 22nd aimed at taking action against air pollution. But new rules to make ships cleaner will impose crippling costs on the industry while worsening global warming.

The IMO will cut emissions of sulphur either by reducing its content in marine fuel from 3.5% to 0.5% from 2020 or by requiring ships to remove it from exhaust fumes. Sulphur from ships causes acid rain and air pollution, which contributes to between 212,000 and 595,000 premature deaths a year and 14m cases of childhood asthma, according to research published in *Nature Communications* in February.

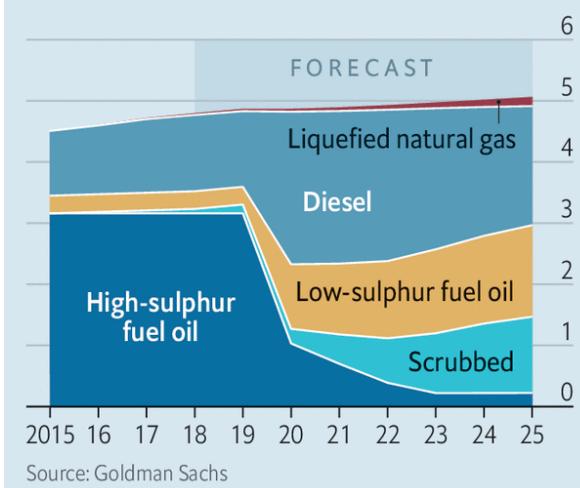
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Shipowners can meet the rules by installing "scrubbers", but these are expensive. Only around 2,000 of 90,000 commercial vessels on the world's seas will have them by the deadline. And dealing with sulphur has other ill-effects, points out Paddy Rodgers of Euronav, an oil-tanker firm. The most popular system washes sulphur out of engine fumes with seawater, which is then chucked overboard. The wastewater kills marine wildlife and causes cancer in humans, according to some research.

Most shipowners will switch to pricier low-sulphur fuels. But if all ships did so in 2020, demand for them would double (see chart) and the industry's fuel bill would rise by \$60bn, roughly the entire sum spent in 2016, say analysts at Wood Mackenzie, a research firm. It would also have a dramatic impact on aviation and road transport. Ships run on a heavy residue that remains after petrol, diesel and other lighter hydrocarbons are extracted from crude oil in refining. Competition for lighter fuel that clean ships require could raise the price of diesel for lorries by 50% and for jet fuel by 30-40% in 2020, reckons Philip Verleger, an energy economist. The resulting spike in global transport costs, he says, would hit world trade and wipe a staggering 3% off America's GDP and 1.5% off the whole world's in 2020.

## Over the horizon

Global shipping, fuel mix, m b/d



Source: Goldman Sachs

The Economist

Big shipping lines such as Denmark's Maersk, which can afford scrubbers or pricier fuels, support the changes. Smaller firms could be forced to scrap older ships, says Basil Karatzas, a consultant. Less capacity will mean higher rates for the rest.

Worse still is the effect of the new rules on global warming. The Intergovernmental Panel on Climate Change, a UN-backed body, says sulphur emissions have a net cooling effect because they scatter sunlight in the atmosphere. Sulphur also helps to form and thicken clouds that reflect sunlight away from the Earth.

Some studies find that by burning heavy marine fuel the industry is slowing global warming, as the cooling effects of sulphur emissions outweigh the warming caused by those of carbon dioxide. Scientists at the Centre for International Climate and Environmental Research in Oslo calculate that shipping in net terms reduced man-made warming by 7% in 2000. The IMO's new rules will undo much of this effect. The paper in *Nature Communications* found that the use of lower-sulphur fuels after 2020 will reduce the cooling effect from shipping by around 80%.

The IMO does not accept that this might kill more people in the longer term than the number who succumb each year to air pollution. "This is the IMO's biggest impact in its 60-year history," beams Kitack Lim, the organisation's secretary-general. Alas, for efforts to combat climate change, it is an impact of the wrong sort.

*This article appeared in the Business section of the print edition under the headline "Spoil shipping for a ha'p'orth of tar"*

Sows in the cloud

## Chinese tech companies get into farming

*NetEase and Alibaba find the field is ripe for disruption*

Print edition | Business Oct 27th 2018



Reuters

THE SLEEK offices of NetEase in Hangzhou, a traffic-clogged city in eastern China, seem an unlikely place to find a farmer. Yet the video-gaming company also runs a pig-rearing division. Ni Jinde launched Weiyang, its swine affiliate, almost a decade ago, after a stint in its financial team. At a state-of-the-art farm in nearby Anji county, Mr Ni oversees the rearing and slaughter of 20,000 organic free-range hogs a year, with the aid of tracking sensors, big-data analysis and soothing music. A second farm, to open in December, will raise another 150,000.

NetEase has become part of a gigantic agricultural venture. China's 430m porkers account for over half of the world's herd, and its \$1trn industry produces more pork than any other country. Yet pig-rearing remains remarkably inefficient. It has long been a family affair: nine in ten of an estimated 40m pig farmers are thought to raise fewer than 50 hogs a year. Only about one in five Chinese sows is in industrialised production, estimates Bill Christianson of Genus, a British firm that is the world's biggest supplier of breeding pigs.

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But small-scale farms lack measures to prevent the spread of disease; this has allowed a deadly swine fever to run riot since a first reported case in August. In 2013 over 16,000 carcasses of pigs dumped by farmers were dredged from a river that supplies tap water to Shanghai. Since then, new pollution standards that ban livestock production near water sources or towns, and which require proper treatment of manure, have led to closure for tens of thousands of smallholdings.

The closures are likely to accelerate China's transition to modern production. Large-scale experiments in pig-rearing are under way in the form of multi-storey farms. A complex on Yaji mountain in southern China has 13 levels, with 1,000 pigs to a floor. But these structures are pricey, partly because of the measures they require to prevent disease from tearing through the building.

China's internet giants think that bringing technology to the pigsty is the answer. Mr Ni says that farms like Weiyang are "setting the example". It prides itself on rearing its hogs for 300 days in clean and wholesome conditions before they are sent to slaughter, twice as long as the typical life of a Chinese pig. This makes for tastier pork sausages and other pig products it sells online. NetEase is not alone in marrying tech and animal husbandry. JD.com, an e-commerce firm that is an investor in Weiyang, raises and sells "jogging chickens" that each take 1m steps before the chop, making the meat more succulent than that of sedentary fowl. In June the cloud-computing arm of Alibaba, an internet company based in Hangzhou, unveiled an

“agricultural brain” that helps farmers monitor pigs in real time through visual and “voice” recognition powered by artificial intelligence.

Alibaba’s programme, which is undergoing tests in Sichuan province, picks up the squeal of a crushed piglet or the bleat of a sick sow, and alerts the farmer. Cameras in the pens track daily activity and vital signs by way of numbers stamped on the animals’ backs. It uses this trove of data to draw up exercise regimes. It reckons that its system can increase to 32 the number of piglets per sow per year, a measure of efficiency in the pig business. That would double the output of many Chinese farms.

Foreign suppliers also hope to put their snouts in the trough as pig farming industrialises. Hog Slat, an American maker of pig-barn floors, opened its third plant in China this year and plans seven more within four years. DSM, a Dutch supplier of feed, has launched an app through which Chinese farmers and suppliers can place orders, track inventories and monitor feed quantities, as well as check pork prices. The app will eventually offer live-streaming and facial-recognition tools, which could detect the features of a porker’s face and identify its genetic make-up. In China big data is meeting pig data.

*This article appeared in the Business section of the print edition under the headline "Sows in the cloud"*

# The world's best business-education programmes

Which MBA?

Which MBA?

## The world's best MBA programmes

*The Economist's ranking of the world's leading business courses*

Print edition | Business Oct 27th 2018

### Which MBA? The Economist's ranking of full-time MBA programmes

2018

Rank	Change on 2017	Programme	Country	Graduates		Course		Students		
				Average new salary, \$	Increase on pre- MBA salary, %	In a job within 3 mths, %	Total tuition fee, \$	Duration, months	Average work experience, years	Average GMAT* score
1	+1	Chicago (Booth)	US	129,442	67	97	126,000	21	5	730
2	-1	Northwestern (Kellogg)	US	128,192	85	95	125,202	21	5	732
3	-	Harvard	US	137,293	65	95	128,520	21	4	730
4	-	Pennsylvania (Wharton)	US	135,716	63	97	131,580	20	5	732
5	-	Stanford	US	144,455	68	92	123,533	21	4	737
6	+11	IESE	Spain	123,442	128	99	96,042	19	5	690
7	+5	Michigan (Ross)	US	124,702	107	97	112,167	20	6	716
8	-2	UCLA Anderson	US	119,964	84	93	117,869	22	5	715
9	+1	Virginia (Darden)	US	124,684	96	93	119,893	21	5	713
10	-1	Columbia	US	128,343	67	93	119,240	20	5	725
11	-4	California at Berkeley	US	125,572	74	94	104,669	21	5	725
12	-4	Dartmouth (Tuck)	US	127,986	90	95	126,263	21	5	722
13	+2	HEC Paris	France	120,600	152	92	66,690	16	6	691
14	-3	Yale	US	119,371	128	93	121,625	21	5	727
15	-2	Duke (Fuqua)	US	122,989	90	96	138,503	22	5	702
16	+3	MIT (Sloan)	US	128,301	80	97	134,246	21	5	722
17	-3	New York (Stern)	US	121,146	89	94	120,901	21	5	714
18	-	Warwick	Britain	87,974	126	95	49,438	12	8	661
19	+2	INSEAD	France/Singapore	115,876	77	89	88,034	10	6	712
20	+6	Cornell (Johnson)	US	125,578	112	93	116,008	21	5	700

For the full ranking and methodology go to [Economist.com/whichmba](http://Economist.com/whichmba)

\*De facto MBA entrance exam, out of a possible 800

The Economist

THE FIRST MBA was taught at Harvard University in 1908. More than a century later, American institutions still dominate the business-school landscape. This year they claim 16 of the top 20 places in *The Economist's* ranking of full-time MBA programmes, and 53 places in the top 100.

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The University of Chicago's Booth School of Business regains first place from neighbouring Northwestern's Kellogg School of Management. It is the sixth time in seven years that Booth has come top. The rankings weight data according to what students tell us is important. The figures are a mixture of hard numbers and subjective marks given by students and alumni in four categories: opening new career opportunities (35%), personal development and educational experience (35%), better pay (20%) and networking potential (10%).

Students rate Booth's course the best of the 100 programmes surveyed. They also praise its world-class facilities and faculty, which includes several Nobel laureates. Job opportunities are among the best, thanks to a highly rated careers service and

an alumni network of 52,500 people, one of the largest in the world. Employment outcomes are outstanding: 97% of students find a job within three months of graduation. Graduates pocket an average salary of \$129,400, a 67% rise on their pre-MBA pay cheques. The relationship with alumni lasts beyond graduation. The school runs refresher courses for former students on subjects such as entrepreneurship.

All this comes at a price. Fees at prestigious American schools in the top 20 now average \$123,000, and have risen quickly in recent years. By contrast, European schools are cheaper because courses are generally shorter, so the return on investment is quicker. At IESE, at the University of Navarra, which has the top-ranked programme outside America, students pay \$96,000 for its 19-month course. The Spanish school has moved up 11 places to sixth, mainly because of a big boost in the average salary for its graduates to \$123,000 and a job-placement rate of 99%. Those looking for a bargain should head to Warwick Business School in Britain. A one-year course costs just \$49,400, thanks in part to the depreciation of the pound.

See the [full ranking](#) and [methodology](#).

*This article appeared in the Business section of the print edition under the headline "Which MBA?"*

Bang for your buck

## Bulletproof cars

*Mexicans and Brazilians buy them for different reasons*

Print edition | Business Oct 27th 2018



**I**N A LONG, narrow room in Salvatierra, a town in Guanajuato, Mexico's bloodiest state, an official dons ear defenders and presses a button. This causes an AK-47 to fire a hail of bullets at a pane of glass. It cracks but does not shatter. The pane, made by Diamond Glass, has passed the test. Its bulletproof glass will be fitted to the cars of Mexico's rich and fearful.

The bulletproofing business is booming. Last year nearly 3,000 cars were armour-plated in Mexico, the world's second-largest market, up from 2,200 in 2013. Most customers prefer to put protective glass and armoured plates on their own motors, rather than buy a purpose-built bulletproof car. Installation takes over a month and costs up to \$55,000 but for Mexico City's ultra-wealthy and other wary motorists the peace of mind is invaluable. The country's murder rate is smashing old records. The number armouring their cars is set to rise by a further 15% this year.

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Sales in Mexico correlate closely with the number of murders in the country. Not so in Brazil, the world's largest market by far. Since 2002, sales of armoured cars have risen fourfold to over 15,000 last year, while the murder rate has ticked up only gently. It may be that Brazil's elite have an exaggerated sense of the risk of crime. Three-quarters of sales are in São Paulo state. Most of those are in the capital, where the murder rate has declined by 90% over the past 20 years. Yet in 2016 only 7% of Paulistanos considered their city safe to live in.

Some suggest that Brazilians confront a different type of crime from Mexicans. São Paulo state has a rate of robbery more than twice as high as Mexico City's. Its inhabitants therefore have a greater need for a bulletproof car that can repel an armed roadside bandit. Mexican criminals usually carry heavier weapons than Brazilian thugs do; the "Type IV" armour which repels bullets from guns like the AK-47 costs three times as much as Brazilian armour and adds 30% to a car's weight, obliging owners to replace the brakes every six months.

That may point to another explanation. Only Mexicans who really need armour plating fork out, whereas in São Paulo the rich view it as another status symbol. Brazilian buyers want to "show that they have power and money", says Marcelo Latorre Christiansen, head of the Brazilian Armour Association, an industry group. A businessman's armoured car is a message to envious onlookers that, unlike them, he leads a life worth saving at all costs.

Improving technology may change that calculation. Diamond Glass's panes are 22mm thick, half what was needed a decade ago. Firms are making lightweight armour that does not weigh cars down. Such advances will reduce prices, making armour affordable for ever more motorists, whether they need it or not.

*This article appeared in the Business section of the print edition under the headline "Bang for your buck"*

No PhD, no problem

## New schemes teach the masses to build AI

*Treating it like a craft is paying dividends*

Print edition | Business Oct 27th 2018



Getty Images

OVER THE past five years researchers in artificial intelligence have become the rock stars of the technology world. A branch of AI known as deep learning, which uses neural networks to churn through large volumes of data looking for patterns, has proven so useful that skilled practitioners can command high six-figure salaries to build software for Amazon, Apple, Facebook and Google. The top names can earn over \$1m a year.

The standard route into these jobs has been a PhD in computer science from one of America's elite universities. Earning one takes years and requires a disposition suited to academia, which is rare among more normal folk. Graduate students are regularly lured away from their studies by lucrative jobs.

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That is changing. This month fast.ai, an education non-profit based in San Francisco, kicked off the third year of its course in deep learning. Since its inception it has attracted more than 100,000 students, scattered around the globe from India to Nigeria. The course and others like it come with a simple proposition: there is no need to spend years obtaining a PhD in order to practise deep learning. Creating software that learns can be taught as a craft, not as a high intellectual pursuit to be undertaken only in an ivory tower. Fast.ai's course can be completed in just seven weeks.

Demystifying the subject, to make it accessible to anyone who wants to learn how to build AI software, is the aim of Jeremy Howard, who founded fast.ai with Rachel Thomas, a mathematician. He says school mathematics is sufficient. "No. Greek. Letters," Mr Howard intones, thumping the table for punctuation.

It is working. A graduate from fast.ai's first year, Sara Hooker, was hired into Google's highly competitive AI residency programme after finishing the course, having never worked on deep learning before. She is now a founding member of Google's new AI research office in Accra, Ghana, the firm's first in Africa. In Bangalore, some 2,400 people are members of AI Saturdays, which follows the course together as a gigantic study group. Andrei Karpathy, one of deep learning's foremost practitioners, recommends the course.

Fast.ai's is not the only alternative AI programme. AI4ALL, another non-profit venture, works to bring AI education to schoolchildren in the United States that would otherwise not have access to it. Andrew Ng, another well-known figure in the field, has started his own online course, deeplearning.ai.

Mr Howard's ambitions run deeper than loosening the AI labour market. His aim is to spread deep learning into many hands, so that it may be applied in as diverse a set of fields by as diverse a group of people as possible. So far, it has been controlled

by a small number of mostly young white men, almost all of whom have been employed by the tech giants. The ambition, says Mr Howard, is for AI training software to become as easy to use and ubiquitous as sending an email on a smartphone.

Some experts worry that this will serve only to create a flood of dodgy AI systems which will be useless at best and dangerous at worst. An analogy may allay those concerns. In the earliest days of the internet, only a select few nerds with specific skills could build applications. Not many people used them. Then the invention of the world wide web led to an explosion of web pages, both good and bad. But it was only by opening up to all that the internet gave birth to online shopping, instant global communications and search. If Mr Howard and others have their way, making the development of AI software easier will bring forth a new crop of fruit of a different kind.

*This article appeared in the Business section of the print edition under the headline "Learning, fast and deep"*

Dimon geezer

## Bosses' public blunders

*Like politicians, chief executives live in fear of saying the wrong thing*

Print edition | Business Oct 27th 2018



Brett Ryder

**B**USINESS IS ABOUT dealing with uncertainty but for many bosses the most unpredictable thing is what happens when they open their mouths. Elon Musk, the boss of Tesla, had to apologise after calling Wall Street analysts “boneheads” on a conference call in May. In July Facebook’s Mark Zuckerberg was forced to clarify a remark, made on a podcast, that some listeners—improbably—argued showed sympathy with Holocaust deniers. On September 12th Jamie Dimon, of JPMorgan Chase, said sorry after comparing himself with President Donald Trump. “I think I could beat Trump...I’m as tough as he is, I’m smarter than he is...He could punch me all he wants,” boasted Mr Dimon. In his apology he said the episode, “proves I wouldn’t make a good politician”.

Acting like a politician, with its requirement to stay on-message all the time, is increasingly what the job of American chief executives entails. Twenty years ago bosses had to be guarded at public events, such as the annual meeting, but otherwise could speak their minds reasonably freely. Gruff frankness was a virtue. Now they are like candidates in a presidential race, under continual scrutiny and living one gaffe away from a mini-crisis.

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This change has come about for several reasons. One is a rule called “Reg FD”, passed by financial regulators in 2000, which requires firms to disclose information to everyone at the same time. Although sensible, it has a cost. Executives have paranoid lawyers crawling around them all the time. It has led to a system of surveillance with conferences and strategy presentations recorded in order to show that secrets are not trickling out. Each year between 20,000 and 40,000 transcripts of executives’ utterances are published. The more clinical public appearances have become, the bigger the scarcity premium on capturing executives talking like normal human beings, rather like the fascination with photographs of makeupless Hollywood stars taking out the rubbish. Meanwhile America’s polarised public discourse has made it easy to cause offence. And digital communications mean any gaffes go viral.

As a result letting down your guard can be dangerous. In 2017 Travis Kalanick, then the boss of Uber, was filmed shimmying to dance music in an Uber car and then rowing with its driver (“Some people don’t like to take responsibly for their own shit,” Mr Kalanick told the gig-economy worker). The incident was one of several episodes that resulted in his departure that year. In 2010 Tony Hayward, the chief executive of BP, said, “I want my life back,” after the Deepwater Horizon oil spill. The offhand remark helped lead to his removal. Lloyd Blankfein, the head of Goldman Sachs, joked in 2009 that his bank was “doing God’s

work”, causing a reputational crisis for the firm, although he survived. Terror of errors explains the popularity of events at which executives socialise mainly with each other, such as the annual Allen & Co media conference.

Faced with such dangers some bosses adopt a policy of radical transparency. John Cryan, who ran Deutsche Bank between 2015 and April 2018, eschewed scripts and liked to free-associate about how dreadful the German lender was. At first it was refreshing; then it became depressing. The opposite tactic is to avoid appearing in public altogether. Howard Hughes, an aviator and tycoon, was a pioneer. After a congressional grilling in 1947 he became a recluse, growing his nails and urinating in jars.

Alphabet, the owner of Google, has flirted with silence. Unlike Facebook or Twitter, it refused to send its founders or top executives to congressional hearings in September on Russian interference in elections. The problem is that withdrawing completely can make things worse. “Where in the world is Larry Page?” asked *Bloomberg Businessweek* of Alphabet’s co-founder recently. A new generation of younger staff regard silence on social issues as an abdication. And bosses who circulate only with sycophants and fellow members of the 0.1% may end up like Hughes.

What to do? A few bosses have the iron self-discipline never to slip up in public—Tim Cook of Apple is a case in point. But not every individual is as restrained as Mr Cook and not every firm is as successful as Apple. The alternative is to pick one of three strategies. The first is to project a persona, just as celebrities do. Sheryl Sandberg, the chief operating officer of Facebook, has published two books that offer a mixture of intimate biography, self-help and business know-how. This has insulated her from some of the blowback from Facebook’s scandals over the past two years. The idea is catching on. Last year Satya Nadella, Microsoft’s chief executive, published a book that describes his obsession with cricket alongside meditations on quantum computing.

The second approach is to be associated with an ethical mission, whose importance transcends diplomatic niceties. Indra Nooyi, the recently departed boss of Pepsi, has consistently criticised what she calls investors’ short-term mentality. As a result she could be amazingly rude about them without causing a splash. Yet even a cloak of holiness has its limits. For years Paul Polman of Unilever has argued that the company has a mission to help the world’s poor and made clear that he does not care much for institutional investors. On October 5th investors rebelled, blocking his plan to move Unilever’s headquarters from London to Rotterdam.

### **JPMorgan Chaste**

The final approach is to incorporate gaffes as part of your public personality as a sign of authenticity. Mr Dimon has rich form here. In 2015 he referred to legal fines as “stepping in dog shit”. In 2017 he lamented the “stupid shit” happening in the political system and also called blockchain “a fraud”. But his approach is more artful than it looks. His bluntness suggests that he will call out any whizz-kid traders plotting to blow up the financial system. He never slips up when talking about his bank’s earnings or liquidity. And JPMorgan Chase’s shares have outperformed the industry by 114% over ten years. Mr Dimon is what every executive would secretly like to be—a straight talker in a sea of timid conformity.

*This article appeared in the Business section of the print edition under the headline "Hold your peace"*

### Asian economies

War profiteering

### War profiteering

## Will China's rivals benefit from the trade war?

*Integrated supply chains mean China cannot easily be replaced*

Print edition | Finance and economics Oct 27th 2018



YOU CAN judge a nation by its plastic bags. Or so you might conclude after a visit to An Phat, a Vietnamese company that is one of South-East Asia's largest exporters of plastic packaging. Japanese clients insist on the highest-quality bags, composed entirely of new plastic, not recycled materials. Eco-friendly Europeans demand biodegradable bags. Convenience-loving Americans want bag handles that tie easily into knots.

Lately the workers at An Phat have spent more time catering to American tastes. Of the \$2.5bn-worth of bags that America imports annually, roughly two-fifths come from China. In September these were among the 5,745 Chinese-made products that started facing American tariffs of 10%—high enough to tempt retailers to look for suppliers elsewhere. “America has been a hard market to break into, and we saw we could make a push,” says Nguyen Le Hang, An Phat's deputy chief executive. Over the past three months its sales to America have more than doubled.

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Around the world, companies and countries are vying for business that is seeping away from China because of the trade war. America's president, Donald Trump, hopes his hardball tactics will bring more factories home, but there is little evidence of that so far. Instead, other countries in Asia are more likely to benefit, because they can more readily step into the voids left by China. Both those further up the value chain than China and those below it spy opportunities.

Wealthier countries are eyeing some of the high-end manufacturing that they lost to China. Taiwan is trying to lure back computer companies, while Malaysia and Thailand want to expand their footholds in electronics. In low-income countries, the focus is on the cheaper sectors that China has long dominated. Vietnam is strong in food processing; Cambodia in footwear; Bangladesh in clothing.

But the trade war cuts both ways. “Factory Asia”—the web of supply chains that is spread across the region, often centred around China—accounts for nearly half of global manufacturing. The more closely countries are integrated with China, the

more that they, too, will suffer from America's tariffs. The question is whether the gains from any business they snap up from China will offset the slowdown in China-centred trade.

The shift in factories away from China in fact predates the trade war. For the better part of a decade, soaring wages have nudged companies, particularly those in labour-intensive industries such as garment-making, towards poorer Asian countries. Those in more sophisticated sectors are also affected: university graduates in China now earn nearly as much as their Taiwanese counterparts. Over the past few years China has also ratcheted up its environmental standards, pressuring factory owners to invest in more modern facilities or shut up shop. It is not just foreign companies that are looking for more hospitable climes. Chinese firms are doing the same: their investment in manufacturing in South-East Asia has been growing by nearly 50% a year. Mr Trump's tariffs should help accelerate these trends.

### **Not in the bag**

Yet the transition away from China is far from straightforward. It is the world's biggest exporter for good reasons. The country's dense clusters of companies offer everything manufacturers need: electronics in the south, automobiles in the east and heavy industry in the north. They are supported by top-notch roads and ports. As wages have risen, companies have poured money into automation. Moreover, China itself is a big market, and manufacturers want to stay close to their customers.

All these advantages make China's factories productive. Dan Krassenstein, director of Asian operations for Procon Pacific, a manufacturer of heavy-duty bags for transporting fertiliser, sand and the like, says that China still has its attractions. Workers in India earn 75% less than those in China. But because they are also less efficient, Mr Krassenstein estimates that his savings per bag in India are only around 35%. His company is shifting some production to India—but only gradually.

Others can only absorb so much manufacturing from China before their costs spiral. Its workforce is more than double that of all South-East Asian countries combined. Walter Blocker, chief executive of Vietnam Trade Alliance, a group of consumer-product firms, describes the flow of business from China into Vietnam as a deluge. Already, wages are rising quickly, as are land prices in industrial parks.

The upshot is that China cannot easily be replaced. Sudhir Shetty of the World Bank reckons that others in the region thus have more to lose than gain from the trade war. Pain for Chinese exporters will spread to their suppliers, from chipmakers in South Korea to textile-makers in Myanmar. On top of all that, uncertainty about the global trading system could take a toll on investment in Asia. "We are talking about the part of the world that has gained the most from openness," says Mr Shetty.

There is little precedent to help estimate the impact of trade war. Zhang Zhiwei of Deutsche Bank has used America's anti-dumping duties on China-made washing machines, imposed in 2017, as a case study. China's exports of washing machines to America collapsed, but those to other countries stayed strong. Meanwhile South Korean firms shifted production to Vietnam and Thailand, which let them expand their sales in America—a decent outcome for Factory Asia. But then in January 2018 Mr Trump whacked tariffs on all imported washing machines. That finally led Asian makers to open factories in America. Machines there are now 15% more expensive.

### **Casualties unknown**

One thing looks clear from recent data: the region is already being buffeted by trade headwinds. In 2017 exports from both richer countries—Japan, South Korea and Taiwan—and poorer ones, such as the Philippines and Vietnam, rose at double-digit rates. This year the pace has slowed sharply. Strikingly, Chinese exports have fared much better; in September they were 15% higher than a year ago. But that was because companies were shipping as much as they could before tariffs took effect. Disruption is on the horizon.

For some, that prospect is welcome. Already South Korea's Samsung Electronics produces a third of its global output in Vietnam, and it plans to expand. Japanese investment in Vietnam is booming. At An Phat, there is almost giddy excitement about its chances of acquiring big new customers, and not just for plastic bags. The company is refashioning itself as a maker of complex parts for washing machines, mobile phones and more. It has brought in state-of-the-art robots and plans to double its workforce next year. The trade war, it hopes, will be a bags-to-riches tale.

*This article appeared in the Finance and economics section of the print edition under the headline "War profiteering"*

The weathermakers

**China's regulators try to engineer a stockmarket rally***The Shanghai share-price index has slumped this year*

Print edition | Finance and economics Oct 27th 2018



AP

**C**ALLING THE bottom after share prices plunge is a crapshoot. Though investors parse trading charts, bond yields and commodity prices for clues, timing the market remains more a matter of luck than skill. But in China the signal is, at least in the short term, a lot clearer: just wait for the government to barge in. So it proved on October 19th, when four senior financial officials, including the central-bank governor, made a rare co-ordinated effort to talk up beleaguered stocks. By October 22nd, the next trading day, the market had soared by nearly 10%.

Though it later gave back some of those gains, the rally was a sharp break from the nearly relentless declines of recent months (see chart), which had made Chinese equities the world's worst this year in local-currency terms. The market withstood Wall Street's sharp drop on October 24th, ending the next day flat after an early swoon.

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China's stockmarket is often written off as an unimportant feature of its economic landscape. Companies get far more financing from bank loans than they do from issuing shares. Many top firms, notably China's tech giants, are only listed abroad. The stockmarket's performance has borne little relationship to that of the economy. But the intervention from China's leaders shows that it is unwise to dismiss it too lightly.

One reason why they fret about the sell-off is simply that it looks bad. America's president, Donald Trump, and his advisers point to it as proof that they are winning the trade war. Analysts have been quick to note that China's own policies are the real source of the market's woe: a campaign to control debt has drained liquidity. But Mr Trump's claim is not entirely wrong. Pessimism about America's tariffs has weighed heavily on sentiment. The more stocks sell off, the more serious the damage from the trade war seems to be, although it has barely begun. Breaking the feedback loop has become a priority for regulators.

## Losing streak

China, CSI 300 stockmarket index  
January 2nd 2018=100



Source: Wind Info

The Economist

They also have a more technical worry. Compared with state-owned firms, private companies struggle to obtain loans, because banks see them as riskier. So five years ago the government made it easier for listed firms to use their shares as collateral. That gave them a nice wad of cash while the market was in good shape. Moody's, a rating agency, estimates that nearly a quarter of listed firms had more than 30% of their shares pledged for loans earlier this year.

But as the market tumbled, the value of this collateral shrank. That forced their lenders to sell pledged shares. In the ensuing market rout, deep-pocketed state companies have taken big stakes in at least 30 troubled private ones. A financing tool intended to help the private sector had, in other words, led to a small wave of nationalisations, and to disquiet about China's business climate. Officials are now working to unwind the share pledges. They have, among other things, asked insurers to lend cash to hard-hit firms.

Optimists might say that China's regulators have shown more restraint in shoring up the stockmarket than they did in 2015, after an even bigger crash. During that episode they allowed more than half of listed firms to suspend their shares from trading, trapping investors. They also directed a "national team" of state-owned banks and asset managers to buy more than \$200bn in shares. This time, trading in just 2% of shares has been suspended; the national team has only nibbled on stocks.

But the bigger lesson, one that will hang over Chinese stocks for years to come, remains much the same: it is more valuable to scrutinise government actions than to bother with the market itself. A few days before officials banded together to rally the market, Liu Shiyu, the securities regulator, was quoted as saying that "springtime was not far off". It is easy to forecast the weather when you also make it.

*This article appeared in the Finance and economics section of the print edition under the headline "The weathermakers"*

Tapped out

## Saudi Arabia's might as an oil producer is being tested

*Will it be able to fill the gaps left by smaller producers?*

Print edition | Finance and economics Oct 27th 2018



ONIL TRADERS are inherently strong-stomached, but even for them October has been a woozy month. On October 3rd the price of Brent crude reached \$86 a barrel, a four-year high. On October 23rd it slid to \$76, on the news that demand might ebb, stockpiles rise and production increase. At the centre of this is Saudi Arabia, the world's most powerful petrostate. Khalid al-Falih, the country's oil minister, said on October 23rd that the kingdom was prepared "to meet any demand that materialises". But that is not an easy task.

Exports from Iran have plunged and are due to fall further after November 4th, when new American sanctions take effect. Even as America's crude production soars, President Donald Trump has demanded that the Organisation of Petroleum Exporting Countries (OPEC) boost output to lower prices. Saudi Arabia seems keen to appease him, both because it supports the sanctions and because of anger over the killing of Jamal Khashoggi, a journalist, in the Saudi consulate in Istanbul. But the gains from producing more are uncertain. Both OPEC and the International Energy Agency (IEA) have cut their forecasts for oil demand in 2019.

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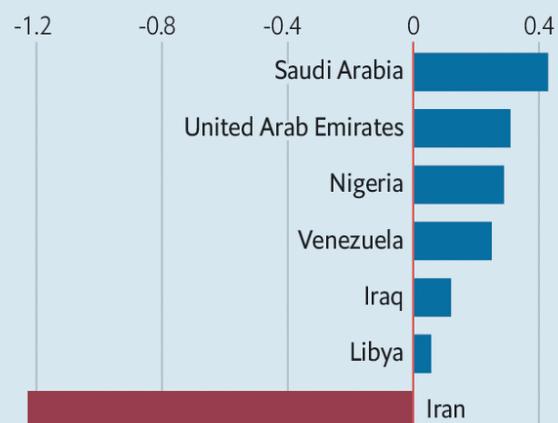
Even if Saudi Arabia wants to fill the gap left by Iran, it is not clear that it can. That is in part because Saudi output is already so high. As Iranian exports have dropped since May, when Mr Trump announced the sanctions, Saudi Arabian exports have picked up. The kingdom is producing more than 10.5m barrels of oil a day (b/d); officials claim the capacity to produce around 12m. "They can reach about 11m barrels with relative ease," explains Neil Atkinson, head of oil markets at the IEA. Analysts debate how quickly—or whether—the country can ramp up to 12m b/d. "They have never actually proven they can do that," says Ehsan Khoman of MUFG, a bank.

Saudi Arabia may also be unable to counter weakness in smaller petrostates, where supply could drop unexpectedly. In the past six months Nigeria, Libya and Venezuela have helped to offset falling exports from Iran. But they are a volatile trio.

## Scraping the barrel

Change in oil exports, April-September 2018

m b/d



Source: Bernstein

The Economist

Violence and political unrest make production in Nigeria and Libya prone to big swings. The situation is more extreme in Venezuela where, thanks to political turmoil, production is about half of what it was in early 2016. Still, Venezuela produced 1.2m b/d in September. Exports actually increased by 250,000 b/d between April and September, according to Bernstein, a research firm, equivalent to more than half the rise in Saudi exports in that period. There is ample room for Venezuela's output to drop further.

The result may be further dramatic swings in the market, with Saudi Arabia's oil production put to the test. "It is the first time in modern history that countries have faced so many restrictions at the same time," according to Mr Atkinson of the IEA. Much depends on just how far exports from Iran sink—some countries are pushing for waivers from sanctions. Mr Falih remains confident that Saudi Arabia can help provide stability. But as it increases output, spare capacity may reach a record low by the end of the year. "The more they produce, the less there is in the tank for any additional supply outages," says Mr Khoman. Get ready for a bumpy ride.

*This article appeared in the Finance and economics section of the print edition under the headline "Tapped out"*

**The picture of wealth****The wealth of the top 1% may have peaked***In many countries their share of wealth is now falling*

Print edition | Finance and economics Oct 27th 2018



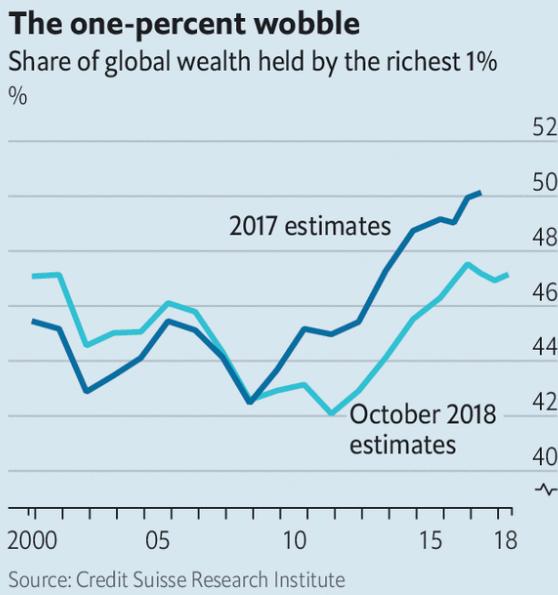
Bloomberg

**L**EE SHAU KEE moved to Hong Kong from mainland China in 1948, the year before China's Communist Party seized control. In 1976 he set up a property company, Henderson Land Development, which helped to develop the tallest building on Hong Kong island and the hotel where Edward Snowden spilled America's national-security secrets. Mr Lee is now the world's 27th-richest person, according to *Forbes*, a business magazine. He and the 26 richer individuals have a combined worth of \$1.39trn—more than the entire wealth of the poorest half of humanity.

This kind of startling comparison between the world's most and least pecuniuous has been popularised by Oxfam, a charity. It draws on *Forbes*'s regular rankings of the world's billionaires and the Credit Suisse Research Institute's annual reports on household wealth. But the precision implied by such comparisons is spurious. The data on global wealth (which includes the net financial assets and property holdings of individuals) are too spotty to be rounded off to the nearest billionaire. Tony Shorrocks, the lead author of the Credit Suisse report, is reasonably confident that the poorest half of the world owns less than 1% of its wealth. But it is hard to be more exact than that.

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The measurements are, however, improving. In last year's Credit Suisse report, the richest 1% seemed to claim more than half of the world's wealth (see chart). But new and improved estimates suggest the share of the one-percenters may have peaked or levelled off. Between 2016 and 2018, it fell in Brazil, Britain, France, Germany, India and Russia and flattened off in America, Canada, China, Italy and Japan.



The Economist

To be a member of the 1%, a person now needs over \$870,000 in net assets. Two-fifths of this happy bunch can be found in America. In the past, the second-biggest contingent was always in Japan. But this year they live in China, home to 8.4% of them (and Hong Kong adds another 0.4%). This rapid accumulation of wealth is testimony to the industry and ambition of people like Mr Lee. Back in the 1970s, he gave his new company a sensible Scottish name, presumably because of the Scots' admirable reputation for stewarding wealth. But China now has more than 1m more millionaires than the whole of Britain.

*This article appeared in the Finance and economics section of the print edition under the headline "The picture of wealth"*

Ethical investing

## Does ethical investment withhold capital from those that most need it?

*Ethical investors are starting to take a country's income level into account*

Print edition | Finance and economics Oct 27th 2018



**W**HAT DOES ESG stand for? To most people it refers to the environmental, social and governance standards that guide a growing number of ethical investors. But Charlie Robertson of Renaissance Capital, an investment bank, reckons ESG risks becoming code for something else: an excuse for investors to put all of their money in Scandinavia.

Prosperous havens rate highly on the criteria ESG investors employ. By contrast, the emerging economies that interest Mr Robertson do badly. They are often dirty and corrupt—at least compared with Sweden. Their most liquid companies tend to be national champions or sprawling conglomerates that neglect minority shareholders and jump into bed with the government. Often emerging-market sovereigns default on their duty to protect human rights. Saudi Arabia, for example, will enter MSCI's emerging-market equity index in June. That will oblige many investors to plough funds into the kingdom, whatever they think of its rulers.

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Ethically driven investment can avoid such distastefulness. But a blind adherence to ESG criteria, Mr Robertson argues, could skew capital flows towards the most privileged parts of the world. That would make it harder for poorer economies to escape poverty—a failure that could, in turn, inhibit their progress on green, governance and social-justice matters.

Are Mr Robertson's fears justified? Emerging markets do command less weight in stock- and bond-market indices that incorporate ethical criteria. MSCI's ESG Universal index, for example, gives emerging-market shares only a 9% weight. That compares with 11% in the firm's more conventional global-equity index. The gap may not sound big. But it means 18% less money from any investor following the ethical rather than the amoral index.

Mr Robertson argues that ethical investors should instead adopt a kind of economic relativism, judging countries relative to their GDP per person. His team reckon that Chile, Indonesia and Poland are all unusually virtuous given their stage of development. (By contrast, America appears somewhat unethical given its wealth.) Or investors could reward the most improved nations instead of highly rated ones. That would favour emerging markets with room to improve over countries nearer moral perfection.

Mr Robertson may be pushing at an open door. Many ESG investors manage funds that are dedicated either to mature markets or emerging ones, rather than both. They are already implicitly judging countries and companies relative to their peers. MSCI's index also looks at the trend in ethics scores, as well as their levels.

Foreign capital can also be overrated as a source of growth. Emerging economies benefit from it only after they pass a certain threshold of institutional quality, suggests research by Ayhan Kose and Ashley Taylor of the World Bank and Eswar Prasad of Cornell University. Most of the big emerging markets, including Brazil, Russia, India, and China, fall short of this threshold. If investors' scruples deprive these economies of fickle foreign money, it may be a blessing in disguise. The only thing worse than a dirty, corrupt, ill-run economy is one that is also deeply in hock to foreigners.

*This article appeared in the Finance and economics section of the print edition under the headline "Morality play"*

Waste not, want more

## Energy efficiency is good for consumers. And for the planet?

*Rebound effects are tricky to estimate*

Print edition | Finance and economics Oct 27th 2018



ON OCTOBER 19TH the International Energy Agency reported that doubling world GDP by 2040 would require only a small rise in energy demand if everyone adopted strict standards, like Japan's for vehicle-fuel efficiency. That, the forecaster says, would be great news for consumers and the climate alike. Higher efficiency means less fossil fuel must be burned—and less planet-cooking gas belched—to power the global economy. But some economists are not so sure.

As nations grow wealthier, they have used more energy. Whether some of the extra joules consumed can be attributed to a more efficient use of energy has been debated since 1865, when William Stanley Jevons, a British economist, postulated that better steam engines would raise Britain's overall demand for coal, rather than lower it. A new paper by Sebastian Rausch and Hagen Schwerin, of the Swiss Federal Institute of Technology, argues that something similar has happened in post-war America.

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Greater efficiency in effect makes energy cheaper. So consumers want more: as cars guzzle less petrol, motorists drive further. Lower fuel costs also free cash for other things. Some of these—air travel or steaks—are also energy-hungry.

Such “rebound effects” mean that efficiency gains calculated by engineers are seldom realised in full. For households in the rich world, measured rebound rarely exceeds 30% of the potential savings; people have the inclination (or time) to drive only so many miles. It may be higher in developing countries, where consumers are further from satiating their appetite for travel or air-conditioning. Even there, it does not appear to eat up all the gains.

Economies are composed of more than households, however. Businesses, too, react to changes in relative prices, often in complicated ways. Greater energy efficiency translates into higher productivity—and higher returns to firms, making them attractive to capital. Resources freed by innovation may be allocated elsewhere. Over the long term, demand for energy appears much more responsive to changes in price than household studies imply. Were it less “elastic”, in economists' parlance, the share of output going to energy production would not, outside a few oil shocks, have remained so stable over the past 150 years (see chart).

## Rebounding along

Energy production, % of GDP



Source: "Rebound, directed technological change and aggregate demand for energy" by Rob Hart, *Journal of Environmental Economics and Management*, 2018

The Economist

Resource reallocation—and any concomitant uptick in energy use—can be caused by other things, including economic growth plain and simple. To disentangle the impact of energy efficiency, Messrs Rausch and Schwerin have created what they think is the first macroeconomic model to link energy use to efficiency-enhancing technological change.

The provision of energy-dependent services requires combining capital (say, an electricity generator or a car) with energy (coal or petrol). Although it relies on complicated maths, in essence the model predicts energy consumption using energy efficiency and the relative cost of capital and energy. Fix energy efficiency, and you can calculate the energy use that would have happened in the absence of technological progress. When this counterfactual scenario is compared with what actually occurred in America between 1960 and 2011, the duo found that, as Jevons might have predicted, efficiency gains added to total energy use, offsetting 102% of the savings.

This is unlikely to be the last word. For one thing, the rebound depends on how easily energy can be swapped for other inputs (like capital or labour). The model assumes this is quite easy, but economy-wide empirical data are scarce. The authors also acknowledge that they have not considered policy-driven changes to efficiency, such as those in Japan. These, unlike technological progress, can raise producers' costs. And no one denies that greater energy efficiency benefits today's consumers. But settling whether it is a boon for the planet will, with luck, not take another 150 years.

*This article appeared in the Finance and economics section of the print edition under the headline "Waste not, want more"*

Buttonwood

## The agony of the value investor

*A contrarian strategy fares badly much of the time*

Print edition | Finance and economics Oct 27th 2018



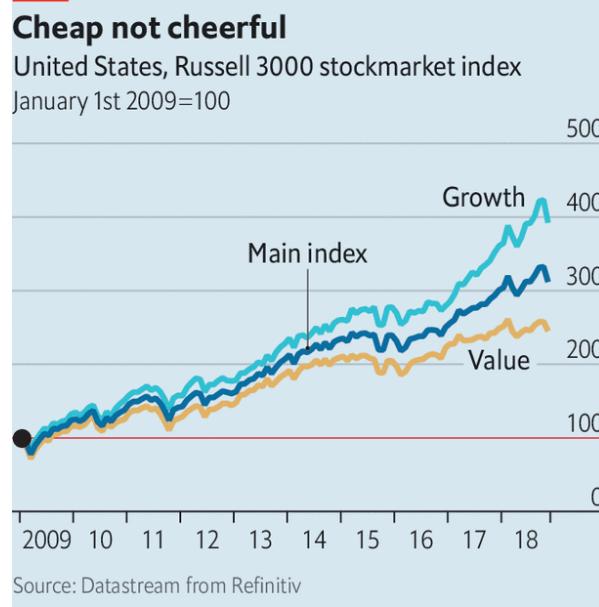
**I**N APRIL 1962, Joan Whitney Payson watched the New York Mets, a collection of cast-offs from rival baseball teams, lose their first ever game. Mrs Payson, the Mets' owner, soon left for a summer in Greece. News of further defeats reached her by telegram. So she asked that she be told only when the Mets won. "That was about the last word I heard from America," she recalled. The Mets lost 120 of their games that year.

One of the worse things about a losing streak, noted Mrs Payson, is you can never tell when it will end. Investors in "value" stocks know the feeling. These stocks, which are distinguished by a low price relative to the book value of a firm's assets, have fared badly in the past decade (see chart). A longer run of history, as well as intuition, suggests that buying shares that are cheap relative to their intrinsic worth should eventually pay off. But it can be a long wait before the telegram arrives.

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A bad run also breeds doubt. Perhaps the growing importance to the economy of intangible assets, such as brands and ideas, makes book value an unreliable signifier. Similar arguments were made during the late 1990s dotcom boom, only for the value approach to be vindicated. The truth is that value is a contrarian strategy. That means it fares badly much of the time. Suffering and doubt are the price value investors must pay.

The cardinal distinction between a share's price and its value goes back to Benjamin Graham, the father of value investing. Price is a creature of the market's mood, he wrote. In booms, it is set by the greediest buyer; in busts by the most fearful seller. A stock's value, in contrast, is enduring. It is anchored by the worth of a firm's assets. The enterprising investor can profit from finding stocks that sell for much less than their value, said Graham. There have since been countless studies showing that value stocks do better than "growth" stocks, their antithesis, over the long haul.



The Economist

In Graham's day, the value premium was the prize for finding truly cheap stocks. But computing power has made it easier to compare company accounts. So why might the strategy still work? One reason is that the profits of firms with tangible assets suffer in economic downturns, when costly plant and buildings cannot be redeployed. The value premium is thus a reward for bearing business-cycle risk. Another reason is the mistakes of other investors. They giddily extrapolate the initial success of new and exciting growth stocks. Frumpy value stock gets left behind—until sanity returns.

Still, the recent losing streak is testing the value faith. Perhaps the strategy has stopped working because it is so well known. This idea is dismissed by Cliff Asness, of AQR Capital Management, in a recent essay. The value gap between cheap and dear stocks has not been whittled away. If it had, where was the windfall?

Perhaps the flaws lie with book value. Under accounting rules, factories or office buildings count as capital assets on a firm's books, because they yield benefits over a long horizon. But spending on R&D and advertising is treated as a running cost, like wages or electricity, even though firms' know-how and brands are assets, too. That means a lot of real, but intangible, value is missed by price-to-book ratios. Yet serious value funds will rely on a broader set of metrics than just book. And still they suffer.

How much is evident from their anguished letters to investors. Their verdicts are blunt. "Our results have been far worse than we could have imagined," wrote David Einhorn, of Greenlight Capital, a value-oriented hedge fund, in a recent example of the type. The self is flagellated ("the market is telling us we are wrong, wrong, wrong about almost everything"). And then faith in the investment "process" is sworn afresh. As Mr Asness wryly notes, there is a pinch of "we're losing because everyone else is an idiot" to all this. But where faith is, there is always doubt. When your strategy loses money, writes Mr Asness, you feel like Casey Stengel, the Mets' coach in 1962, who, after surveying his team, was moved to ask himself, "Can't anybody here play this game?"

This agonising is not for most people, says James Montier, of GMO, a fund-management firm: "They don't want to be wrong for as long as it takes." Value investors hope to be rewarded for being so out of step with everyone else for so much of the time. But a select few can endure—and even enjoy—it. People of this sort could be heard, a few months into that disastrous first season, saying, "I've been a Mets fan all my life."

*This article appeared in the Finance and economics section of the print edition under the headline "Striking out"*

**Free exchange****Economists think antitrust policy should pay more attention to workers***There is mounting evidence that some labour markets are not competitive*

Print edition | Finance and economics Oct 27th 2018



Otto Dettmer

OF LATE, POWERFUL corporations have been pairing up with impressive ardour. Perhaps it is something in the air. Or perhaps it is friendly regulators. On October 22nd America's antitrust authorities gave their blessing to this year's latest mega-merger: the union of Praxair and Linde, two industrial-gas giants worth a combined \$90bn. Despite signs that industrial concentration is sapping the economy of its dynamism, regulators remain permissive. That might be because, when they scrutinise a merger, they focus solely on consumers' welfare. A growing body of research suggests regulators should be as eager to address the harm done to workers.

In perfectly competitive markets, individual firms wishing to sell their widgets must charge the prevailing market price and no higher. But the situation changes when one or a few firms dominate a market. A monopolist may charge higher prices. The calculation is that consumers, faced with little choice, will buy enough of its offerings at a higher price to yield greater profits. But some sales are lost because of monopoly pricing, which represents a "deadweight loss" to society—a missed opportunity to raise total welfare. Monopolies can also stifle innovation. AT&T, America's once-mighty telecoms firm, used its dominant position in the operation of local phone networks to overcharge consumers for service and handsets. It took the break-up of the network monopoly to clear the way for falling prices and innovation.

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Just as powerful firms may use their clout to overcharge customers, they can also manipulate markets to pay lower wages. In competitive labour markets an individual employer can do little to squeeze pay, because workers can easily find better-paying jobs. But in a "monopsony", such as a mining town with only one mine, workers have fewer options. Firms can offer wages below the competitive-market rate knowing that many workers will not be able to afford to turn them down. As with monopolies, this exercise of monopsony power boosts profits but saddles society with a deadweight loss—the underemployment of workers—as well as other costs, such as higher spending on state benefits.

Antitrust regulators overwhelmingly focus on the harm to consumers when judging market power. But there is mounting evidence that damage is also done within labour markets. The share of national income flowing to workers has declined since the 1950s, from about 65% to 58% in America. The growth of wages has lagged behind that of productivity. It is likely that bosses' market power deserves some of the blame. A recent paper by José Azar, Ioana Marinescu and Marshall Steinbaum analyses 8,000 local labour markets and finds most of them to be highly concentrated. An increase in employer concentration

from a lowish level (the 25th percentile in the distribution) to a higher one (the 75th percentile) is associated with a drop in pay of 17%. Cases of labour-market collusion by employers have also come to light: large technology firms, such as Google and Apple, were revealed to have agreed not to poach each other's workers. Nearly 40% of American workers have at some point been bound by a non-compete agreement, barring them from working for their employers' rivals.

Even so, regulators rarely fret about the labour-market effects of corporate tie-ups. In a recent paper Suresh Naidu, Eric Posner and Glen Weyl put forward three explanations for this. First, legal theory since the 1960s has embraced the idea that a merger's economic efficiency ought to be judged solely by its effects on consumers. Second, regulators have not caught up with the emerging conclusion that labour markets may not always be competitive. Third, any harms to workers were thought to be best dealt with by labour-market regulation and trade-union bargaining, rather than by antitrust rulings. But deregulation and the erosion of unions' power have weakened those countervailing forces.

A growing number of economists therefore argue that antitrust policy must take monopsony more seriously. As Mr Steinbaum and Maurice Stucke note in a recent paper, the current "consumer welfare" standard is only one way of applying the law. Antitrust statutes are written broadly enough that other standards might be applied just as easily. The authors support an "effective competition" standard, which would push regulators to assess the health of competition in all markets. Importantly, it would also shift the burden of proof onto merging firms, asking them to demonstrate that consolidation would not undercut competition.

Messrs Naidu, Posner and Weyl propose other rules of thumb for weighing up mergers. Under the "market definition and concentration" approach, regulators would determine the relevant labour market and scrutinise mergers that would push concentration over a certain threshold. Defining the relevant labour market can be tricky. In a recent paper Ms Marinescu and Herbert Hovenkamp point to eBay, an auction site, and Intuit, which provides tax software. Each offers very different services. But a non-poaching agreement struck between them suggests they see themselves as competing for similar workers. Happily, data from job-search websites make it easy to observe the types of workers that look for certain jobs—in other words, the labour markets they operate in.

### **Labour pains**

An alternative "downward wage pressure" approach would look at how often workers tend to switch from one firm to another. A proposed union would come under scrutiny if many of the job moves in a market occur between two merging firms. Such scrutiny, the authors reckon, would entail the detailed sort of economic analysis that regulators already use to judge product-market competition, but applied to labour markets.

To date, governments have been too focused on the harms to customers from increasing industrial concentration. A consideration of the impact on workers is overdue. Without competition, large firms become exploitative bureaucracies that are accountable to no one. Consumers and workers alike deserve better.

*This article appeared in the Finance and economics section of the print edition under the headline "A matter of concentration"*

### Drone deliveries take off

Pies in the sky

Pies in the sky

### Fast food via drone takes flight

*Delivery by drone no longer seems fanciful*

Print edition | Science and technology Oct 23rd 2018



Ryan Chapman

MARON KRISTÓFERSSON is looking forward to the completion of a new roof on his office in downtown Reykjavik. It is not that the old roof leaked, but rather that the new one will be heated. Mr Kristófersson is the boss of aha, which delivers on behalf of restaurants and shops in Iceland's capital. The heated roof will let his delivery drones take off from and land on the top of the building throughout the winter, without anyone having to clear away the snow.

When drones, in the form of small, electrically powered rotorcraft, came to public attention around a decade ago, various uses were proposed for them. Some of these, such as surveying, aerial photography and law enforcement, have now become routine. But one, in particular, has not. This is the idea of household deliveries. In 2013 Jeff Bezos, Amazon's boss, said that the online retailer was testing just such a system. Others suggested using drones to deliver medicines and fast food. Apart from various demonstration flights, however, not much then happened.

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This slowness was caused less by technological inadequacy than by caution on the part of regulators. In most countries people are not allowed to fly drones above other people, near buildings or out of sight of the operator. Commercial activities are strictly regulated and some flights need clearance from aviation authorities. This has kept drone operators on a tight leash while regulators got to grips with what is, after all, a new form of aviation. Slowly but surely, however, as operators have gained experience and established a good safety record, some regulators have begun to relax the rules.

Iceland is a typical example. In August 2017 Mr Kristófersson teamed up with Flytrex, an Israeli drone-service company. The pair persuaded Iceland's transport authorities to let them start a drone delivery service across Elliðárvogur, an inlet that divides Reykjavik from its eastern suburbs. Delivery drivers would load goods weighing up to 3kg into a drone on one side of the inlet and it would fly autonomously along a fixed route to land on the other side, where the goods would be collected by another team of drivers who would take them on to their final destinations.

"We learnt a lot," said Mr Kristófersson. One thing was the impact of weather. Iceland is often wet and windy, but the drone used for this operation could not fly in rain—and for safety reasons aha avoided gusty conditions. This meant that the drone was grounded for about half of the time it might otherwise have been flying. Nevertheless, when it could fly it saved time and money because the flight took four minutes instead of the 20 or more required to drive around Elliðárvogur.

### Dinner is on its way

The experience they gained in running the trans-Elliðárvogur service allowed aha and Flytrex to obtain permission to run 12 other routes across Reykjavik, including journeys over land. And operations have just been extended again, permitting drones to deviate by up to 700 metres either side of those fixed routes. This means deliveries can now be made to the backyards of registered customers who have also obtained their neighbours' permission for flights to pass overhead.

Those customers can order goods using online apps and, weather permitting, select a drone delivery. Most of the shops and restaurants taking part are close to aha's office, where they drop off goods to be delivered. These are then loaded into a drone by a company employee, who dispatches the craft after entering the destination using a hand-held device. The customer gets a message to say the drone is on its way, and can use the app to follow its progress on a map. When it arrives, the customer enters a PIN into the app to accept delivery and the drone lowers its package on a line. Should someone try to pull the line, it detaches in order to avoid crashing the drone.

With a third drone on order—this one a waterproof version that can fly in the rain—Mr Kristófersson hopes to deliver to more places more often, with the potential of as many as 100 flights a day. The drones, made by DJI, a Chinese firm, do not use cameras or radar to navigate. They rely solely on the Global Positioning System (GPS) to know where they are—though, for safety's sake, they have three, independent GPS-based systems on board. But even though the drones fly out of sight of aha's office, they are monitored constantly during their journeys and can be recalled if something appears to be going wrong, or ordered to make an emergency landing by slowly fluttering down while broadcasting a loud warning noise.

Yariv Bash, Flytrex's boss, says delivery-by-drone services which, like the Icelandic example, start with fixed routes that gradually become more ambitious, are beginning to appear in other places. His company, for example, is about to help launch one that will use drones to deliver packages in Holly Springs, North Carolina. Uber, a ride-hailing service, is also planning to launch drone deliveries for food.

Next month, in Singapore, a drone made by Airbus, a European aerospace group, will begin ferrying supplies and spare parts to ships moored offshore. Airbus is working on the project with Wilhelmsen, a marine-services company. Wilhelmsen reckons that using drones will reduce delivery costs to vessels by up to 90%, and will be safer than employing launches to carry those deliveries by sea. Alibaba, China's biggest e-commerce firm, is making drone deliveries on a number of fixed routes across the vast Shanghai Jinshan Industrial Park and has plans to launch similar operations in other areas.

A common factor among these new drone services is that they are not operating in densely built-up areas. Despite the early predictions that drones would be used to deliver fast food and other goods to city-dwellers, the reality is turning out to be rather different. For a start, there are flight restrictions on all aircraft in high-rise areas like Manhattan and central London. There is also the difficulty of finding places for drones to land or hover outside apartment windows. Nor do the economics stack up. In cities, typical distances for delivering fast food might be under a kilometre, which makes it efficient to use mopeds or bicycles. Reykjavik, however, is a low-rise, spread-out sort of place. The average distance over which a meal is delivered is about 7km.

If regulators continue to relax requirements for line-of-sight operations, long-distance delivery by drone will become particularly appealing. In some cases, though, a different sort of drone may be needed. One such has just completed six months of test flights in Tanzania. This drone is built by Wingcopter, a German firm, and is of a type known as a "tilt-rotor". That means it uses its rotors for vertical take-off and landing, but for horizontal flight it tilts them forward to operate like the propellers of an aeroplane. This arrangement, which is beginning to be used for manned helicopters as well, results in a big increase in speed and range. In neighbouring Rwanda, meanwhile, a firm called Zipline does not even bother with vertical take-off. Its drones are small, fixed-wing aircraft that are launched by catapult, fly to their destination, drop their cargo by parachute and then return home.

### Flight-safe mode

In the Tanzanian trials, DHL, an international delivery company, used a Wingcopter to fly medical supplies from Mwanza, on the shores of Lake Victoria, some 60km to a clinic on Ukerewe Island. Blood and other samples from the clinic's patients were then flown back to Mwanza for laboratory analysis. The drone journey took 40 minutes, compared with six hours by road and ferry. Zipline, meanwhile, is beyond the stage of trials. Its drones are now in regular use delivering blood for transfusion to rural clinics.

Flying life-saving medical supplies around is, to be sure, more important than getting pizzas to customers while they are still hot. But with technology improving, and provided that operators can continue to run safe operations, more companies are likely to follow in aha's footsteps and move into the business of delivering by drone.

Safety, too, is improving all the time. Drones can already be "ring-fenced" electronically to stop them straying into dangerous areas, such as airports. Small, automated collision-avoidance systems are also under development, to prevent them crashing into things. Eventually, no doubt, drones that can safely navigate the canyons of tall cities will emerge. But for the immediate future, it is the hungry folk in the 'burbs and out in the sticks who will have first call on the drone-delivery option on their fast-food apps.

*This article appeared in the Science and technology section of the print edition under the headline "Pies in the sky"*

### Ethics and autonomous vehicles

## Whom should self-driving cars protect in an accident?

*Women and children first. Dogs before criminals*

Print edition | Science and technology Oct 27th 2018



THE TROLLEY problem used to be an obscure question in philosophical ethics. It runs as follows: a trolley, or a train, is speeding down a track towards a junction. Some moustache-twirling evildoer has tied five people to the track ahead, and another person to the branch line. You are standing next to a lever that controls the junction. Do nothing, and the five people will be killed. Pull the lever, and only one person dies. What is the ethical course of action?

The excitement around self-driving cars, though, has made the problem famous. A truly self-driving car, after all, will have to be given ethical instructions of some sort by its human programmers. That has led to a miniature boom for the world's small band of professional ethicists, who suddenly find themselves in hot demand.

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In a paper just published in *Nature*, a team of psychologists and computer scientists describe a different approach. Rather than asking said small band of philosophers for their thoughts, this team, led by Edmond Awad of the Massachusetts Institute of Technology (MIT), decided instead to ask the general public.

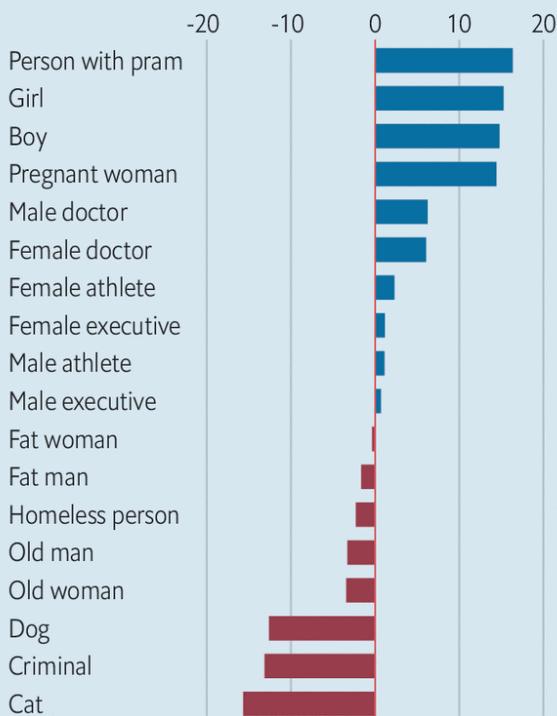
They created the "Moral Machine", a website which presents visitors with a series of choices about whom to save and whom to kill. In one, for instance, a self-driving car experiences brake failure ahead of a pedestrian crossing. If it carries on in a straight line, a man, a woman and two homeless people of unspecified sex will be run down. If it swerves, the death count will be the same, but the victims will be two women and two male business executives. What should the car do?

The team hoped to gather results from as many people as possible, from all over the world. The website proved a hit. It made the front page of Reddit, a big online discussion forum, and was promoted by YouTube stars such as Felix Kjellberg, better known as PewDiePie. In the end it gathered nearly 40m decisions made by people from 233 countries, territories or statelets.

The strongest preferences, expressed by respondents from all over the world, were for saving human lives over animal ones, preferring to save many rather than few and prioritising children over the old. There were weaker preferences for saving women over men, pedestrians over passengers in the car and for taking action rather than doing nothing. Criminals were seen as literally subhuman—ranking below dogs in the public's priority list, but above cats (see chart). It is easy to imagine the utilitarian argument for preserving the lives of doctors over others. Humanity's (weak) preference for saving athletes seems less intuitive.

## Hit and miss

Theoretical driverless-car experiment,  
respondents' preference of whom to spare  
Probability compared with sparing average adult, %



Source: "The Moral Machine experiment"  
by E. Awad et al, *Nature*, 2018

The Economist

Preferences differed between countries. The preference for saving women, for instance, was stronger in places with higher levels of gender equality. The researchers found that the world's countries clustered into three broad categories, which they dubbed "Western", covering North America and the culturally Christian countries of Europe, "Eastern", including the Middle East, India and China, and "Southern", covering Latin America and many of France's former colonial possessions. Countries in the Eastern cluster, for instance, showed a weaker preference for sparing the young over the elderly, while the preference for humans over animals was less pronounced in Southern nations. Self-driving cars, it seems, may need the ability to download new moralities when they cross national borders.

Iyad Rahwan, a computer scientist at MIT and one of the paper's authors, says that the team do not intend their findings to be translated naively into policy by carmakers or governments. But, he says, they felt that "nobody was really investigating what regular people thought about this topic". Germany is, so far, the only country to have proposed ethical rules for self-driving cars. One of those rules is that discrimination based on age should be forbidden. That seems to conflict with most people's moral preferences.

Many people, says Dr Rahwan, dismiss the trolley problem as a piece of pointless hypothesising that is vanishingly unlikely to arise in real life. He is unconvinced. The specific situations posed by the website may hardly ever occur, he says. But all sorts of choices made by the firms producing self-driving cars will affect who lives and who dies in indirect, statistical ways. He gives the example of overtaking cyclists: "If you stay relatively near to the cycle lane, you're increasing the chance of hitting a cyclist, but reducing the chance of hitting another car in the next lane over," he says. "Repeat that over hundreds of millions of trips, and you're going to see a skew in the [accident] statistics."

*This article appeared in the Science and technology section of the print edition under the headline "A selection from the trolley"*

Conservation

## Saving the neck of Rothschild's giraffe

*A relocation programme spreads a rare subspecies to new habitats*

Print edition | Science and technology Oct 27th 2018



FLPA

**T**WO A FOREIGN tourist, a giraffe is an extraordinary and elegant beast. To locals it is, too often, a larder on legs. A giraffe can weigh as much as a tonne and a half. Only two African animals, the elephant and the white rhino, are heavier. And bush meat fetches high prices. So, even though giraffe have no tusks to steal and their stubby horns, known as ossicones, command no premium in the market for Chinese folk medicine, poachers take a deadly interest in them. Add to that the effects of human encroachment on their habitat and the result is a rapid drop in population. According to a report published in 2016, by the International Union for Conservation of Nature, giraffe numbers fell from between 152,000 and 163,000 in 1985 to fewer than 98,000 in 2015.

Murchison Falls National Park, in Uganda, is home to about 1,250 of those that survive, but that 1.3% is disproportionately important because it constitutes three-quarters of the remaining population of a particular subspecies, Rothschild's giraffe. In the view of conservationists, that is a lot of eggs in a single basket. Hence a project, begun in 2015 by the Ugandan Wildlife Authority and the Giraffe Conservation Foundation, a charity based in Namibia, to extract groups of these animals from the park and take them to places that look like prime giraffe habitat, but which currently have no giraffe in them.

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Since the project began, four groups—of 15, 18, 19 and 14 animals—have been so moved, often to the bemusement of existing wildlife in the recipient areas, which take time to get used to the new neighbours. The first transfer was to Lake Mburo National Park, in western Uganda. The second and third were to the southern part of Murchison itself, across the Nile, which bisects the park and acts as a barrier to giraffe movements. The fourth batch was moved this August, to Kidepo Valley National Park in the north-east of the country.

During the second translocation from the north to the south of Murchison, in August 2017, new solar-powered trackers were fastened to the enforced migrants' ossicones, so that their movements could be followed by satellite. But good old-fashioned fieldwork is involved, too. Michael Brown, a researcher at Dartmouth College in New Hampshire, has, over the past four years, photographed virtually all of the Rothschild's giraffe living in Murchison. He has catalogued their distinctive markings, as unique to them as fingerprints are to people, using pattern-recognition software. That enables him to select known individuals and monitor their habits over extended periods.

Giraffe eat about 35kg a day of leaves from bushes and trees. To note these diets in detail, Mr Brown each morning picks an animal and follows it in a Land Cruiser for about 11 hours. While doing so he records where the animal goes, and what, when and how much it eats.

Most giraffe meals are mouthfuls of leaves stripped from branches by the animals' prehensile lips and tough tongues, which are impervious to needle-sharp acacia thorns. By September 2018, Mr Brown had counted more than 155,000 of these browsings. He is trying to understand how the availability and distribution of different plants, of varying nutritional value, affects how giraffe forage and roam, both from day to day and from season to season. Such data will eventually assist in choosing where to dispatch each batch of emigrants from the park.

This dispersal of the Rothschild subspecies is made more urgent by a potential threat to the northern part of Murchison. Since 2012 Total, a French energy company, in partnership with the Chinese National Offshore Oil Corporation and Tullow Oil, a British firm, have been exploring there for petroleum. The consortium is now sinking test wells in promising locations to find out whether commercial exploitation is possible. How much giraffe and other animals in the park will be affected by the drilling, road construction and other development now under way is unclear. To help find out, Total began, in April of this year, paying for a project that radio-collars various species, including giraffe, lions, antelopes and hyenas, in order to study how oil-related activity is disrupting their movements, behaviour and levels of stress.

If Murchison does contain workable oil deposits, no power on Earth will stop their being exploited. But data from this new study may guide the details of that exploitation, to minimise its impact on wildlife. Meanwhile, the transplants to Lake Mburo and the southern part of Murchison seem to have worked. The newcomers are breeding. The eggs, as it were, are now in multiple baskets.

*This article appeared in the Science and technology section of the print edition under the headline "Saving its neck"*

Psychiatry

## A simpler, better way to diagnose mental illness

*Patterns of speech may be telltales of particular symptoms*

Print edition | Science and technology Oct 27th 2018



Alamy

**D**IAGNOSING MENTAL illness is difficult. Giving broad names such as “schizophrenia” and “bipolar disorder” to particular sets of symptoms helps psychiatrists and patients discuss and treat what is going on, but many traits are symptomatic of more than one such named condition, giving plenty of scope for mislabelling. Moreover, the specialised interviews required to detect the presence of particular traits are time-consuming and require specific training to conduct.

A shortcut to reliable psychiatric diagnoses would therefore be desirable. Justin Baker, a psychiatrist at Harvard Medical School, and Louis-Philippe Morency, a computer scientist at Carnegie Mellon University, in Pittsburgh, think they have one. As they told the International Conference on Multimodal Interaction in Boulder, Colorado, on October 19th, they believe they can extract a lot of relevant information from patients’ speech patterns.

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Rather than tackle all mental illness at once, Dr Baker and Dr Morency focused on psychosis. This is the experience by a patient of hallucinations or delusions—in other words of a “reality” at variance with the general consensus of other people. Psychosis is particularly symptomatic of schizophrenia, but is also common in bipolar disorder. And it is, in turn, capable of division into traits of its own, such as impulsive hostility, emotional withdrawal, conceptual disorganisation and delusions of grandeur. These can be used to refine an initial diagnosis of a broader condition.

To test the idea that patterns of word use might help diagnose such traits, Dr Baker and Dr Morency let their computers loose on transcripts of 53 interviews with 28 psychotic patients at the McLean Hospital in Belmont, Massachusetts. These were people who had been studied thoroughly by conventional psychiatric techniques. They had therefore had their specific psychotic traits classified. And patterns the two researchers did indeed find.

For example, patients who commonly used power-related words like “important”, “superiority” and “exploit” generally turned out to have the traits of delusions and grandiosity. Conversely, there was an inverse correlation between patients’ use of words relating to time and space, such as “yesterday”, “lately” and “nearby”, and the trait of poor reality monitoring. Those who rarely or never used these words showed significant detachment from reality.

In addition to these specific correlations, the overall severity of a patient’s psychosis, regardless of the detailed pattern of traits, appeared to correlate with his use of emotionally loaded words. The absence of positive words in a transcript, and a preponderance of negative ones, such as “gloomy”, “dark” and “sadly”, was characteristic of those whose psychotic disorder was severe.

Nor was frequency of word use the only signal that Dr Baker and Dr Morency's computers picked up. They also noticed patterns in phenomena called sentence repair and language perplexity.

Everyone repairs sentences from time to time during conversations, saying things like "John likes, I mean, loves Mary." But constant repairing is rare in the mentally healthy. Dr Baker and Dr Morency, however, found it common in patients who had the psychotic traits of apathy, avolition and defensiveness.

Language perplexity is a measure of how easy it is, partway through a sentence, to guess what is coming next. The harder it is to do this for a given individual's speech, the more perplexing is his language. And the more perplexing a psychotic patient's language is, Dr Baker and Dr Morency discovered, the more likely it is that his particular traits include excitement and conceptual disorganisation.

The study Dr Baker and Dr Morency have carried out is small, and so will need confirmation using larger groups of patients. But if that confirmation comes, it will give psychiatrists a new diagnostic tool. And it is a tool that might eventually be applied to areas other than psychosis. Dementia and Parkinson's disease, too, are thought to shape speech in subtle ways as they begin to develop. The Baker-Morency approach might thus permit earlier diagnosis of these conditions as well.

*This article appeared in the Science and technology section of the print edition under the headline "Listen, and learn"*

### American political polarisation

Look what I did

American politics

## Tracing a line from Newt Gingrich to Donald Trump

*A new book traces the roots of contemporary America's political dysfunction*

Print edition | Books and arts Oct 27th 2018



Getty Images

**The Red and the Blue: The 1990s and the Birth of Political Tribalism.** By Steve Kornacki. Ecco; 512 pages; \$29.99.

AS HE WOULD be the first to tell you, Newt Gingrich is a politician of ideas—big, strange and sometimes terrible ideas. In 1981, during his second term in Congress, he introduced a bill to enable America to make the Moon a state. In one of his dozens of books, he mused about bringing dinosaurs back to life. During his presidential campaign in 2012, he proposed making poor children janitors at their schools. His most enduring idea may also have been his worst: he figured out how to break American politics. If Steve Kornacki's "The Red and the Blue" has a villain, it is Mr Gingrich.

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Mr Kornacki is that rarest of creatures: a thoughtful and informative cable-news personality. His perceptive book traces the roots of contemporary America's political dysfunction back to Mr Gingrich's heyday in the 1990s.

When he entered the House of Representatives in 1979, as the first Republican ever elected from Georgia's 6th district, Democrats had controlled the chamber for 24 years. That is not because mid-century America was flagrantly left-wing. It was because the parties had not yet sorted themselves into near-uniform ideological blocs.

The realignment that began when Lyndon Johnson, a Democratic president, signed the Civil Rights Act of 1964 was still in its infancy. Southerners remained heavily Democratic, a legacy of the Confederacy's defeat in the American civil war by a government led by Abraham Lincoln, a Republican. They joined north-eastern liberals, union members and non-whites to form a rickety but large coalition. The largely north-eastern "Rockefeller Republicans" were often more liberal than conservative Southern Democrats.

A degree of comity prevailed, which Mr Gingrich took as weakness—a sign that his fellow Republicans were content to remain in permanent minority. Richard Nixon had won two presidential elections overwhelmingly in 1968 and 1972 (Ronald Reagan would do the same in 1980 and 1984). Why, Mr Gingrich wondered, could Republicans not replicate that strength in

Congress? As Mr Kornacki explains, he realised that the key lay “in nationalising congressional politics through confrontations with the ruling Democrats”.

In other words, stop treating Congress as a place to legislate and compromise; instead, make it an arena for permanent, all-out partisan warfare, waged both in the legislative chamber and on the proliferating 24-hour news channels. It was a simple notion, really, but one that required overweening ambition and utter indifference to institutional norms—both of which Mr Gingrich had in abundance. The energised minority caught the complacent majority flat-footed; having spent more than a decade laying the groundwork, Republicans took back the House in 1994, and Mr Gingrich became the first Republican Speaker since 1955.

As Mr Gingrich was amassing power in Congress, a wily, ambitious Democratic governor from Arkansas was circling the ring. Bill Clinton considered running for president in 1988, but that was the year in which Gary Hart’s promising campaign sank when reporters caught him cavorting on a boat with a young woman who was not his wife. Rumours of extramarital dalliances had long dogged Mr Clinton; he decided discretion was the better part of valour.

His party was in an odd fix: strong locally but spent nationally. Organised labour and urban machine-politics were weakening, white southerners were flowing away. Reagan had turbocharged Nixon’s southern strategy, appealing to socially conservative, working-class whites with a mixture of easy bonhomie and racist dog-whistles (“young bucks” supposedly buying steaks with food stamps, “welfare queens” abusing public aid).

Depending on your perspective, Mr Clinton was his party’s saviour or its murderer. He became the nominee in 1992 only after threading a narrow path through a field weakened when the favourite, Mario Cuomo, declined to run—as did other luminaries, including Bill Bradley, Sam Nunn and Lloyd Bentsen. He would save the Democrats by making them nationally competitive again. Yet many left-leaning Democrats never forgave Mr Clinton for his triangulation—which they saw as capitulation to the Republican premise that government is best when it does least—or for constantly frustrating his party’s left flank.

Fresh from a victory in the Gulf war, meanwhile, George H.W. Bush seemed to be unbeatable to the left. But he was vulnerable on the right, and faced a surprisingly strong challenge from Pat Buchanan, a rabble-rousing populist. Mr Kornacki expertly shows how Mr Buchanan’s rise pre-figured the election of 2016. His insurgent campaigns—he ran for president twice as a Republican and later for Ross Perot’s Reform Party—hit many of the same themes that resounded in the most recent race: opposition to free trade and immigration, with strong appeals to white racial grievance. “Illegal drugs are coming across the border,” he thundered at the Republican convention of 1996. “Illegal immigration is soaring!”

### **Donnie from Queens, you’re on the air!**

In 2000 the rag-tag Reform Party attracted a rival champion—another media-savvy operator with malleable principles, one Donald Trump. Mr Trump had left the Republican Party, he said, because “they are just too crazy right.” He derided Mr Buchanan as “an anti-Semite. He doesn’t like the blacks. He doesn’t like the gays.” He considered running with Oprah Winfrey, calling “non-politicians...the wave of the future”. In the end, the Reform Party disintegrated into farce: its more prominent members included David Duke, a Klansman, and Lenora Fulani, a “black nationalist Marxist”. Mr Trump walked away.

But he proved prescient about the country’s yen for non-politicians in office. Perhaps that susceptibility was always there—stemming from a bedrock belief in the wisdom of ordinary people, and suspicion of government—but during the 1990s the barriers that had kept it in check came down. The machines that powered the 20th-century Democratic Party, in unions and big cities, stalled. Mr Gingrich’s zeal for sharp partisan confrontation turned the Republican Party into a fractious entity much better at winning elections than at governing responsibly.

Along with the decline of trusted, unifying information sources—and the ascent of those that reinforced viewers’ prejudices—the weakened but consolidated parties bequeathed by the 1990s left America primed for takeover by a demagogue. Mr Kornacki’s book does readers a service by showing them how America got here. Where it goes now seems beyond anybody’s ken.

*This article appeared in the Books and arts section of the print edition under the headline "Look what I did"*

**Italy and the Holocaust**

## The real story of what happened to Italy's Jews

*Simon Levis Sullam unpicks the accepted version of events*

Print edition | Books and arts Oct 27th 2018



Getty Images

**The Italian Executioners: The Genocide of the Jews of Italy.** By Simon Levis Sullam. Translated by Oona Smyth with Claudia Patane. Princeton University Press; 208 pages; \$26.95 and £21.

**T**HE POLICE report said that “the terrified child, Emma Calò, aged 6, clung, weeping, to the clothes of the concierge...Mr and Mrs Berna begged the official to desist from his intentions, but he was adamant.”

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Told that this heart-wrenching scene took place in Rome in 1944, most Italians could confidently guess the background: the official would have been a Nazi engaged in the round-up of Jews that followed Italy’s withdrawal from the second world war, when the Italians’ German allies became their occupiers. As for the Bernas, their compassionate behaviour typified the Italian nation, which had been seduced by fascism but was never anti-Semitic.

The official, however, was not German, but Italian. And, as Simon Levis Sullam’s vigorously revisionist history makes clear, while many Italians stood up for the Jews, many did not. Some looked away, and some took an active, even enthusiastic, part in the persecution and removal of the 6,746 Jews sent from mainland Italy to German extermination camps. This was particularly true in the Italian Social Republic (RSI), the fascist-run state in the north.

To ingratiate themselves with the victors after the war, Italian bigwigs exalted the role of the Jews’ defenders while minimising that of their persecutors. Hampered though it is by the disappearance of much of the documentary evidence, Mr Levis Sullam’s short book sets out to give the latter group their sinister due.

It is hard to overstate the pervasiveness and potency of what became the accepted version of events. Even the leaders of the surviving Jewish community adopted it. “Everyone”, declared the president of the Union of Italian Jewish Communities in 1956, was “careful to warn the doomed innocent victims; all the friends, the acquaintances, the neighbours were ready to take them in, to hide them, to help them.” That story has entered history textbooks and has even been embraced by Yad Vashem, the Holocaust museum in Jerusalem: one of its publications states that Italians rejected anti-Semitism as “contrary to Italian traditions”.

But, as a German diplomat explained in a note to Berlin as the deportations began in December 1943, “with the forces at our disposal in Italy, it is impossible to comb through all the towns”. Italians took part in 2,210 arrests; 1,898 were made by Italians alone. Then there were informers who betrayed Jewish acquaintances and people who worked willingly for such bodies as the General Inspectorate of Race and in Italy’s seldom-mentioned concentration camp at Fossoli near Modena. (Fossoli was no

Buchenwald, but nor was it a holiday camp: in February 1944, prisoners appealed to Catholic prelates for help in alleviating their “miserable conditions” and for “aid that the elderly, women, children and the ill implore from human solidarity”.)

Though his focus is on the cruelty Jews endured, Mr Levis Sullam acknowledges that the story was many-sided. After a Jewish man and his mother were caught trying to flee to Switzerland, the local fascist chief released them and returned their seized property. The Bernas’ efforts to save Emma Calò met with the “tacit agreement” of a policeman accompanying the official.

Not that they succeeded in saving the little girl. She died in Auschwitz two months later. The official was acquitted of all charges after the war, “thanks to the activities that he claimed to have carried out on behalf of the Resistance”.

*This article appeared in the Books and arts section of the print edition under the headline "A darker story"*

He shall overcome

## Nietzsche, philosophy and madness

*"I Am Dynamite!" is an approachable biography of a usually forbidding man*

Print edition | Books and arts Oct 27th 2018



Alamy

**I am Dynamite! A Life of Friedrich Nietzsche.** By Sue Prideaux. *Tim Duggan Books; 464 pages; \$30. Faber & Faber; £25.*

**G**OD IS DEAD!...And we have killed him!" Nietzsche put his most famous words into the mouth of a madman in "The Gay Science", a book published in his late 30s. A decade later his work began to find readers, but by then he had himself gone mad, and sometimes thought he was God.

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That mental collapse came on January 3rd 1889, when Nietzsche (above, in a portrait by Edvard Munch) was overwhelmed with pity for an abused horse in a street near his lodgings in Turin. There had been signs of trouble in his letters, and arguably in his boastful autobiography, "Ecce Homo". Its megalomania notwithstanding, it provides a useful encapsulation of Nietzsche's intellectual aims. These were to "unmask" Christian morality; to offer a "critique of modernity"; to show that "the old truth is coming to an end" and find ways of affirming life nonetheless.

Nietzsche died 11 years after the incident in Turin, sinking gradually into mental and physical paralysis. But while he sat mutely and played with dolls, his fame spread. In 1896 Richard Strauss composed his tone poem, "Also sprach Zarathustra", named after Nietzsche's best-known book. Mahler used words from the book in his third, partly choral, symphony. Thomas Mann, André Gide, W.B. Yeats and George Bernard Shaw were among those who regarded themselves as Nietzscheans.

He also had less savoury admirers, thanks in part to the efforts of his sister, Elisabeth Förster-Nietzsche, whom the sane Nietzsche came to dislike, especially when she married an anti-Semite. Nietzsche loathed German nationalism and anti-Semites—he thought Jews were part of the solution to the ills of modernity, not part of the problem. Elisabeth's husband, Bernhard Förster, was the founder of Nueva Germania, a colony in the Paraguayan rainforest where some families from Saxony tried to show what Germans could achieve once they got far away from Jews.

Förster committed suicide in 1889; Elisabeth returned to Germany to look after her brother and then spent three and a half decades cultivating his literary legacy, especially among fascists. Mussolini sent her a birthday telegram in 1931 and Hitler laid a wreath before her coffin in 1935.

As Sue Prideaux (whose son works for *The Economist*) neatly puts it in her approachable biography of a usually forbidding man, Nietzsche's emphasis on "the need to overcome ourselves became...distorted into the need to overcome others." Whether he is culpable for making his ideas easy to mangle is debatable. Certainly no democrat, he had much to say about how the old order was decaying and perhaps too little about what could replace it.

Nietzsche had plenty to overcome in his own life, which is vividly recounted in Ms Prideaux's wide-ranging and sensitive book. He suffered severe headaches and eye and stomach problems, and retired very early from his professorship in philology at Basel University. He was lonely both personally and professionally. And his key relationships, with Richard and Cosima Wagner, and with Lou Andreas-Salomé, did not end well. Nietzsche proposed twice to Salomé, who subsequently wrote books about him, as well as about Freud (of whom she became a disciple) and about the poet Rilke (with whom she had a long affair).

Yet there is joy in Nietzsche's writing, too. It came from his long Alpine walks—"Never trust a thought that occurs to you indoors"—and from music. He turned to Bizet's "Carmen" when Wagner's "Tristan" lost its hold; it made him a better philosopher, he said. On the eve of his madness, Nietzsche wrote that without music "life would be a mistake."

*This article appeared in the Books and arts section of the print edition under the headline "He shall overcome"*

Sister Dracula

## “Melmoth”, a gothic novel with a female monster

Sarah Perry’s fearful story is concerned with sin, suffering and redemption

Print edition | Books and arts Oct 27th 2018



**Melmoth.** By Sarah Perry. Custom House; 288 pages; \$27.99. Serpent's Tail; £16.99.

“MELMOTH” FLAUNTS its gothic sensibility. The cover of Sarah Perry’s third novel depicts a tangle of dark feathers and a full moon; the central character, like so many protagonists of such tales, is haunted by her past. The book’s title and dedication advertise Ms Perry’s debt to Charles Robert Maturin’s novel of 1820, from which the author borrows the stories-within-stories format and the titular wandering figure. It responds to other classics of the genre, too. Ms Perry has spoken in interviews of her desire to create a ghastly female figure to rival Mary Shelley’s creature and Bram Stoker’s Dracula.

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Her monster covers more ground. For more than 2,000 years Melmoth has been “excommunicated from the grace of God and the company of men”. She is “cursed to walk from Jerusalem to Constantinople, from Ireland to Kazakhstan”, bearing witness to humanity’s base, transgressive deeds and its suffering. A shadowy figure in black, with bleeding feet and the scent of dying lilies, she is present in 1555 when a young woman is persecuted for her faith in Essex (the setting for Ms Perry’s previous, bestselling book, “The Essex Serpent”). She is in Turkey in 1915, when two civil servants write the documents that enable the deportation—and subsequent massacre—of 10,000 Armenians. She sees the myriad horrors of the Nazi occupation of Czechoslovakia, and watches a young boy betray his Jewish neighbours and send them to Theresienstadt.

These encounters are recorded in gruesome detail in a manuscript that ends up in the hands of Helen Franklin, a contemporary woman who has sent her innocent lover to prison—a “crime for which she fears no recompense can ever be made” and for which she must serve a “full life term, having been her own jury and judge”. At first she views the accounts of horror and the legend of Melmoth with scepticism, but she soon becomes enraptured by them. Helen’s confrontation with the shrouded figure, who shows her the mortal toll of her choices, is the story’s inevitable climax.

“People can sometimes mistake the gothic for maidens called Elsie running around in a nightgown and seeing a ghost,” Ms Perry has said. “The real gothic deals with humanity at its worst and most profound.” Her affecting novel is concerned with sin and conscience, as well as the possibility of redemption. Her characters—victims of nationalism, xenophobia and prejudice—are carefully chosen to chime with today’s political climate. In this way “Melmoth” asks the reader to bear witness to injustice—past, present and future.

This article appeared in the Books and arts section of the print edition under the headline “Sister Dracula”

Contemporary dance

**"XENOS", Akram Khan's last solo work***A magical contemporary dancer finally bows out. Sort of*

Print edition | Books and arts Oct 27th 2018



Jean-Louis Fernandez

**I**N AKRAM KHAN'S latest—and last—solo work, "XENOS", the dancer whirls himself into breakneck turns, stamps his feet in ankle bells to *Kathak* drumming, hoists himself into the air on ropes as the set collapses around him, and rolls down a slope like a rag doll, pine cones raining onto his body. It is a vigorous, exhilarating performance over one unbroken hour; just watching it can feel exhausting.

It would be natural to conclude that the 44-year-old has decided to make this his final solo show because of the physical demands of his style. Mr Khan, one of Britain's most celebrated dancers and choreographers, is the vortex of energy around which all his pieces are created. But the fact that his body is ageing is not his primary reason for stopping. "The physical shift is a hassle but it's the psychological shift that is much greater," he says. "Funnily enough, when I'm on stage I feel I've never been so confident, but off-stage I feel terrified...It's really the fear of messing up or disappointing myself."

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Mr Khan, born in south London to Bangladeshi parents, merges contemporary dance with traditional Indian *Kathak*. He is known for surprising collaborations with artists from other disciplines, such as Juliette Binoche, an actor, and Anish Kapoor, an artist, but has also received critical acclaim for his solo works, such as "DESH" ("homeland" in Bengali), a highly personal piece from 2011 in which he wove Bangladeshi myths into an exploration of identity and cultural dislocation.

"XENOS", which Mr Khan will perform at the Lincoln Centre in New York next week, returns to similar themes. Mr Khan interprets the title as meaning both "foreigner" and "guest"; the work is based on the experience of the 1m Indian soldiers, now largely forgotten, who served with the British army in the first world war. A highly theatrical piece, with an artful set and haunting music, it showcases Khan's range. He plays a shell-shocked soldier whose physical and mental landscape is ripped apart. "XENOS" is by turns classical, operatic and even Chaplinesque, as when Mr Khan's character tries to converse, through sound and body language, with a gramophone.

Although Mr Khan dominates the stage, in a sense he is never alone. He developed the work with a group of regular collaborators, such as Vincenzo Lamagna, a composer, Mavin Khoo, a choreographer and rehearsal director, and Michael Hulls, a lighting designer. "The irony is that he's ending his dancing career with a solo, but that piece is probably the most collaborative work he's ever made," reckons Ruth Little, a dramaturg who has worked with Mr Khan for a decade. His directorial style has evolved over the years, Ms Little thinks. "Like any master," she says, he has come to see that "he has a great knowledge and experience in his work, but so do others."

With age, Mr Khan has learned to appreciate both the virtues of co-operation and the potential of vicarious expression. When he was working on “Giselle” for the English National Ballet in 2016—his production will open at the Harris Theatre in Chicago in February—he had a revelation. It was the first time he had choreographed “for a company that wasn’t my own”, he says. “I focused on the freedom. I thought, I could still dance, but through the spirits of other people’s bodies.”

Still, Mr Khan won’t be retiring from dancing in person immediately. He will perform in “Until the Lions”, inspired by the poet Karthika Naïr’s reworking of stories from the ancient Sanskrit epic, Mahabharata, at the Roundhouse in London in January. “XENOS” will tour until 2020, at which point he will be 46, well over a decade older than most dancers when they bow out. Even then he plans to dance “in much smaller doses”, for example in “cameo roles of five or six minutes”. Mr Khoo, the rehearsal director, doubts Mr Khan will ever stop. In the classical Indian tradition, he says, dancers train whether or not they go on stage. “Dancing every day is part and parcel of who we are.”

*This article appeared in the Books and arts section of the print edition under the headline “The whirligig of time”*

## Graphic detail

**The Chinese century**

Well under way

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A new hegemon

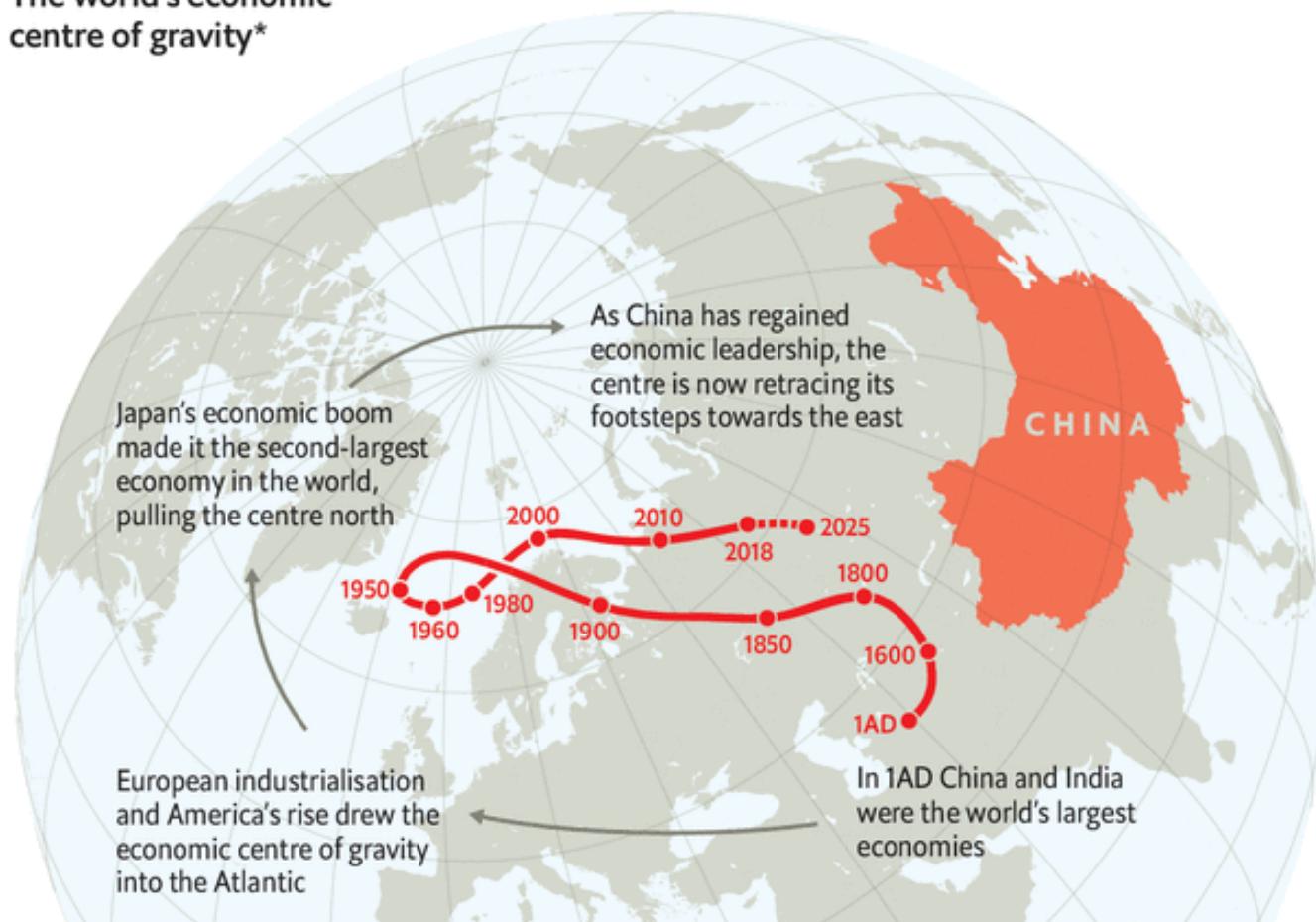
### **The Chinese century is well under way**

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*Many trends that appear global are in fact mostly Chinese*

Print edition | Graphic detail Oct 27th 2018

## The world's economic centre of gravity\*



\*The economic centre of the globe is calculated using an average of countries' locations weighted by their GDP

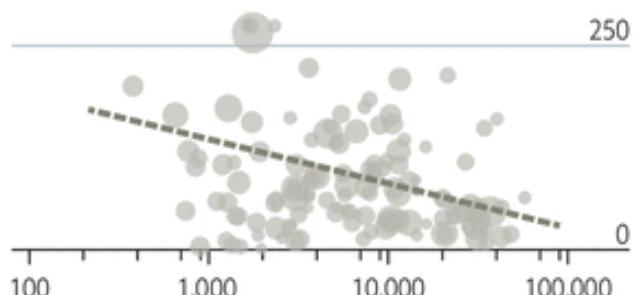
### GDP per person

% change  
1990-2017  
1,000

China's GDP per person grew by 903% from 1990 to 2017

750

Circle size =  
population,  
2017



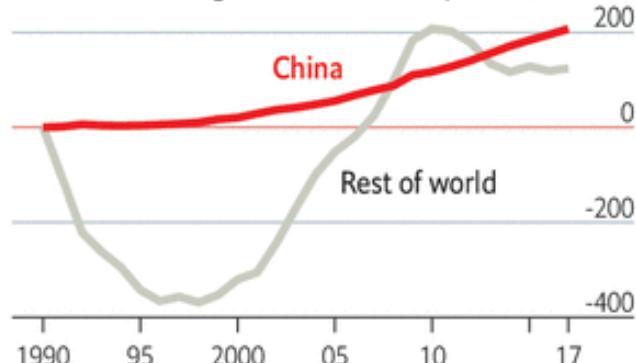
### CO<sub>2</sub> emissions

Cumulative change since 1990, tonnes, bn



### Military spending

Cumulative change since 1990, 2016 prices, \$bn



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**W**HEN SCHOLARS of international relations predict that the 2000s will be a “Chinese century”, they are not being premature. Although America remains the lone superpower, China has already replaced it as the driver of global change.

There is one economic metric on which China already ranks first. Measured at market exchange rates, China’s GDP is still 40% smaller than America’s. However, on a purchasing-power-parity (PPP) basis, which adjusts currencies so that a basket of goods and services is worth the same amount in different countries, the Chinese economy became the world’s largest in 2013. Although China is often grouped with other “emerging markets”, its performance is unique: its GDP per person at PPP has risen tenfold since 1990. In general, poorer economies grow faster than rich ones, because it is easier to “catch up” when starting from a low base. Yet in other countries that were as poor as China was in 1990, purchasing power has merely doubled.

China’s record has exerted a “gravitational pull” on the world’s economic output. *The Economist* has calculated a geographic centre of the global economy by taking an average of each country’s latitude and longitude, weighted by their GDP. At the height of America’s dominance, this point sat in the north Atlantic. But China has tugged it so far east that the global centre of economic gravity is now in Siberia.

Because China is so populous and is developing so quickly, it is responsible for a remarkable share of global change. Since the start of the financial crisis in 2008, for example, China has accounted for 45% of the gain in world GDP. In 1990 some 750m Chinese people lived in extreme poverty; today fewer than 10m do. That represents two-thirds of the world’s decline in poverty during that time. China is also responsible for half of the total increase in patent applications over the same period.

For all its talk of a “peaceful rise”, China has steadily beefed up its military investment—even as the rest of the world cut back after the end of the cold war. As a result, the People’s Liberation Army accounts for over 60% of the total increase in global defence spending since 1990. And all of this growth has come at a considerable cost to the environment: China is also the source of 55% of the increase in the world’s carbon emissions since 1990.

Sources: Economist Intelligence Unit; Global Carbon Project; Maddison Project Database; SIPRI; World Bank; World Intellectual Property Organisation; *The Economist*

[Get the data](#)

*This article appeared in the Graphic detail section of the print edition under the headline "Well under way"*

## Jamal Khashoggi The man who spoke out

### The man who spoke out Obituary: Jamal Khashoggi

Saudi Arabia's leading commentator was murdered on October 2nd, aged 59

Print edition | Obituary Oct 27th 2018



Alamy

After all the years of hassle, Jamal Khashoggi knew when to stay silent. He was well aware, for example, that the Saudi government's grand new sewer system in Jeddah was simply manhole covers in the pavements, with no pipes underneath. Such corruption was typical of his country. But as editor of *Al-Watan*, one of the kingdom's main newspapers, he did not report on it. At times, too, friends were arrested, and he said nothing. He did not want to lose his job or his freedom. He worried about his family.

Sometimes, for he liked a joke, he could poke a bit of fun. When the government was tying itself in knots over women's right to drive, he ran a series of columns in *Al-Watan* imagining what might happen if a girl rode a camel to university. A woman riding a camel was not against the law. So what should be done about her? The next week, the girl was on a bicycle; the next, on a donkey. The same legal loophole raised the same awkward questions.

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Yet they were raised respectfully, by a man who supported the monarchy as instinctively as he picked up his phone. His grandfather had been the doctor of Abdel Aziz bin Saud, the country's founder, and he himself, reporting from Afghanistan in the 1980s, had worked for Saudi intelligence, getting close to Osama bin Laden to ensure some link, some influence, for the Saudi royal house. This tricky work put him for some years in the princes' good books.

The diplomatic round could easily have been his life. Since he had done business studies in America and spoke pretty good English, he became an adviser to the Saudi ambassador in London and Washington. He had connections with the leaders of Turkey and France, and friends everywhere. In his newspaper years in Jeddah he loved to mingle with foreign journalists, but there was nothing treasonous in this. He could put on several personas, squeezing his bulky form into a natty suit in London and a polo shirt in Washington as well as the flowing white *thawb* he favoured in the Gulf. His comments on the condition of Saudi Arabia avoided bile or gossip, even when he had enjoyed a drink or two.

In mid-conversation with non-Muslims he would often break off and disappear to pray. He was observant, but had little taste for the 18th-century Salafi Wahhabism that haunted his country. In his youth he had joined the Muslim Brotherhood as a counterweight to puritanism, and found it a strange contradiction that Saudi Arabia, “the mother of all political Islam”, should want to attack it. For him the Brotherhood was about democracy, even a liberation movement. In the same way he flirted openly with Saudi Arabia’s arch-rival, Qatar, deeply admiring the Al Jazeera news network he hoped to imitate at home. To attack Qatar was to try to crush all expressions of the Arab spring.

Like so many others, he felt it keenly when that movement flowered and died. Liberalism seldom seemed to enter his life. Growing up in Medina, he saw no women working outside the home. Teenage trips to the makeshift cinema risked exciting the religious police; one friend broke his leg as he jumped from a wall to escape arrest. Freedom of speech would be a long haul. He tried to focus, therefore, on more pressing economic problems: the fact, in particular, that the country’s vast petro-wealth was being squandered on private enrichment, not schools, medium-size enterprises and proper gathering of statistics. The latest book he wanted to write was all about that, not Islamist revolution.

Increasingly, though, he put his native caution to one side. As the years went on his journalistic career got bumpier, usually because he tried to give a platform to voices from the opposition. He was fired from *Al-Watan* twice for that, in 2003 and 2010, on orders from the Ministry of Information; in 2015 a Saudi-funded news channel he had set up in Bahrain was closed down the day it opened, for interviewing a local activist. The government later banned him from Twitter, where he had 2m followers, and barred him from writing.

At the Saudi court he had ever fewer friends. Instead, by 2017, he banged up sharply against the new regime of the young crown prince, Muhammad bin Salman. He was told he should be grateful for the prince’s reforms and keep quiet, but he could not make that Faustian bargain, or abide the growing cult of personality and centralised power. Since even his mild criticism was not tolerated, he packed up a couple of cases and left for America.

From Washington he watched as fellow journalists had their homes stormed by security men, who filmed everything and took books, papers and computers away. On his Instagram page he posted photos of the American friends he hoped might protect him while, in columns for the *Washington Post*, he accused Prince Muhammad (“the Boy”, as he had let slip that other royals called him) of impetuosity, selective justice and behaving like Vladimir Putin. Yet even then he was no dissident, in his own eyes. He really disliked that word. He was simply urging the prince to be enlightened and modern-minded, as any loyal Saudi should be free to.

Not a morning dawned, however, when he did not miss his country. Washington seemed stiflingly clean. In Istanbul, he found solace in the back garden of an Arabic bookshop and in his love for a Turkish researcher, Hatice Cengiz. Hatice was headscarved and devout; hand in hand they strolled round the city, conversing stiffly in classical Arabic. With three divorces behind him, he had paperwork to do before they could be married, and went to the Saudi consulate to sort it out. He was not heard from again.

*This article appeared in the Obituary section of the print edition under the headline "The man who spoke out"*

# Economic Indicators

Economic data, markets and commodities

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## Economic data, markets and commodities

Print edition | Economic Indicators Oct 25th 2018

## Economic data

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	Gross domestic product				Consumer prices			Unemployment rate	
	% change on year ago:				% change on year ago:			%	
	latest	quarter*	2018†		latest	2018†			
United States	2.9	Q2	4.2	2.9	2.3	Sep	2.5	3.7	Sep
China	6.5	Q3	6.6	6.6	2.5	Sep	2.1	3.8	Q2§
Japan	1.3	Q2	3.0	1.1	1.2	Sep	0.9	2.4	Aug
Britain	1.2	Q2	1.6	1.3	2.4	Sep	2.4	4.0	Jul††
Canada	1.9	Q2	2.9	2.3	2.2	Sep	2.3	5.9	Sep
Euro area	2.2	Q2	1.8	2.1	2.1	Sep	1.7	8.1	Aug
Austria	2.3	Q2	-4.0	2.9	2.0	Sep	2.1	4.8	Aug
Belgium	1.4	Q2	1.6	1.5	2.3	Sep	2.2	6.5	Aug
France	1.7	Q2	0.6	1.7	2.2	Sep	2.1	9.3	Aug
Germany	1.9	Q2	1.8	1.9	2.3	Sep	1.8	3.4	Aug‡
Greece	1.8	Q2	0.9	2.0	1.1	Sep	0.9	19.0	Jul
Italy	1.2	Q2	0.8	1.1	1.4	Sep	1.4	9.7	Aug
Netherlands	3.1	Q2	3.3	2.8	1.9	Sep	1.7	4.7	Sep
Spain	2.7	Q2	2.3	2.7	2.3	Sep	1.8	15.2	Aug
Czech Republic	2.7	Q2	2.9	3.0	2.3	Sep	2.3	2.7	Aug‡
Denmark	1.5	Q2	1.0	1.3	0.6	Sep	1.1	3.9	Aug
Norway	3.3	Q2	1.5	1.6	3.4	Sep	2.3	4.0	Jul††
Poland	5.1	Q2	4.1	4.6	1.9	Sep	1.8	5.7	Sep§
Russia	1.9	Q2	na	1.6	3.4	Sep	2.9	4.5	Sep§
Sweden	2.4	Q2	3.1	2.7	2.3	Sep	2.0	6.0	Sep§
Switzerland	3.4	Q2	2.9	2.7	1.0	Sep	1.0	2.5	Sep
Turkey	5.2	Q2	na	3.8	24.5	Sep	15.3	10.8	Jul§
Australia	3.4	Q2	3.5	3.2	2.1	Q2	2.1	5.0	Sep
Hong Kong	3.5	Q2	-0.9	3.4	2.7	Sep	2.2	2.8	Sep‡‡
India	8.2	Q2	7.8	7.4	3.8	Sep	4.6	6.4	Aug
Indonesia	5.3	Q2	na	5.2	2.9	Sep	3.4	5.1	Q1§
Malaysia	4.5	Q2	na	5.0	0.2	Aug	0.9	3.4	Aug§
Pakistan	5.4	2018**	na	5.4	5.1	Sep	5.4	5.9	2015
Philippines	6.0	Q2	5.3	6.2	6.7	Sep	5.2	5.4	Q3§
Singapore	2.6	Q3	4.7	3.5	0.7	Sep	0.6	2.1	Q2
South Korea	2.0	Q3	2.3	2.8	1.9	Sep	1.6	3.6	Sep§
Taiwan	3.3	Q2	1.6	2.6	1.7	Sep	1.7	3.7	Sep
Thailand	4.6	Q2	4.1	4.1	1.3	Sep	1.2	1.0	Aug§
Argentina	-4.2	Q2	-15.2	-2.3	40.3	Sep	33.6	9.6	Q2§
Brazil	1.0	Q2	0.7	1.5	4.5	Sep	3.8	12.1	Aug§
Chile	5.3	Q2	2.8	3.9	3.1	Sep	2.4	7.3	Aug‡‡
Colombia	2.5	Q2	2.3	2.7	3.2	Sep	3.3	9.2	Aug§
Mexico	2.6	Q2	-0.6	2.1	5.0	Sep	4.8	3.3	Sep
Peru	5.4	Q2	12.5	4.1	1.3	Sep	1.4	6.1	Sep§
Egypt	5.4	Q2	na	5.3	16.0	Sep	17.0	9.9	Q2§
Israel	3.9	Q2	1.8	3.6	1.2	Sep	1.1	4.0	Aug
Saudi Arabia	-0.9	2017	na	1.5	2.1	Sep	2.6	6.0	Q2
South Africa	0.4	Q2	-0.7	0.7	4.9	Sep	4.8	27.2	Q2§

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

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## Economic data

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	Current-account balance % of GDP, 2018†	Interest rates	Currency units			
			10-yr gov't bonds latest,%	change on year ago, bp	per \$ Oct 24th	% change on year ago
United States	-2.6	2.96	59.0	-	-	
China	0.5	3.39§§	-36.0	6.94	-4.3	
Japan	3.8	0.08	1.0	113	1.0	
Britain	-3.4	1.51	14.0	0.77	-1.3	
Canada	-2.6	2.44	37.0	1.30	-3.1	
Euro area	3.4	0.39	-8.0	0.88	-3.4	
Austria	2.2	0.57	-5.0	0.88	-3.4	
Belgium	-0.3	0.86	10.0	0.88	-3.4	
France	-0.9	0.82	-5.0	0.88	-3.4	
Germany	7.9	0.39	-8.0	0.88	-3.4	
Greece	-1.2	4.30	-126	0.88	-3.4	
Italy	2.4	3.62	157	0.88	-3.4	
Netherlands	10.1	0.54	nil	0.88	-3.4	
Spain	1.1	1.35	-31.0	0.88	-3.4	
Czech Republic	0.8	2.16	48.0	22.7	-3.8	
Denmark	7.2	0.35	-24.0	6.55	-3.2	
Norway	7.4	1.99	31.0	8.33	-4.0	
Poland	-0.6	3.18	-21.0	3.78	-4.8	
Russia	5.1	8.67	106	65.5	-12.3	
Sweden	3.8	0.65	-21.0	9.10	-9.9	
Switzerland	9.9	0.06	4.0	1.00	-1.0	
Turkey	-5.7	19.07	744	5.66	-34.5	
Australia	-2.6	2.66	-11.0	1.41	-9.2	
Hong Kong	3.7	2.44	62.0	7.84	-0.5	
India	-2.4	7.87	109	73.2	-11.2	
Indonesia	-2.6	8.60	199	15,197	-10.9	
Malaysia	2.6	4.16	19.0	4.17	1.7	
Pakistan	-5.8	12.00†††	380	132	-20.2	
Philippines	-1.5	8.00	334	53.7	-4.1	
Singapore	17.5	2.56	33.0	1.38	-1.5	
South Korea	4.5	2.31	-15.0	1,132	-0.2	
Taiwan	12.9	0.93	-11.0	30.9	-2.2	
Thailand	9.6	2.59	28.0	32.9	0.9	
Argentina	-4.3	11.26	562	36.5	-52.5	
Brazil	-1.0	8.38	-38.0	3.72	-13.7	
Chile	-2.0	4.58	14.0	689	-8.4	
Colombia	-2.7	7.18	57.0	3,151	-6.5	
Mexico	-1.8	8.36	113	19.4	-2.2	
Peru	-1.8	na	nil	3.34	-3.0	
Egypt	-2.0	na	nil	17.9	-1.5	
Israel	1.9	2.34	55.0	3.68	-5.2	
Saudi Arabia	7.3	na	nil	3.75	nil	
South Africa	-3.5	9.32	46.0	14.5	-5.2	

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

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# Markets

	Index Oct 24th	one week	% change on: Dec 29th 2017
<b>United States</b> DJIA	24,583.4	-4.4	-0.5
<b>United States</b> NAScomp	7,108.4	-7.0	3.0
<b>China</b> Shanghai Comp	2,603.3	1.6	-21.3
<b>China</b> Shenzhen Comp	1,297.2	2.4	-31.7
<b>Japan</b> Nikkei 225	22,091.2	-3.3	-3.0
<b>Japan</b> Topix	1,652.1	-3.6	-9.1
<b>Britain</b> FTSE 100	6,963.0	-1.3	-9.4
<b>Canada</b> S&P TSX	14,909.1	-4.0	-8.0
<b>Euro area</b> EURO STOXX 50	3,130.3	-3.5	-10.7
<b>France</b> CAC 40	4,953.1	-3.7	-6.8
<b>Germany</b> DAX*	11,191.6	-4.5	-13.4
<b>Italy</b> FTSE/MIB	18,485.5	-5.0	-15.4
<b>Netherlands</b> AEX	507.8	-3.7	-6.8
<b>Spain</b> IBEX 35	8,677.4	-3.6	-13.6
<b>Poland</b> WIG	55,379.9	-2.6	-13.1
<b>Russia</b> RTS, \$ terms	1,125.1	-3.2	-2.5
<b>Switzerland</b> SMI	8,724.6	-0.3	-7.0
<b>Turkey</b> BIST	92,692.1	-6.4	-19.6
<b>Australia</b> All Ord.	5,926.5	-2.0	-3.9
<b>Hong Kong</b> Hang Seng	25,249.8	-0.8	-15.6
<b>India</b> BSE	34,034.0	-2.1	-0.1
<b>Indonesia</b> IDX	5,709.4	-2.7	-10.2
<b>Malaysia</b> KLSE	1,690.0	-2.9	-5.9
<b>Pakistan</b> KSE	39,271.1	4.3	-3.0
<b>Singapore</b> STI	3,032.1	-1.3	-10.9
<b>South Korea</b> KOSPI	2,097.6	-3.2	-15.0
<b>Taiwan</b> TWI	9,759.4	-2.2	-8.3
<b>Thailand</b> SET	1,623.4	-4.2	-7.4
<b>Argentina</b> MERV	28,157.4	-2.0	-6.3
<b>Brazil</b> BVSP	83,063.5	-3.1	8.7
<b>Mexico</b> IPC	45,959.0	-4.0	-6.9
<b>Egypt</b> EGX 30	13,246.4	-4.1	-11.8
<b>Israel</b> TA-125	1,436.9	-1.3	5.3
<b>Saudi Arabia</b> Tadawul	7,512.5	-1.9	4.0
<b>South Africa</b> JSE AS	50,877.3	-2.9	-14.5
<b>World, dev'd</b> MSCI	1,988.6	-4.8	-5.5
<b>Emerging markets</b> MSCI	953.1	-3.1	-17.7

## US corporate bonds, spread over Treasuries

	latest	Dec 29th 2017
Basis points		
<b>Investment grade</b>	154	137
<b>High-yield</b>	408	404

Sources: Thomson Reuters; Standard & Poor's Global Fixed Income Research. \*Total return index.

## Commodities

The Economist commodity-price index			% change on	
2005=100	Oct 16th	Oct 23rd*	month	year
<b>Dollar Index</b>				
All Items	141.2	139.6	0.9	-6.1
Food	147.0	145.3	2.9	-3.5
<b>Industrials</b>				
All	135.3	133.8	-1.3	-8.9
Non-food agriculturals	125.5	124.2	-2.0	-5.3
Metals	139.5	137.9	-1.0	-10.2
<b>Sterling Index</b>				
All items	194.5	195.8	2.4	-5.0
<b>Euro Index</b>				
All items	151.7	151.5	3.8	-3.6
<b>Gold</b>				
\$ per oz	1,228.0	1,233.1	2.5	-3.3
<b>West Texas Intermediate</b>				
\$ per barrel	71.9	66.4	-8.1	26.6

Sources: CME Group; Cotlook; Darmenn & Curl; FT; ICCO; ICO; ISO; Live Rice Index;

LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ.

\*Provisional.

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